

East Lothian Integration Joint Board

2017/18 Annual Audit Report



 AUDIT SCOTLAND

Prepared for the East Lothian Integration Joint Board and the Controller of Audit
27 September 2018

Who we are

The Auditor General, the Accounts Commission and Audit Scotland work together to deliver public audit in Scotland:

- The Auditor General is an independent crown appointment, made on the recommendation of the Scottish Parliament, to audit the Scottish Government, NHS and other bodies and report to Parliament on their financial health and performance.
- The Accounts Commission is an independent public body appointed by Scottish ministers to hold local government to account. The Controller of Audit is an independent post established by statute, with powers to report directly to the Commission on the audit of local government.
- Audit Scotland is governed by a board, consisting of the Auditor General, the chair of the Accounts Commission, a non-executive board chair, and two non-executive members appointed by the Scottish Commission for Public Audit, a commission of the Scottish Parliament.



About us

Our vision is to be a world-class audit organisation that improves the use of public money.

Through our work for the Auditor General and the Accounts Commission, we provide independent assurance to the people of Scotland that public money is spent properly and provides value. We aim to achieve this by:

- carrying out relevant and timely audits of the way the public sector manages and spends money
- reporting our findings and conclusions in public
- identifying risks, making clear and relevant recommendations.

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Key messages

2017/18 annual report and accounts

- 1 In our opinion the East Lothian Integration Joint Board's (the IJB) financial statements give a true and fair view and were properly prepared.
- 2 The management commentary, remuneration report and annual governance statement were consistent with the financial statements and prepared in accordance with applicable guidance.

Financial management and sustainability

- 3 The IJB broke even and spent £159.32 million on delivering health and social care services. However, both East Lothian Council and NHS Lothian were required to provide additional in-year resources to achieve a break-even position. The IJB plans to break-even in 2018/19 and has formally accepted budget proposals from the partner bodies.
- 4 The IJB has appropriate and effective budgetary arrangements in place which provide timely and reliable information for monitoring financial performance.
- 5 The IJB needs to continue to engage with its partners to ensure that the partners' planned efficiencies for 2018/19 are identified, monitored and achieved in order to break-even. Partners have stated that the provision of additional funds to cover future overspends is not a sustainable position.
- 6 The IJB needs to continue to develop its medium to long-term financial planning to assist in addressing upcoming and future budget challenges.

Governance, transparency and value for money

- 7 The IJB has adequate governance arrangements in place that support the scrutiny of decisions by the members.
- 8 The IJB's risk management arrangements are being refined following the approval of a risk management strategy and policy in June 2018.
- 9 The IJB should prepare a Workforce Development and Support Plan to support the Strategic Plan, as required by the integration scheme.

Introduction

1. This report is a summary of our findings arising from the 2017/18 audit of East Lothian Integration Joint Board (the IJB).

2. The scope of our audit was set out in our Annual Audit Plan presented to the Audit and Risk Committee meeting on 6 March 2018. This report comprises the findings from our main elements of work in 2017/18 including:

- an audit of the IJB's 2017/18 annual accounts including issuing an independent auditor's report setting out our opinion
- consideration of the four audit dimensions that frame the wider scope of public audit set out in the [Code of Audit Practice 2016](#) as illustrated in [Exhibit 1](#).

Exhibit 1

Audit dimensions



Source: *Code of Audit Practice 2016*

3. The IJB has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing annual accounts that are in accordance with proper accounting practices.

4. The IJB is responsible for preparing the annual accounts that show a true and fair view and for establishing effective arrangements for governance which enable them to successfully deliver their objectives.

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

- 6.** As public sector auditors we give independent opinions on the annual accounts. We also review and provide conclusions on the effectiveness of the IJB's performance management arrangements, suitability and effectiveness of corporate governance arrangements, and financial position and arrangements for securing financial sustainability. In doing this, we aim to support improvement and accountability.
- 7.** Further details of the respective responsibilities of management and the auditor can be found in the [Code of Audit Practice \(2016\)](#) and supplementary guidance.
- 8.** The weaknesses or risks identified in this report are only those that have come to our attention during our normal audit work and may not be all that exist.
- 9.** Our annual audit report contains an agreed action plan at [Appendix 1](#) setting out specific recommendations, responsible officers and dates for implementation. It also includes outstanding actions from last year and progress against these.
- 10.** We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can confirm that we have not undertaken any non-audit related services and therefore the 2017/18 audit fee of £24,000, as set out in our Annual Audit Plan, remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

Adding value through the audit

- 11.** Our aim is to add value to the IJB by increasing insight into, and offering foresight on financial sustainability, risk and performance and by identifying areas of improvement and recommending / encouraging good practice. In so doing, we aim to help the IJB promote improved standards of governance, better management and decision making and more effective use of resources.
- 12.** This report is addressed to both the board and the Controller of Audit and will be published on Audit Scotland's website www.audit-scotland.gov.uk.
- 13.** We would like to thank all management and staff who have been involved in our work for their co-operation and assistance during the audit.

Part 1

Audit of 2017/18 annual accounts



Main judgements

In our opinion East Lothian IJB's financial statements give a true and fair view and were properly prepared.

The management commentary, audited part of the remuneration report and annual governance statement were consistent with the financial statements and prepared in accordance with applicable guidance.

Audit opinions on the annual accounts

14. The annual accounts for the year ended 31 March 2018 were approved by the board on 27 September 2018. We reported within our independent auditor's report that in our opinion:

- the financial statements give a true and fair view and were properly prepared
- the audited part of the remuneration report, management commentary, and annual governance statement were all consistent with the financial statements and properly prepared in accordance with proper accounting practices.

15. Additionally, we have nothing to report in respect of misstatements in information other than the financial statements; the adequacy of accounting records; and the information and explanations we received.

The annual accounts are the principal means of accounting for the stewardship of the board's resources and its performance in the use of those resources.

Submission of annual accounts for audit

16. We received the unaudited annual accounts on 29 June 2018 in line with our agreed audit timetable. Financial information was provided to the IJB in a timely manner from the partner bodies in order to allow it to produce its accounts by the statutory deadline. The partner bodies also provided the IJB with assurance letters confirming that the figures were complete and accurate.

17. The working papers provided with the unaudited annual accounts were of a good standard and finance staff provided good support to the audit team which helped ensure the audit process ran smoothly.

Risks of material misstatement

18. [Appendix 2](#) provides a description of those assessed risks of material misstatement that were identified during the planning process, wider dimension risks, how we addressed these and our conclusions. These risks had the greatest effect on the overall audit strategy, the allocation of staff resources to the audit and directing the efforts of the audit team.

Materiality

19. Misstatements are material if they could reasonably be expected to influence the economic decisions of users taken based on the financial statements. The assessment of what is material is a matter of professional judgement. It involves considering both the amount and nature of the misstatement. It is affected by our perception of the financial information needs of users of the financial statements.

20. Our initial assessment of materiality for the annual accounts was carried out during the planning phase of the audit. We assess the materiality of uncorrected misstatements, both individually and collectively. The assessment of materiality was recalculated on receipt of the unaudited financial statements and is summarised in [Exhibit 2](#).

Exhibit 2

Materiality values

Materiality level	Amount
Overall materiality	£1.6 million
Performance materiality	£1.2 million
Reporting threshold	£15,000

Source: Audit Scotland, 2017/18 Annual Audit Plan

How we evaluate misstatements

21. There were no material adjustments to the unaudited financial statements arising from our audit. There were no individual misstatements which exceeded our reporting threshold.

Significant findings from the audit in accordance with ISA 260

22. International Standard on Auditing (UK) 260 requires us to communicate significant findings from the audit to those charged with governance. There are no significant findings arising from the audit of the IJB.

Other Findings

23. Our audit identified a number of presentational and disclosure issues which were discussed with management. These were adjusted for and are reflected in the audited financial statements.

Good practice in financial reporting

24. The annual accounts reflect good practice as set out in the Audit Scotland good practice note on '[Improving the quality of local authority accounts – integration joint boards](#)' (April 2018). Our audit identified one issue in this area with respect to the management commentary not fully reflecting best practice. This was addressed and is reflected in the audited financial statements.

Follow up of prior year recommendations

25. We have followed up actions previously reported and assessed progress with implementation, these are reported in [Appendix 1](#) and identified by the prefix b/f (brought forward).

26. In total, six actions were raised by audit and agreed with management in 2016/17. Of these:

- two have been fully implemented
- four are not actioned or have only partly been actioned.

27. Overall the IJB has made reasonable progress in implementing these actions. For those actions not yet implemented, revised responses and timescales have been agreed with management in [Appendix 1](#).

Part 2

Financial management and sustainability



Main judgements

The IJB broke even in 2017/18 spending £159.32 million on delivering health and social care services. However, both East Lothian Council and NHS Lothian had to provide additional, in-year funding to achieve this.



The IJB has appropriate and effective budgetary arrangements in place which provide timely and reliable information for monitoring financial performance.

The IJB needs to continue to engage with its partners to ensure that the partners' planned efficiencies for 2018/19 are identified, monitored and achieved in order to break-even. Partners have stated that the provision of additional funds to cover future overspends is not a sustainable position.

The IJB needs to continue to develop its medium to long-term financial planning to assist in addressing upcoming and future budget challenges.

Financial management

28. As auditors, we need to consider whether audited bodies have established adequate financial management arrangements. We do this by considering several factors, including whether:

- the Chief Financial Officer has sufficient status to be able to deliver good financial management
- standing financial instructions and standing orders are comprehensive, current and promoted within the IJB
- reports monitoring performance against budgets are accurate and provided regularly to budget holders
- monitoring reports do not just contain financial data but are linked to information about performance
- IJB members provide a good level of challenge and question budget holders on significant variances.

29. We reviewed the financial regulations and standing orders, which were created on the formation of the IJB, and we consider these to be appropriate. All completed governance documents are accessible through the East Lothian Council website.

30. From attendance at the Board / Audit and Risk Committee meetings, and a review of the associated papers we have concluded that the Chief Finance Officer has appropriate status within the IJB. Updates are provided by the Chief Finance Officer to the Board / Audit and Risk Committee and members provide a good level of challenge and scrutiny on the material presented.

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

31. We also are satisfied that reports monitoring the financial and wider performance of the IJB are presented to the Board on a regular basis.

32. At its meetings in July 2017, August 2017, October 2017, December 2017 and March 2018 the Chief Finance Officer provided updates on the in-year (2017/18) financial position. The July and August updates reported issues within the health element of the IJB budget but noted that the social care element of the budget was expected to break-even. As the year progressed the health position improved but financial pressures in social care were reported along with an indication that the IJB may not break even. The October and December updates laid out the actions described in the integration scheme in the event of a forecasted overspend and reported the actions taken by the Chief Officer and the Chief Finance Officer to address these.

33. In terms of the wider performance of the IJB, regular reports have been issued to and discussed by the board, setting out the IJB's wider performance against nationally set measures.

Systems of internal control

34. The IJB relies on the information generated by NHS Lothian and East Lothian Council's key financial systems such as the ledger and payroll. The details of the IJB's financial transactions are processed through the partner's systems and the controls over these systems are accounted for within these two bodies. The IJB's transactions are maintained separately from those of the partner bodies.

35. As part of our audit approach and in accordance with ISA 402, we sought assurances from the external auditors of NHS Lothian and East Lothian Council who both confirmed there were no weaknesses in respective systems of internal control.

Financial performance in 2017/18

36. The IJB does not have any assets, nor does it directly incur expenditure or employ staff other than the Chief Officer. All funding and expenditure for the IJB is incurred by partner bodies and processed in their accounting records. Satisfactory arrangements are in place to identify this income and expenditure and report this financial information to the IJB.

37. The year-end outturn position is a break-even position, which was only achieved by both partners making additional resources available. A good level of co-operation between the IJB and its partners was evident throughout this process.

38. Total net expenditure for the IJB delegated services in 2017/18 was £159.32 million. A budget summary for the year is shown in [Exhibit 3](#).

39. The initial end-year financial position for 2017/18 was an overspend of £686,000. This was composed of an underspend of £250,000 within the health part of the budget and an overspend of £936,000 within the social care part of the budget.

40. The IJB's integration scheme allows the movement of underspends from one area of the budget to offset overspends, if the partner reporting the underspend agrees that the underspend is 'planned' and not fortuitous. NHS Lothian accepted that the underspend position, although not directly planned by the IJB, was a result of management actions undertaken by the partnership. On this basis, the IJB directed NHS Lothian to make these funds available to the council to support the social care position. In addition to this, NHS Lothian also made a further £75,000 of additional funds available to contribute towards the break-even position.

41. At year end, the council agreed to contribute an additional £611,000 to enable the IJB to a break-even position on social care functions.

Exhibit 3

2017/18 performance against budget

IJB budget objective summary	Budget £m	Transfer of Underspend £m	Additional funding ELC £m	Additional funding NHSL £m	Actual outturn £m
Health	114.98	(0.25)	0	0	114.73
Social care	43.65	0.25	0.61	0.075	44.59
Total funding	158.63	0	0.61	0.075	159.32
IJB Net expenditure					159.32
Surplus/(deficit)					0
Earmarked reserves					0

Source: East Lothian IJB 2017/18 Annual Accounts

Financial planning

42. The IJB allocates the resources it receives from the health board and council in line with the Strategic Plan. Due diligence was undertaken by the IJB to consider the sufficiency of the 2017/18 budget.

43. As noted in paragraph 37, the IJB achieved a break-even position in 2017/18. This was achieved by reaching a mutual agreement with the partner bodies to fund the over-spends.

44. The IJB approved the budget for 2018/19 at its meeting on 22 February 2018. The budget included a base allocation of £45 million from East Lothian Council and an indicative budget of £100.7 million from NHS Lothian. A formal offer of £98.9 million from NHS Lothian was approved at the 28 June 2018 meeting of the IJB. The IJB expects to deliver a breakeven position again in 2018/19.

45. The 2018/19 financial assurance process as at May 2018 has identified a total of £3 million of financial pressures within the IJB Budget.

46. Budget monitoring will be critical to ensure the IJB achieves the projected break-even position. Partner bodies are unlikely to cover over-spends in 2018/19 and therefore regular monitoring and reporting is crucial to address shortfalls and implement budget recovery plans.

47. The IJB has recently put in place a more formal process for financial planning and budget forecasting for the medium to long term. This is a positive development and is the result of good co-operation between the IJB and its partners.

48. A draft three-year financial plan, underpinned by the draft financial strategy, was presented to the IJB at its February 2018 meeting. The IJB has acknowledged that the plan is a work in progress and needs to be developed further. Progress updates are planned to be available by October 2018.

49. The plan does not yet consider how the overall resources available to the IJB could be re-prioritised across the programmes to achieve outcomes, nor does it incorporate any efficiency plans still being developed by the partners to address

the main identified financial pressures of pay or operational pressures. There is also an acknowledged need to better map the financial plan to the specific IJB Directions.

50. Further iterations of the financial plan are due to be presented to the IJB in 2018/19.

Recommendation 1 (appendix 1, action plan point 1)

The IJB needs to continue to develop its medium to long-term financial plans to better highlight and address the continuing financial pressures it is facing and to contribute towards the delivery of its Strategic Plan.

Efficiency savings

51. NHS Boards and councils have faced several years of financial constraints and this is expected to continue in the coming years. The ageing population and increasing numbers of people with long term conditions and complex needs have already placed significant pressure on health and social care budgets.

52. The maintenance of a sound financial position going forward is dependent on achieving the efficiency savings to bridge the gap between available funding from current sources and the cost of services. The IJB and partners will agree available funding and then determine how best to use the resources to deliver the outcomes in the Strategic Plan.

53. The 2018/19 financial assurance process as at May 2018 identified a total of £3 million financial pressures within the IJB budget. Pressures include £1.2 million (social care) and £1.8 million (health). The IJB will need to make efficiency savings to maintain financial balance in 2018/19 and beyond. Reports to the Board for 2018/19 state that it is unlikely that NHS Lothian and East Lothian Council would be able to make any further non-recurrent funds available to support any in-year pressures. It is unclear at this stage to what extent the financial pressures set out above have efficiency plans to address them.

Recommendation 2 (appendix 1, action plan point 2)

The IJB needs to engage closely and regularly with its partners to ensure that partners' planned efficiencies for 2018/19 are identified, monitored and achieved in order to break-even. Partners have indicated that the provision of additional funds to cover future overspends is not a sustainable position.

Reserves strategy

54. The IJB has a reserves strategy which outlines the type of reserves the IJB are allowed to hold including unusable reserves such as the employee statutory adjustment account (required by legislation) and general fund reserves. The reserves policy sets out that the IJB will set the general reserve level at 2% of the IJB revenue budget.

55. In 2017/18 the IJB did not have resources to fund the general fund reserve and it is unlikely to occur in 2018/19 with the aim being for the IJB to break-even.

56. We are satisfied that the IJB's reserves policy adequately sets out the circumstances in which reserves can be created, and the governance arrangements around their use.

EU withdrawal

57. There remains significant uncertainty about the detailed implications of EU withdrawal (i.e. Brexit). It is critical that public sector bodies are working to understand, assess and prepare for the impact on their business in three broad areas:

- Workforce - the extent to which changes to migration and trade policies are likely to affect the availability of skilled and unskilled labour.
- Funding – the extent to which potential changes to funding flows are likely to affect the finances of the organisation and the activity that such funding supports.
- Regulation – the extent to which potential changes to regulation across a broad range of areas overseen at an EU level are likely to affect the activities of the organisation.

58. The IJB will wish to be well informed in how East Lothian Council and NHS Lothian are working to monitor and respond to the impact of the EU withdrawal on their services. Due the uncertainties surrounding the terms of the withdrawal, currently there are no fixed plans in place in the IJB at this stage.

Part 3

Governance, transparency and value for money



Main judgements

The IJB has adequate governance arrangements in place that support the scrutiny of decisions by the members.



The IJB's risk management arrangements are being refined following the publication of a risk management strategy and policy in June 2018.

The IJB should prepare a Workforce Development and Support Plan to support the Strategic Plan, as required by the Integration Scheme.

Governance arrangements

59. The IJB has representation from a range of service users and partners including four elected voting members nominated by East Lothian Council and four members from NHS Lothian. The Board aims to meet on a near-monthly basis and in 2017/18 met seven times (ten times in 2016/17).

60. The IJB is responsible for overseeing the delivery of health and social care services for East Lothian including responsibility for performance management. The IJB is supported by an Audit and Risk Committee. The Audit and Risk Committee meets on a quarterly basis and in 2017/18 met four times. We attend and review minutes of Board and Audit and Risk Committee meetings to assess their effectiveness.

61. The IJB is supported in its work by a Chief Officer and a Chief Finance Officer. The Chief Officer provides strategic and operational advice to the IJB while the Chief Finance Officer is responsible for financial management including budget monitoring reports.

62. We concluded that overall the IJB has adequate governance arrangements in place and they provide a framework for effective organisational decision making.

Governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision-making and transparent reporting of financial and performance information.

Transparency

63. Transparency means that the general public has access to understandable, relevant and timely information about how the IJB is taking decisions and how it is using resources.

64. The IJB's purpose and vision are outlined in its Strategic Plan. The plan outlines a number of national and local policies, strategies going forward and the key priorities going forward. The Strategic Plan sets out the actions that the partnership will take and provides a basis for measuring how well they are doing and how these are linked to the IJB's priorities and the national outcomes.

65. Full details of the meetings held by the IJB and the Audit and Risk Committee are available through the East Lothian Council website and both meetings are open to the public to attend. The website also contains a section for the IJB papers and Audit and Risk Committee papers available for downloading/viewing. This is

considered good practice as not all public sector bodies offer this level of transparency, particularly when it comes to the Audit and Risk Committee.

Risk management

66. The IJB integration scheme stipulates that the IJB will develop its own risk management strategy separate to that of its partners, setting out the IJB's risk appetite, including, among other elements, procedures for identifying and managing risk.

67. We reviewed the risk management arrangements within the IJB to assess their effectiveness and appropriateness during the planning stage of our audit. At that time the IJB did not yet have its own risk management strategy in place. A Risk Management Strategy and Policy has subsequently been prepared for the IJB and was approved by the Board in June 2018. We will review the recently introduced strategy and risk management arrangements within the IJB as part of our planning work in 2018/19.

Internal audit

68. Internal audit provides the IJB and the Chief Finance Officer with independent assurance on the IJB's overall risk management, internal control and corporate governance processes.

69. The IJB appointed a chief internal auditor and this function is provided by East Lothian Council. We carried out a review of the adequacy of East Lothian Council's internal audit function and concluded that it operates in accordance with the Public Sector Internal Audit Standards (PSIAS) and has sound documentation standards and reporting procedures in place. The chief internal auditor is supported by the partners in carrying out her role.

70. To avoid duplication of effort we place reliance on the work of internal audit wherever possible. We did not place any formal reliance on internal audit reviews for the purpose of obtaining direct assurance for our financial statements work. Reliance was placed on internal audit work, however, in respect of corporate governance, financial governance, and performance management.

Other governance arrangements

71. The IJB is committed to ensuring the involvement of partner groups including community planning groups, the third sector, the independent sector and local communities. The Strategic Plan and locality planning arrangements enable partners to engage in and support the delivery of the health and social care provision.

72. The Integration Scheme requires the IJB to produce a joint Workforce Development and Support Plan, which is intended to sit alongside and be informed by the IJB's Strategic Plan. This is required to be produced within six months of the Strategic Plan. The Strategic Plan was published in 2016 but as yet there is no accompanying Workforce Development and Support Plan.

Recommendation 3 (appendix 1, action plan point 3)

The IJB should prepare a Workforce Development and Support Plan to support the Strategic Plan, as required by the Integration Scheme.

Value for money and performance management

73. Best Value duties apply to accountable officers across the public sector. As part of this year's audit IJB auditors have looked at how the IJB demonstrates that it is

Value for money is concerned with using resources effectively and continually improving services.

meeting its BV duties. To achieve value for money the IJB should have effective arrangements for scrutinising performance, monitoring progress towards their strategic objectives and holding partners to account.

74. The Public Bodies (Joint Working) (Scotland) Act 2014 requires that an annual performance report is completed within four months of the year end. Guidance highlights that the report should cover areas including; assessing performance in relation to national health and wellbeing outcomes, financial performance and best value, reporting on localities, inspection of services, and a review of strategic commissioning plan (if applicable).

75. The IJB board receives performance reports on a quarterly basis and these are available on East Lothian Council's website. The first report on performance was provided to the IJB Board in August 2016 and these have been provided quarterly thereafter. The only interruption to this was the absence of a March 2018 report.

76. The annual performance report covered all relevant areas and was approved at the IJB Board meeting on 23 August 2018 and published on 31 August. This report should have been published by 31 July 2018, to conform with the requirements of the 2014 Act.

Recommendation 4 (appendix 1, action plan point 4)

The IJB should ensure that its annual performance report is completed by 31 July, as required by the Public Bodies (Joint Working) (Scotland) Act 2014.

77. The Strategic Plan identifies nine strategic priorities that are linked to the Scottish Government's nine health and wellbeing outcomes. These are:

- Making universal services more accessible
- Improving prevention and early intervention
- Reducing unscheduled care
- Providing care closer to home
- Delivering services within an integrated care model
- Enabling people to have more choice and control
- Optimising efficiency and effectiveness
- Reducing health inequalities
- Supporting partnership working.

78. Positive performance was reported against these objectives, however wider challenges for the IJB were noted in the areas of addressing financial pressures going forward, and the need to address the issue of delayed discharges and health inequalities.

National performance audit reports

79. Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2017/18 we published some reports which are of direct interest to the Board as outlined in [Appendix 3](#).

80. We found that the IJB has adequate arrangements in place for considering and reviewing national reports and other relevant reports from the partners. A summary of national scrutiny and other reports of interest is provided to members and there is opportunity for further discussion during meetings.

Good practice

81. The IJB holds a number of development sessions throughout the year for Board members. These are separate to Board meetings and the aim of these is to set aside time for members to give more in-depth consideration to key issues or to receive briefings on areas of work which are relevant to the responsibilities of the IJB. In the past there have been sessions on a number of topics including the IJB's Strategic Plan and Directions, financial planning, primary care services and new legislation affecting carers. Topics are agreed by the Chair of the IJB and the Chief Officer, and members of the IJB can propose topics they think may be of benefit.

Appendix 1

Action plan 2017/18

2017/18 recommendations for improvement



No.	Issue/risk	Recommendation	Agreed management action/timing
1	<p>Financial Planning</p> <p>A draft 3-year financial plan and financial strategy was presented to the IJB at its February 2018 meeting. The plan does not yet consider how resources could be re-prioritised across the programmes to achieve outcomes, nor does it incorporate any efficiency plans still being developed by the partners. There is also an acknowledged need to better map the financial plan to the IJB Directions.</p> <p>Risk</p> <p>Issues relating to financial sustainability and strategic planning in the medium to long term are not identified and this could impact on future service delivery.</p>	<p>The IJB needs to continue to develop its medium to long-term financial plans to better highlight and address the continuing financial pressures it is facing and to contribute towards the delivery of its Strategic Plan.</p>	<p>Agreed, the IJB is developing a three year financial plan. An update was provided to the IJB at its February 2018 meeting.</p> <p>Responsible Officer – Chief Finance Officer.</p> <p>Further updates will be presented to the IJB during 2018/19.</p>
2	<p>Financial pressures</p> <p>The IJB is facing financial pressures in excess of £3 million in 2018/19. In the event of these pressures not being met, it is unlikely that the partners would be able to make any further non-recurring funds available. It is unclear at this stage to what extent efficiency plans address the financial pressures set out above.</p> <p>Risk</p> <p>The IJB is not be able to address the financial pressures it faces in 2018/19</p>	<p>The IJB needs to engage closely and regularly with its partners to ensure that planned efficiencies for 2018/19 are identified, monitored and achieved in order to break-even.</p>	<p>The IJB has already met with its partners and a recovery plan for 2018/19 is in development.</p> <p>Responsible officer – Chief officer</p> <p>Agreed date – December 2018</p>



No.	Issue/risk	Recommendation	Agreed management action/timing
	and as a result will not break-even.		
3	<p>Workforce Development and Support Plan</p> <p>The Integration Scheme requires the IJB to produce with the help of its partners a joint Workforce Development and Support Plan, which is intended to support the IJB's Strategic Plan. This is required to be produced within six months of the Strategic Plan. The Strategic Plan was published in 2016 but there is no accompanying Workforce Development and Support Plan.</p> <p>Risk</p> <p>The IJB may not be able to deliver its strategic priorities.</p>	<p>The IJB should prepare a Workforce Development and Support Plan to support the delivery of the Strategic Plan, as required by the Integration Scheme.</p>	<p>Agreed. A workforce plan will be developed.</p> <p>Responsible officer – Chief Officer</p> <p>Agreed date – February 2019</p>
4	<p>Annual Performance Report</p> <p>The annual performance report for the IJB was published on 31 August. This report should have been published by 31 July 2018 to conform with the requirements of the (Joint Working) (Scotland) Act 2014.</p> <p>Risk</p> <p>There is a risk that the IJB will fail to report its performance publicly in a timely fashion, again.</p>	<p>The IJB should ensure that its annual performance report is completed by 31 July, as required by the 2014 Act.</p>	<p>The annual report is dependent on information n provided by NSS. This information was not available in time for the Annual Report to be agreed by the IJB at its June meeting. There was no IJB meeting in July. This was reported to both the Scottish Government and the IJB.</p> <p>Responsible officer – Chief Officer</p> <p>Agreed date – June 2019.</p>

Follow up of prior year recommendations

b/f	<p>Budget Monitoring</p> <p>Quarterly budget monitoring reports were not produced during 2016/17 as per the Integration Scheme.</p> <p>Risk</p> <p>The absence of adequate budget monitoring arrangements increases the risk that the IJB will fail to identify and remedy with its</p>	<p>For 2017/18, the IJB needs to finalise its financial plan based on offers from the partners and ensure this is reported quarterly to Members.</p>	<p>In 2017/18 the Chief Finance Officer produced financial update position papers for the Board on at least a quarterly basis explaining the in-year financial position. The later updates laid out the actions described in the Integration Scheme in the event of an overspend forecast and reported the actions taken by the Chief Officer and the Chief</p>
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No.	Issue/risk	Recommendation	Agreed management action/timing
	partners any projected overspends.		Finance officer to address these.
b/f	<p>Risk sharing framework</p> <p>There is no risk sharing framework in place between the IJB and its partners.</p> <p>NHS Lothian and East Lothian Council were required to provide additional funding in the year in order for the IJB to deliver a break-even position.</p> <p>In 2017/18 and future years, in the absence of such funding agreements, the IJB may fail to achieve this break-even position.</p> <p>Risk</p> <p>In the absence of this framework, and given the funding challenges going forward, there is a risk that lines of accountability for overspends are unclear and go unresolved.</p>	<p>The IJB should put in place a risk sharing framework with its partners to ensure that the lines of accountability regarding overspends are clearly set out.</p>	See action plan point 2 above.
b/f	<p>Financial Planning</p> <p>The IJB does not have a medium to long term financial plan in place. Despite the IJB being fully funded by partners who only receive annual funding allocations from the Scottish Government, this should not prevent the IJB from preparing medium to long term financial plans based on sensitivity analysis and scenario planning for possible budget changes.</p> <p>Risk</p> <p>Issues relating to financial sustainability and planning in the medium to long term are not identified in a timely matter and this could prevent future delivery of key services.</p>	<p>The IJB needs to develop medium to long term financial plans to assist in addressing upcoming and future budget challenges.</p>	See action plan point 1 above.



No.	Issue/risk	Recommendation	Agreed management action/timing
b/f	<p>Efficiency savings</p> <p>For 2017/18 the IJB is required to deliver £3.3 million savings with £500,000 yet to be identified. Robust plans need to be in place as it is unlikely that further funds will be made available by partners to fund any further pressures.</p> <p>Risk</p> <p>The IJB may not be able to deliver the targeted savings in 2017/18 and will not break-even.</p>	<p>The IJB needs to identify and agree the remaining 2017/18 savings required in order to break-even.</p>	<p>See action plan point 2 above.</p>
b/f	<p>Risk management</p> <p>The IJB has not developed its own risk management strategy, and has chosen to rely exclusively on the risk management strategy of its partners in developing its own risk register.</p> <p>Risk</p> <p>The IJB is not in compliance with the requirements of the Integration Scheme with respect to risk management and could consequently be less effective in capturing and monitoring all of the relevant risks for the IJB.</p>	<p>The IJB should develop its own risk management strategy to ensure it is complying with the Integration Scheme. Further work is still to be done to refine the risk management and review processes within the IJB.</p>	<p>The IJB risk management strategy and policy was approved by the June 2018 Board. We will review the recently introduced strategy and the wider risk management arrangements within the IJB as part of our planning work in 2018/19.</p>
b/f	<p>Performance Reporting</p> <p>The annual performance report was not submitted in line with the Act during 2016/17.</p> <p>Risk</p> <p>There is a risk that the failure to routinely monitor and report in-year performance could lead to the IJB failing to meet some or all of the metrics set out by the Act as well as failure to address issues as they become known.</p>	<p>The IJB needs to ensure that it produces an annual performance report in line with the requirements of the Act and that it is relevant to the IJBs operations and presented to members by 31 July each year.</p>	<p>See action plan point 4 above.</p>

Appendix 2

Significant audit risks identified during planning

The table below sets out the audit risks we identified during our planning of the audit and how we addressed each risk in arriving at our conclusion. The risks are categorised between those where there is a risk of material misstatement in the annual accounts and those relating our wider responsibility under the Code of Audit Practice 2016.

Audit risk	Assurance procedure	Results and conclusions
Risks of material misstatement in the financial statements		
<p>1 Risk of management override of controls</p> <p>ISA 240 requires that audit work is planned to consider the risk of fraud, which is presumed to be a significant risk in any audit. This includes consideration of the risk of management override of controls in order to change the position disclosed in the financial statements.</p>	<p>Owing to the nature of this risk, assurances from management are not applicable in this instance.</p>	<p>Substantive testing of journals identified no errors.</p> <p>Accounting estimates, where applicable were satisfactory.</p> <p>No significant transactions outside the normal course of business were identified during the audit process.</p> <p>Service auditor assurances were received and were satisfactory.</p> <p>No fraud concerns were identified from our work in relation to the risk of management override of control.</p>
<p>2 Link between ELC and IJB budget and expenditure</p> <p>During our 2016/17 audit we found it difficult to obtain information on how the ELC expenditure in the IJB accounts is distributed across the delegated functions for Social Care within the IJB budget.</p> <p>There is a risk of insufficient transparency of expenditure. Consequently the Partner cannot readily be assured that IJB expenditure has been incurred in compliance with the reason for which it was committed.</p>	<p>Assurances from ELC to the IJB Management team over budget against spend.</p> <p>Assurances received from the work by the external auditors of ELC.</p>	<p>Assurances obtained in relation to substantively tested expenditure from the external auditors of both partners, ELC and NHSL.</p> <p>Additional substantive sample of ELC Health and Wellbeing IJB transactions tested to gain additional assurance on social care arm of spending.</p> <p>Adequate assurance obtained on IJB expenditure.</p>
Risks identified from the auditor's wider responsibility under the Code of Audit Practice		
<p>3 Financial sustainability</p> <p>The IJB has no financial risk sharing agreement with its partners to address end-year</p>	<p>In line with the protocol set out in the Integration Scheme, Partners are working with the</p>	<p>As in 2016/17, the IJB required additional contributions from the partners in order to reach a break-even position. However this</p>

Audit risk	Assurance procedure	Results and conclusions
<p>overspends. Current forecasts indicate that the IJB will overspend in 2017/18. However, unlike last year, the partners have provided no guarantees to underwrite current year overspend.</p> <p>There is a risk that neither Partner takes responsibility to fund the 2017/18 overspend and rectify any in subsequent years.</p>	<p>IJB on their respective recovery plans to break-even.</p> <p>Ongoing dialogue with partners throughout the financial year on outturn.</p>	<p>funding was non-recurrent in nature, and there remains the risk that future overspends go unresolved and the IJB fails to achieve a break-even position.</p> <p>ELC has made it clear in its annual funding letter to the IJB that, although the Council has provided additional financial support to the IJB in the past 2 years since its establishment, such flexibility is not a sustainable position and that "in conjunction with both the Council and NHSL, the IJB must play a prominent role in ensuring that resources are allocated both effectively and efficiently in support of agreed strategic priorities."</p>
<p>4 Financial management</p> <p>The IJB has not yet prepared a financial plan which supports the Strategic Plan; it is expected that the financial plan will be complete by the end of the current financial year.</p> <p>The absence of a financial plan means there is a risk that any issues relating to financial sustainability and delivery of the Strategic Plan in the medium to long term are not identified sufficiently early to be resolved with Partners.</p>	<p>Financial plan to be in place by end of March 2018.</p> <p>Workshop held in January 2018 for the IJB to agree principles and set the direction of travel.</p> <p>Financial Assurance paper to the February 2018 IJB on progress towards 2018/19 financial plans.</p> <p>Throughout the year, Partners have been providing indicative three-year allocations along with an analysis of the financial pressures</p>	<p>A draft three-year financial plan and financial strategy was presented to the IJB at its February 2018 meeting.</p> <p>The IJB needs to continue to develop its medium to long-term financial plans to better highlight and address the continuing financial pressures it is facing and to contribute towards the delivery of its Strategic Plan.</p>
<p>5 Governance and transparency</p> <p>Whilst the IJB Integration Scheme makes reference to IJBs having a workforce plan in place within 6 months of the Strategic Plan, the ELC IJB workforce plan remains outstanding approximately two years after publication of the Strategic Plan in 2016.</p> <p>There is a risk that without a workforce plan, the IJB may not be able to adequately deliver its strategic objectives.</p>	<p>The Partnership has set up a group to develop a workforce plan and are planning to deliver the plan before the end of March 2018.</p>	<p>There is no Workforce Development and Support Plan to support the Strategic Plan.</p>

Appendix 3

Summary of national performance reports 2017/18



		2017/18 Reports	
		Apr	
		May	
Common Agricultural Policy Futures programme: further update		Jun	Scotland's colleges 2017
		Jul	NHS workforce planning
Self-directed support: 2017 progress report		Aug	
Equal pay in Scottish councils		Sept	
Transport Scotland's ferry services		Oct	NHS in Scotland 2017
Local government in Scotland: Financial overview 2016/17		Nov	
		Dec	
		Jan	
Early learning and childcare		Feb	
Managing the implementation of the Scotland Acts		Mar	

Reports relevant to Integration Joint Boards

[NHS workforce planning](#) – July 2017

[Self-directed support: 2017 progress report](#) – August 2018

[NHS in Scotland 2017](#) – October 2018

East Lothian Integrated Joint Board

2017/18 Annual Audit Report

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