



Edinburgh Integration Joint Board

2019/20 Annual Audit Report to members of
Edinburgh Integration Joint Board and the Controller
of Audit

October 2020






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Key messages



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| <p>Annual accounts</p> | <p>Edinburgh Integration Joint Board's (the IJB's) annual accounts for the year ended 31 March 2020 were approved by the Board on 27 October 2020.</p> <p>We reported within our independent auditor's report an unqualified opinion on the annual accounts and on other prescribed matters and that there are no matters which we are required to report by exception.</p> |
|  <p>Financial Sustainability</p> | <p>The IJB continues to face significant financial pressures, both immediately and over the medium to longer term. There is now an urgent need to work with partners to develop a medium term financial strategy and workforce strategy to support the efficient delivery of the Strategic Plan 2019-2022 and the transformation programme.</p> <p>In July 2020 the Board approved proposals to adapt and rephase delivery of the transformation programme as a result of the impact of COVID-19 on the IJB's service delivery. Work is ongoing to consider the impact of these changes on immediate and medium term financial projections.</p> |
|  <p>Financial Management</p> | <p>Whilst the IJB was able to reduce the initial gap in their unbalanced financial plan and overdeliver against their savings and recovery target, they reported a deficit of £6.5 million in 2019/20 which was met through reserves as planned, rather than additional partner contributions.</p> <p>The 2020/21 financial plan recognises a funding gap of £21.9 million and actions to address £6.0 million of this. The 2020/21 savings and recovery plan identified £11.9 million of approved savings and a further £4.0 million of savings where work is ongoing to develop detailed plans to support delivery. Work is still also ongoing to quantify the financial impact of COVID-19.</p> |
|  <p>Governance & Transparency</p> | <p>The Board initiated an external review of their governance arrangements in 2018/19. This concluded that further action was required to strengthen the Board's governance arrangements. Notable action has been taken in improving governance arrangements, communication plans and committee structures. However, further work is still required and progress has been disrupted by the COVID-19 pandemic.</p> <p>On 14 April 2020 the IJB suspended all Board and committee meetings until 30 June 2020. The Board met in July 2020 and committees have been reinstated. A number of key actions have been delayed as a result and work is on-going to develop revised plans.</p> |



Value for Money

There are a number of key indicators where performance remains challenging. The establishment of a Performance and Delivery Committee has been a key step in developing a robust performance management framework. However, work is still required to refine performance reports and measures to ensure these support efficient and effective scrutiny.

COVID-19 has imposed unprecedented challenges on the IJB but has also presented the opportunity to be innovative and embrace new ways of working. The IJB recognises this and has completed a lessons learned exercise to start building on these positive changes.

Conclusion

This report concludes our audit for 2019/20. Our work has been performed in accordance with the Audit Scotland Code of Audit Practice, International Standards on Auditing (UK) and Ethical Standards.

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October 2020

Introduction

This report is presented to those charged with governance and the Controller of Audit and concludes our audit of the Edinburgh Integration Joint Board for 2019/20.

We carried out our audit in accordance with Audit Scotland's Code of Audit Practice. This report also fulfils the requirements of International Standards on Auditing (ISA) 260: Communication with those charged with governance.

At Edinburgh Integration Joint Board, we have designated the Board as "those charged with governance"

Introduction

1. This report summarises the findings from our 2019/20 audit of Edinburgh IJB.
2. We outlined the scope of our audit in our External Audit Plan. The core elements of our work include:
 - an audit of the 2019/20 annual accounts;
 - consideration of the wider dimensions of public audit work, as set out in Exhibit 1; and
 - any other work requested by Audit Scotland.

Exhibit 1: Audit dimensions within the Code of Audit Practice



3. The IJB is responsible for preparing annual report accounts which show a true and fair view and for implementing appropriate internal control systems. The weaknesses or risks identified are only those that have come to our attention during our normal audit work and may not be all that exist. Communication in this report of matters arising from the audit of the annual accounts or of risks or weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.
4. The report contains an action plan with specific recommendations, responsible officers and dates for implementation. Senior management should assess these recommendations and consider their wider implications before deciding on appropriate actions. We give each recommendation a grading to help the IJB assess its significance and prioritise the actions required.
5. We would like to thank all members of the IJB's management and staff from the Partnership, Council and NHS Lothian for their co-operation and assistance during our audit.

Confirmation of independence

6. International Standards on Auditing in the UK (ISAs (UK)) require us to communicate on a timely basis all facts and matters that may have a bearing on our independence.
7. We confirm that we complied with the Financial Reporting Council's (FRC) Ethical Standards. In our professional judgement, the audit process is independent, and our objectivity has not been compromised in any way.
8. We set out in Appendix 1 our assessment and confirmation of independence.

Openness and transparency

11. This report will be published on Audit Scotland's website www.audit-scotland.gov.uk.

Adding value through the audit

9. All of our clients demand of us a positive contribution to meeting their ever-changing business needs. Our aim is to add value to the IJB through our external audit work by being constructive and forward looking, by identifying areas of improvement and by recommending and encouraging good practice. In this way, we aim to help the IJB promote improved standards of governance, better management and decision making and more effective use of resources.

Feedback

10. Any comments you may have on the service we provide, the quality of our work and our reports would be greatly appreciated at any time. Comments can be reported directly to any member of your audit team.

Annual accounts

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

In this section we summarise the findings from our audit of the 2019/20 annual accounts.

Annual accounts

Unqualified audit opinion on the annual accounts

The annual accounts for the year ended 31 March 2020 were approved by the Board on 27 October 2020. We report within our independent auditor's report:

- An unqualified opinion on the annual accounts; and
- An unqualified opinion on other prescribed matters.

We found that the IJB has appropriate administrative processes in place to prepare the annual accounts and the required supporting working papers.

Overall conclusion

12. The annual accounts for the year ended 31 March 2020 were considered by the Board on 27 October 2020. We report within our independent auditor's report:
 - An unqualified opinion on the annual accounts; and
 - An unqualified opinion on other prescribed matters.
13. We are also satisfied that there are no matters which are required to report by exception.
14. Our audit opinion is based on the Board approving the financial statements and signing the letter of representation. Within the letter of representation the Board is being asked to confirm that there are no subsequent events that require

amendments to the financial statements.

Our assessment of risks of material misstatement

15. The assessed risks of material misstatement described in the table below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the audit team. Our audit procedures relating to these matters were designed in the context of our audit of the annual report and accounts as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the annual report and accounts is not modified with respect to any of the risks described below.

Our assessment of risks of material misstatement and how the scope of our audit responded to those risks

Management override

In any organisation, there exists a risk that management has the ability to process transactions or make adjustments to the financial records outside the normal financial control processes. Such issues could lead to a material misstatement in the financial statements. This is treated as a presumed risk area in accordance with ISA (UK) 240 - *The auditor's responsibilities relating to fraud in an audit of financial statements*.

Noted in the 2019/20 External Audit Plan

16. We have not identified any indication of management override in the year. We have reviewed the IJB's accounting records and obtained evidence to ensure that transactions were valid and accounted for correctly. We have also reviewed management estimates and the journal entries processed in the period and around the year end. We did not identify any areas of bias in key judgements made by management and judgements were consistent with prior years.

Revenue recognition

Under ISA (UK) 240- *The auditor's responsibilities relating to fraud in an audit of financial statements* there is a presumed risk of fraud in relation to revenue recognition. The presumption is that the IJB could adopt accounting policies or recognise revenue transactions in such a way as to lead to a material misstatement in the reported financial position.

Noted in the 2019/20 External Audit Plan

17. At the planning stage we concluded that for contributions received from the IJB's funding partners, the risk of revenue recognition can be rebutted due to a lack of incentive and opportunity to manipulate transactions of this nature. This position has been reviewed throughout the audit and our conclusion remains appropriate.

Risk of fraud in the recognition of expenditure

In 2016, the Public Audit Forum issued Practice Note 10 “*The Audit of Public Sector Financial Statements*” which applies to the audit of public sector financial statements for periods commencing after June 2016. This Practice Note recognises that most public sector bodies are net spending bodies and notes that there is an increased risk of material misstatement due to improper recognition of expenditure.

Noted in the 2019/20 External Audit Plan

18. We have evaluated each type of expenditure transaction and documented our conclusions. We gained reasonable assurance over the completeness and occurrence of expenditure and are satisfied that expenditure is fairly stated in the annual accounts. To inform our conclusion we carried out testing to confirm that the IJB’s policy for recognising expenditure is appropriate and has been applied consistently throughout the year.

Update to our initial risk assessment

19. Planning is a continuous process and our audit plans are updated during the course of our audit to take account of developments as they arise. We have specifically updated our risk assessment and audit plan in light of COVID-19. We recognised this as a key audit risk¹.

COVID-19

The COVID-19 pandemic is presenting unprecedented challenges to the operation, financial management and governance of organisations, including public sector bodies. Core areas of service delivery have been suspended or substantially reduced, systems and processes have been amended to support remote working, arrangements for governance, decision making and performance management have been adapted, and many organisations are forecasting large operating deficits due to loss of income and/ or additional cost pressures. It is uncertain how long these challenges will persist.

The implications of these risks and uncertainties are under consideration by the Board, the sector and the Scottish Government. We continue to monitor government and relevant announcements as they pertain to the audit and have adapted our audit approach as required.

20. In response to COVID-19 we identified potential areas of increased risk of material misstatement to the financial statements and/or our audit opinion. These areas included:

- Content of the annual report and accounts
- Access to audit evidence
- Timescales/administrative processes.

Content of the annual report and accounts

21. In response to the impact of the COVID-19 pandemic, the Scottish Government issued Finance Circular 10/2020 which allows bodies to disapply specified requirements for Finance Circular 5/2015 (which provides statutory guidance on the preparation of a Management Commentary).
22. The statutory guidance permits but does not require a local government body to disapply the following content

¹ A key audit risk is one which may result in a material misstatement to the financial statements or

significantly impact on our audit judgements and conclusions on the wider scope dimensions.

requirements for the Management Commentary:

- The requirement for the review of the body's business to be comprehensive
 - An analysis using key performance indicators (KPIs). However a hyperlink to KPIs published elsewhere is required or a statement that it is not possible
 - A description of the body's strategy and business model. However a hyperlink to a document published elsewhere is required or a statement that is not possible
 - Political donations and expenditure, financial instruments, indication of future likely developments, disclosure concerning the employment of disable persons, employee involvement and disclosures concerning green house gas emissions
 - The requirement to direct the reader to the annual report on treasury management to the extent that the report is not yet published. However a statement to that effect should be included.
23. The IJB took the decision to include where applicable to the organisation, the full disclosures in the Management Commentary.

Access to audit evidence

24. Our audit this year has been carried out remotely. As a consequence, we identified a risk that access to and provision of sufficient, appropriate audit evidence in support of our audit opinion may be impacted by the

inherent nature of carrying out our audit remotely.

25. We have employed a greater use of technology to examine evidence, but only where we have assessed both the sufficiency and appropriateness of the audit evidence produced.
26. For our expenditure, the IJB could not provide sufficient audit evidence for three sample items within the agreed timetable. Given the low value and nature of the sample items, we are satisfied that the testing completed still provides a reasonable basis for our conclusion and do not deem this to be material to our proposed audit opinion or timing thereof. We continued to liaise with management up until the point of signing however these items were still not provided.
27. For all other aspects of our audit we have been provided with sufficient evidence to complete the audit in line with our responsibilities. There were no issues noted with the reliability or appropriateness of evidence provided.

Timescales/Administrative processes

28. Schedule 6 of the Coronavirus (Scotland) Act 2020 allows a local government body to postpone submitting the unaudited accounts to auditors and publishing the audited accounts until it is reasonably practicable. The Scottish Government has provided guidance on this in Finance Circular 10/2020. The guidance advises that 30 November should be considered a reasonably practicable date for publishing the audited accounts.
29. Audit Scotland has revised the deadline for auditors to submit the audited annual accounts from 30 September to 30 November 2020.

However, it is for local auditors to agree a timetable with each local government body with a view to completing the process as early possible while still delivering a high quality audit.

30. The annual accounts were considered by the Board on 27 October 2020.
31. We worked closely with the IJB throughout the audit to ensure that the timetable was adhered to.

An overview of the scope of our audit

32. The scope of our audit was detailed in our External Audit Plan, which was presented to the Audit and Assurance Committee in March 2020. The plan explained that we follow a risk-based approach to audit planning that reflects our overall assessment of the relevant risks that apply to the IJB. This ensures that our audit focuses on the areas of highest risk. Planning is a continuous process and our audit plan is subject to review during the course of the audit to take account of developments that arise.
33. At the planning stage we identified the significant risks that had the greatest effect on our audit. Audit procedures were then designed to mitigate these risks.
34. Our standard audit approach is based on performing a review of the key financial systems in place, substantive tests and detailed analytical procedures. Tailored audit procedures, including those designed to address significant risks, were completed by the audit fieldwork team and the results were reviewed by the audit management team. In performing our work we applied the

concept of materiality, which is explained below.

Our application of materiality

35. Materiality is an expression of the relative significance of a matter in the context of the financial statements as a whole. A matter is material if its omission or misstatement would reasonably influence the decisions of an addressee of the auditor's report. The assessment of what is material is a matter of professional judgement over both the amount and the nature of the misstatement. We keep this assessment under review throughout the audit.
36. Performance materiality is the working level of materiality used to determine the nature, timing and extent of audit procedures carried out. We perform audit procedures on all transactions, or groups of transactions, and balances that exceed our performance materiality. This means that we perform a greater level of testing on the areas deemed to be at significant risk of material misstatement.
37. Performance materiality is set at a value less than overall materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of any uncorrected and undetected misstatements exceed overall materiality.
38. Our initial assessment of materiality for the annual accounts was £11 million. We reassessed materiality on receipt of the 2019/20 unaudited accounts and deemed this level to remain appropriate throughout our audit.

| Materiality | £million |
|--|----------|
| Overall materiality: Our assessment of materiality is set with reference to cost of delegated service ² . We consider this to be the principal consideration for the users of the annual accounts when assessing the performance of the IJB. | 11.000 |
| | |
| Performance materiality: using our professional judgement we have calculated performance materiality at approximately 75% of overall materiality. | 8.250 |
| | |
| 39. Our initial assessment of materiality for the annual accounts was £11 million. We reassessed materiality on receipt of the 2019/20 unaudited accounts and deemed this level to remain appropriate throughout our audit. | |

Audit differences

40. We are pleased to report that there were no material adjustments or unadjusted differences to the unaudited annual accounts.
41. We identified disclosure and presentational adjustments during our audit, which have been reflected in the final set of annual accounts.

² Our assessment of materiality equates to approximately 1.6% of the IJB's forecasted cost of delegated services in 2019/20.

Board representations

42. We have requested that a signed representation letter be presented to us at the date of signing the annual accounts. This letter is to be signed by the section 95 officer on behalf of the IJB.

Other matters identified during our audit

43. During the course of our audit we noted the following:

The Local Authority Accounts (Scotland) Regulations 2014

44. As part of our audit we reviewed the IJB's compliance with the Local Authority Accounts (Scotland) Regulations 2014, in particular with respect to regulations 8 to 10³ as they relate to the annual accounts. Overall we concluded that appropriate arrangements are in place to comply with these Regulations.

Management commentary

45. The Local Authority Accounts (Scotland) Regulations 2014 require local authorities to include a management commentary within the annual accounts. The management commentary is intended to assist readers in understanding the annual accounts and the organisation that has prepared them.
46. As auditors we are required to read the management commentary and express an opinion as to whether it is consistent with the annual accounts.

³ Regulations 8 to 10 relate to the preparation and publication of unaudited accounts, notice of public right to inspect and object to the accounts and consideration and signing of the audited accounts.

We have concluded that the management commentary is consistent with the annual accounts and has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003.

has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

Annual governance statement

47. The Chief Officer and the Chair of the IJB have confirmed that in their opinion, reasonable assurance can be placed upon the adequacy and effectiveness of the IJB's systems of governance. The Annual Governance Statement identifies a range of actions that have been, or will be, taken by the IJB to continue to progress improvements in the IJB's governance arrangements.
48. The coverage of the governance statement is in line with our expectation and have concluded that the report has been prepared in accordance with the Delivering Good Governance in Local Government: Framework 2016.

Remuneration report

49. Our independent auditor's report confirms that the part of the Remuneration Report to be audited

Follow up of prior year recommendations

50. We followed up on progress in implementing actions raised in the prior year as they relate to the audit of the financial statements. Full details of our findings are included in Appendix 2.

Qualitative aspects of accounting practices and financial reporting

51. During the course of our audit, we considered the qualitative aspects of the financial reporting process, including items that have a significant impact on the relevance, reliability, comparability, understandability and materiality of the information provided by the financial statements. Our audit conclusions on these qualitative aspects are as follows:

| Qualitative aspect considered | Audit conclusion |
|--|--|
| The appropriateness of the accounting policies used. | The accounting policies, which are disclosed in the annual accounts, are considered appropriate to the IJB. |
| The timing of the transactions and the period in which they are recorded. | We did not identify any concerns over the timing of transactions or the period in which they were recognised. |
| The appropriateness of the accounting estimates and judgements used. | We are satisfied with the appropriateness of the accounting estimates and judgements used in the preparation of the annual accounts. |
| The appropriateness of the going concern assumption | We have reviewed the financial forecasts for 2020/21. Our understanding of the legislative framework and activities undertaken provides us with sufficient assurance that the IJB will continue to operate for at least 12 months from the signing date. |
| The potential effect on the financial statements of any uncertainties, including significant risks and related disclosures that are required. | We have not identified any uncertainties, including any significant risk or required disclosures, which should be included in the annual accounts. |
| The extent to which the financial statements have been affected by unusual transactions during the period and the extent that these transactions are separately disclosed. | From the testing performed, we identified no significant unusual transactions in the period. |
| Apparent misstatements in the annual report or material inconsistencies with the financial statements. | The management commentary contains no material misstatements or inconsistencies with the accounts. |
| Any significant financial statement disclosures to bring to your attention. | There are no significant annual accounts disclosures that we consider should be brought to your attention. All the disclosures required by relevant legislation and applicable accounting standards have been made appropriately. |

| Qualitative aspect considered | Audit conclusion |
|--|--|
| Disagreement over any accounting treatment or financial statements disclosure. | While disclosure and presentational adjustments were made during the audit process there was no material disagreement during the course of the audit over any accounting treatment or disclosure. |
| Difficulties encountered in the audit. | There were no significant difficulties encountered during the audit. Although the timing of some audit evidence has impacted our work and COVID-19 has presented challenges we have worked collaboratively around. |

Financial sustainability

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



The IJB continues to face significant financial pressures, both immediately and over the medium to longer term. Recurring financial balance cannot be achieved without the delivery of sustainable transformational change and the ability to do so within available resources will be a key challenge for the Board. The IJB has recognised the urgent need to work with partners to develop a medium term financial strategy and workforce strategy to support the efficient delivery of the Strategic Plan 2019-2022 and the transformation programme.

In July 2020 the Board approved proposals to adapt and rephase delivery of the transformation programme as a result of the impact of COVID-19 on service delivery. Work is ongoing to consider the impact of these changes on immediate and medium term financial projections.

Significant audit risk

52. Our audit plan identified a significant risk to financial sustainability under our wider scope responsibilities.

Financial sustainability

The IJB has been able to demonstrate arrangements for short term financial planning. However, as first reported in our 2016/17 Annual Audit Report, the IJB has not yet developed a medium or long-term financial plan or strategy. In October 2019, the Board considered a Financial Framework 2020-2023 which will form the basis of a medium-term financial strategy. This recognised that the IJB continues to face significant challenges over the medium term due to increasing demand for services and a climate of constrained financial resources.

The financial framework outlines a gap of £36 million in 2020/21. The IJB has identified high-level savings of £24 million, leaving £11 million unbalanced. The framework forecasts a similar position in 2021/22 and 2022/23, with the plan unbalanced by £12 million and £15 million in each year respectively. There is an on-going need to work with partners to develop a strategic approach to financial planning. Without a medium-term financial plan in place, the IJB cannot demonstrate how it will deliver the required level of savings and bridge the financial gaps, whilst continuing to deliver key priorities within the financial resources available.

Noted in the 2019/20 External Audit Plan

53. The Board has not yet developed a medium term financial strategy. Ongoing work has been halted as a result of the emerging pressures of COVID-19 and the need for partners to rework their own medium term financial plans in response. Management have committed to continuing to work closely with partners and developing the medium term financial strategy by December 2020. It is important that such a strategy is completed in accordance with this revised timetable.
54. Without a medium term financial strategy, this IJB cannot demonstrate how it will deliver its strategic plan and transformation programme. In an environment of heightened financial pressures increasing demand and the growing need to redesign services, robust and timely financial planning is essential. Financial sustainability will therefore continue to be a significant risk in our 2020/21 audit plan.

Refer to Appendix 2

Strategic Planning

55. The Board has not yet developed a medium term financial strategy. Ongoing work has been halted as a result of the emerging pressures of COVID-19 and the need for partners to rework their own medium term financial plans in response. Management have committed to continuing to work closely with partners and developing the medium term financial strategy by December 2020. It is important that such a strategy is completed in accordance with this revised timetable.
56. Without a medium term financial strategy, this IJB cannot demonstrate how it will deliver its strategic plan and transformation programme. In an environment of heightened financial pressures increasing demand and the growing need to redesign services, robust and timely financial planning is essential. Financial sustainability will therefore continue to be a significant risk in our 2020/21 audit plan.

Financial Strategy

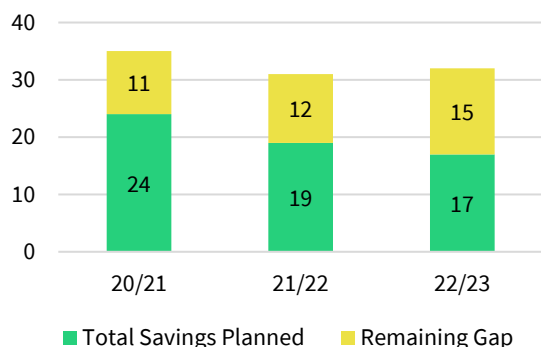
57. A medium-term financial strategy is essential to support the delivery of the Strategic Plan 2019-2022, especially given the recurring financial challenges the plan identifies. The IJB's initial immediate approach has been to focus on 'grip and control' measures. The aim is then to deliver efficiencies in the medium to longer term to support financial balance through redesign and transformation.
58. The Board considered the IJB's Financial Framework 2020-2023 in October 2019. This presented an initial outlook based on partner's planning assumptions and would form

the basis of a medium term financial strategy.

59. The Framework takes cognisance of the Scottish Government's Medium Term Financial Framework for Health and Social Care and the key demand drivers of growth in spending; price increase, demographic change and non-demographic change.
60. The Financial Framework has been designed to support the delivery of the 2019-2022 Strategic Plan and transformation programme. One of the key levers identified by the IJB in delivering this is that NHS and Local Authority budgets are no longer separate and that the IJB has the authority to direct the totality of its resources across both partners in a manner that best serves the people of Edinburgh. The Framework has been developed on this basis.
61. The IJB had previously committed to developing a medium term financial strategy by March 2020, building upon the commitments recognised in the financial framework. However, progress has been halted as a result of the emerging pressures of COVID-19 and the need for partners to rework their own medium term financial plans. Management have instead committed to developing the IJB's medium term financial strategy by December 2020.
62. The need for robust medium term financial planning is essential given the increasing pressures across the sector. The Financial Framework, developed in October 2019 prior to the COVID-19 pandemic, identifies significant financial gaps as highlighted in Exhibit 3. Work is still ongoing to quantify the impact of the pandemic in the medium term but

there is a significant risk that financial pressures may increase further.

Exhibit 3: Future Financial Gap (£m)



Source: Financial Framework 2020-2023 – October 2019

Workforce Planning

63. We highlighted within our annual report for 2016/17 that the integration scheme requires the development of a workforce plan to demonstrate that a strategic approach is in place to manage the risks that the IJB faces in relation to workforce supply and demand challenges.
64. The Board considered an inaugural Baseline Workforce Plan in December 2018. As highlighted in our 2018/19 annual audit report, the baseline data presented a proportionally aging workforce, particularly in social care, which could pose significant capacity and supply problems for the IJB in the future.
65. The IJB had committed to developing a workforce strategy in 2019/20 following the approval of the Strategic Plan 2019-2022. However, progress has been delayed.
66. Workforce and cultural development was identified as a priority phase one project in the Transformation

Programme. However, per the IJB's progress report, Return to Transformation (July 2020), this was assessed as an underdeveloped and delayed project. The Scottish Government has requested that all integration authorities submit a workforce plan by March 2021 and the IJB is on schedule to meet this deadline. Action plans have been revised to ensure the workforce strategy is developed alongside this exercise during 2020/21 and we recommend that this is actioned as a priority.

Refer to Appendix 2

Impact of EU withdrawal

67. Audit Scotland continues to highlight EU withdrawal as a significant risk facing public bodies across Scotland. Three streams of potential impact were identified;
 - Workforce;
 - Funding; and
 - Regulation.
68. The Partnership had established a Brexit Impact Assessment Group to plan, assess risk and propose mitigation options for areas expected be the most affected. The Group reported into similar strategic groups within both NHS Lothian and City of Edinburgh Council to ensure issues are managed in a timely, effective and collaborative manner.
69. The IJB has continued to work with partners and monitor the position throughout 2019/20 to ensure robust planning and preparation arrangements were in place for EU withdrawal and beyond.

Financial management

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



Whilst the IJB was able to reduce the initial gap in their unbalanced financial plan, they reported a deficit of £6.5 million in 2019/20. For the first time this was met through reserves, as planned in the 2019/20 budget, rather than additional contributions from partners. This leaves uncommitted reserves at 31 March 2020 of £3.166 million.

The Board approved the 2020/21 financial plan in July 2020 which recognised a funding gap of £21.9 million and mitigating actions to address £6.0 million of this. The Board approved plans for £11.9 million of savings as part of the 2020/21 savings and recovery programme. Additional savings have been identified to address the remaining gap (£4.0 million), however further work is still required to develop detailed plans for delivering these.

The COVID-19 pandemic has had a significant impact on the operations and financial position of the IJB and work is still on-going to quantify the additional short and medium term costs. Additional funding is anticipated however the scale of this is unknown. The on-going impact and financial implications of COVID-19 are less clear and the IJB is continuing to work closely with partner bodies to quantify the impact, both in the short and medium term.

Significant audit risk

70. Our audit plan identified a significant risk to financial management under our wider scope responsibilities.

Financial management

The IJB started 2019/20 with an unbalanced financial plan, reporting an outstanding balance of £7.150 million in May 2019. Through a combination of partnership wide savings, a contribution from reserves and slippage on funding set aside for specific initiatives, the IJB reported a small projected surplus of £0.600 million at the end of the first 7 months of 2019/20.

This in year position relies heavily on the use of one-off measures and slippage and there is a risk that the IJB will not achieve the planned balanced outturn position. This could have a detrimental impact on short and medium term plans for the delivery of directed services. There is also the potential for underperformance to have a wider impact on longer term financial sustainability

Noted in the 2019/20 External Audit Plan

71. As outlined below, whilst the IJB was able to reduce the initial gap in their unbalanced budget, they still reported a deficit of £6.5 million in 2019/20. For the first time, the deficit was met through reserves as planned in the 2019/20 budget rather than additional contributions from partners. We are satisfied that the partnership has taken an appropriate approach to financial management and have noted improvements in financial planning and performance in 2019/20. However, the IJB continues to face significant financial pressures and the use of reserves to meet budget deficits is not sustainable.
72. The Board approved the 2020/21 financial plan in July 2020 which recognised a funding gap of £21.9 million. Mitigating actions have been identified to address £6.0 million and the remaining £15.9 million is addressed in full through the 2020/21 savings and recovery programme. However, further work is required to develop detailed plans for £3.990 million of savings identified in the £15.9 million savings programme. Work is still ongoing to quantify the short and medium term impact of COVID-19 on the financial position and delivery of savings plans. The IJB is continuing to work closely with NHS Lothian and City of Edinburgh Council to manage the financial position and reported a projected year end overspend of £10.9 million at the end of quarter one. We will therefore continue to consider the projected in year deficit as a significant risk in our 2020/21 audit plan.

Financial performance in 2019/20

73. The IJB started 2019/20 with an unbalanced financial plan and an initial funding gap of £24 million. A savings and recovery programme of £12 million was agreed to mitigate this funding gap and the IJB continued to closely monitor the financial position throughout 2019/20.
74. The IJB spent £762 million delivering health and social care services to the people of Edinburgh in 2019/20 (2018/19: £726 million). For 2019/20

the Board is reporting a deficit of £6.5 million (2018/19: surplus of £1.3 million). This has been met through usable reserves, leaving a remaining reserve of £3.2 million as at 31 March 2020 (31 March 2019: £9.7 million).

75. The IJB has continued to face significant financial pressures. However, this is the first year that they have not had to rely on additional contributions from partners to manage their financial position. In addition, this is the first year that the Board has delivered their planned savings and recovery programme, overachieving against the initial target.

Exhibit 4: Financial performance in 2019/20

| | Budget £000 | Actual £000 | Variance £000 |
|-------------------------------------|----------------|----------------|------------------|
| Health services | 520,594 | 520,599 | 5 |
| Council services | 241,049 | 241,049 | - |
| Gross Position | 761,643 | 761,648 | 5 |
| Non recurring health contributions | - | (5) | (5) |
| Non recurring council contributions | - | - | - |
| Reported outturn | 761,643 | 761,643 | - |

Source: Annual Performance Report 2019/20

Delivering financial balance

76. The draft 2020/21 budget was considered by the Board in April 2020, at a time of great uncertainty during the COVID-19 pandemic. The Board recognised that work will still ongoing to finalise the 2020/21 savings and recovery programme, and that further consideration was needed to reflect the potential financial consequences of COVID-19. A finalised 2020/21 plan was presented to the Board in July 2020 and approved.
77. Delegated budgets total £684.6 million for 2020/21. For NHS Lothian this represents a 3% uplift (£12.2 million) from the 2019/20 budget. For City of Edinburgh Council, the total uplift of £15 million reflects;
- a 3.8% increase over the 2019/20 budget,
 - additional local authority funding of £2 million following the Scottish Government budget announcement, and
 - funding of £4.7 million to cover the full cost of the living wage increase (assumption based on available information at the time).
78. Set against this, the projected cost of delegated services for 2020/21 is £706.4 million. Taking into account the expected savings of £3.7 million from the closure of Gylemuir House, this results in a savings requirement of £21.9 million in 2020/21.
79. The financial plan identifies three mitigating actions totalling £6 million, reducing the budget gap to £15.9 million. These relate to a contribution from the community capacity investment fund (£2 million), contribution from the older peoples

reserve (£1 million) and a commitment from NHS Lothian to meet set aside pressures (£3 million).

Savings and Recovery Framework

80. The Board considered and approved a savings and recovery programme in July 2020, aimed at addressing resultant savings requirement of £15.9 million. To ensure the programme provides a clear and structured approach to identifying savings for future years that is aligned with partner's financial planning processes, management have developed the savings and recovery framework with support from internal audit.
81. The framework recognises savings under the following four phases, grouped to clarify the level of certainty around their deliverability;
- Phase 0 – proposals already approved by the IJB
 - Phase 1 – proposals for which management are seeking approval
 - Phase 2 – proposals identified to achieve financial balance, but will require ongoing work in year
 - Phase 3 – proposals at planning stage to ensure savings can be realised in the next financial year
82. To demonstrate strategic alignment, proposals have been grouped under six areas of programme focus. The Board recognise that the framework requires further development to ensure stronger alignment with the strategy and transformation programme, and the development of a risk matrix to support decision making.
83. As part of the 2020/21 savings programme, the Board approved eight new savings proposals totalling £8.95

million. In addition, the 2020/21 programme recognised £2.96 million of savings that had already been approved by the Board.

84. To address the remaining gap of £3.99 million, the Board approved the progression of Phase 2 proposals, recognising that further work is required during 2020/21 to develop detailed plans and that proposals will be brought back to the Board for approval.

Exhibit 5: 2020/21 savings programme

| | Total £m |
|---|-------------|
| 2020/21 savings requirement | 15.9 |
| <i>Savings and Recovery Programme</i> | |
| Phase 0 – previously approved plans | 2.96 |
| Phase 1 – plans approved July 2020 | 8.95 |
| Phase 2 – development of plans on-going | 3.99 |
| Net position | - |

Source: Savings and Recovery Programme 2020/21 – July 2020

85. The Board recognise that the required scale and pace of delivery of the proposed programme will be challenging. Progress and scrutiny over delivery will be overseen by the Savings Governance Board throughout 2020/21 which is chaired by the Chief Officer.

Impact of COVID-19

86. The COVID-19 pandemic has had a significant impact on the IJB's operational service delivery, requiring them to adapt quickly and effectively. The two key financial implications of this are the net additional costs of the immediate and on-going response; and the medium to longer term costs associated with the reconfigured services.
87. NHS Boards were required to submit mobilisation plans at the start of the pandemic, outlining their response with a high level estimate of anticipated additional costs. Subsequently, Health and Social Care Partnerships have been required to submit regular updates to the Scottish Government on actual costs and estimates of future expenditure.
88. The latest return (July 2020) estimated total additional costs of the response to COVID-19 as £58.819 million. A breakdown of this cost is summarised in Exhibit 6.
89. It is expected that some these financial consequences will be met by additional funding from the Scottish Government. However, at the time of writing, the scale of any extra costs and the potential level of any additional funding is unknown. The Government's initial review of mobilisation plans suggested that the level of funding currently available is not sufficient to cover the additional costs and further work is needed to evaluate this position.

Exhibit 6: Mobilisation plan costs as reported to Scottish Government (July 2020)

| | Total £m |
|------------------------------|-------------|
| Provider sustainability | 25.2 |
| Additional capacity | 11.1 |
| Slippage on savings | 6.6 |
| One Edinburgh | 5.3 |
| Living wage uplift shortfall | 4.7 |
| GPs & Prescribing | 3.7 |
| Miscellaneous | 1.2 |
| PPE | 1.0 |
| Total | 58.9 |

Source: 2020/21 Financial Plan – as presented to the Board in July 2020

90. Limited funding has been agreed to date. The Scottish Government approved an initial allocation of £50 million to Integration Authorities, of which Edinburgh’s share is £4.1 million. Further funding allocations are expected but, at the time of writing, the timeline for a decision is unknown.
91. The on-going impact and financial implications of COVID-19 are less clear. The 2020/21 financial plan was prepared on the assumption that there would be no net impact from the pandemic, with additional costs either funded or otherwise mitigated.
92. Work has been on-going within both partner organisations to determine the financial impact of the pandemic and update projections for the year. At the

end of period three the Council and NHS Lothian reported projected year end overspends for services they deliver under the direction of the IJB of £3.800 million and £7.044 million respectively.

93. However, interpreting these results is particularly challenging and both partner organisations have commissioned further work to fully understand the underlying drivers. In addition, both partners have taken a different approach to forecasting. Whilst the Council has assumed that additional costs arising from the pandemic will be fully funding, NHS Lothian have not at this stage assumed any additional monies.
94. The IJB is continuing to liaise with partners as work progresses to analyse the financial impact of the pandemic, both in the short and medium term. Regular updates are being presented to the Board to consider the projected financial position, taking into account any additional costs or potential funding announcements.

Systems of internal control

95. The IJB does not hold any assets, directly incur expenditure or legally employ staff. All financial transactions of the IJB are processed through the financial systems of the council and health board. All transactions are subject to the controls and scrutiny of the respective partners, including the work performed by internal audit.
96. We sought and obtained assurances from the external auditor of City of Edinburgh Council and NHS Lothian regarding the systems of internal control used to produce the

transactions and balances recorded in the IJB's annual accounts.

97. We reviewed the approved standing financial instructions and standing orders and consider them adequate for the IJB's purposes.
98. The IJB has adequate systems in place to record, process, summarise and report financial and other relevant data. We have not identified any material weaknesses in the accounting and internal control system during our audit, although we are aware of weaknesses identified by internal audit.

City of Edinburgh Council regarding the level of risk present in the procurement function and no significant issues were highlighted.

Prevention and detection of fraud and irregularity

99. The IJB does not directly employ staff and so places reliance on the arrangements in place within the City of Edinburgh Council and NHS Lothian for the prevention and detection of fraud and irregularities. Arrangements are in place to ensure that suspected or alleged frauds or irregularities are investigated by the partner bodies. Overall, we found the arrangements to be sufficient and appropriate.

Risk of fraud and corruption in the procurement function

100. Audit Scotland highlighted fraud and corruption in respects of the procurement function as a matter of particular focus in the public sector. The IJB relies on the procurement functions of NHS Lothian and City of Edinburgh Council, and this risk is therefore managed within the partner bodies.
101. We sought assurances from the external auditor of NHS Lothian and

Governance and transparency

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



The Board initiated an external review of their governance arrangements in 2018/19. This concluded that further action was required to strengthen the Board's governance framework and identified a series of 18 recommendations.

Notable action has been taken in improving governance arrangements, committee structures and communication plans. However, the pace of change has been slower than originally planned and further disrupted by the re-focus of resources on the COVID-19 pandemic. Key priorities, such as the approval and implementation of a governance handbook, are still to be completed.

On 14 April 2020 the Board agreed to suspend all Board and committee meetings until 30 June 2020 given the need to prioritise the delivery of front-line services. The Board was reinstated on 21 July 2020 and committee meetings have been resumed. A number of key activities have been delayed as result and work is ongoing to develop revised plans and strategies.

Significant audit risk

102. Our audit plan identified a significant risk to governance and transparency under our wider scope responsibilities.

Governance and transparency

During 2017/18 the interim management team for the Edinburgh Health and Social Care Partnership (the group overseeing operational delivery of the IJB's directions to its partners) considered that there was a clear requirement to bring greater clarity and focus to the activities of the partnership, with an emphasis on performance, quality and finance. At its development session on 13 October 2017 the IJB considered a 'Statement of Intent' setting out:

"a high-level recovery plan to address the immediate, short and medium-term challenges faced by the Partnership, the EIJB and the parent bodies. It is constructed around the three key pillars of quality, performance and finance."

The recovery plan outlined the following seven high-level themes as well as related commitments:

- Doing the basics well
- Developing a performance framework
- Establishing a financial framework
- Developing strategies, with identifiable, manageable actions
- Ensuring optimum quality
- Clarifying and simplifying governance arrangements
- Improving relationships between the IJB and its partner

As reported in our 2017/18 and 2018/19 Annual Audit Report, progress against the recovery plan had not been separately and formally reported since December 2017. In May 2019 the Board developed an Improvement Plan which is mapped against the key priorities of the Statement of Intent. In addition, an external assessment of the IJB's governance arrangements was undertaken in 2018/19 by the Good Governance Institute, identifying a series of 18 recommendations.

The IJB has recognised that without a clear roadmap to work with, it cannot bring clarity to the partnership's activities, nor can the partnership support the IJB in effectively discharging its duties. This in turn would lead to suboptimal performance and quality, and financial imbalance. We therefore continue to regard the recovery plan and the need to bring clarity to the organisation's governance arrangements as a significant risk.

Noted in the 2019/20 External Audit Plan

103. As reported in 2018/19, the themes and commitments outlined in the original recovery plan are reflected in the Transformation Programme and 2019-2022 Strategic Plan (approved by the Board in August

- 2019). Prior to this, there had been limited accountability or reporting on progress against the recovery plan.
104. Phase one of the Strategic Plan ran to 31 March 2020. This focused on initiating the transformation programme, identifying key workstreams and establishing significant projects. A new governance framework was established to manage the programme and a progress report, 'Return to Transformation', was presented to the Board in July 2020. This gave each of the seven phase one projects a RAG rating to reflect the status and level of progress as at June 2020. Only two of the seven projects have been assessed as green; Three Conversations and the Edinburgh Pact. The workforce and cultural development programme has been assessed as red; we have considered this in detail as part of our financial sustainability work.
 105. The progress report outlines for each project the current status, completed and planned actions, key milestones, significant risks and the mitigation actions in place. Delivery of the transformation programme has been adversely impacted by the COVID-19 pandemic, as reflected in each programme status. Programme boards were suspended in March 2020 to allow for focus on operational priorities and around 50% of the transformation team had been redeployed to directly support the IJB's response. Proposals to adapt and re-set the transformation programme to reflect the immediate strategic priorities and the need to re-phase activity were approved by the Board in July 2020. A continued focus on monitoring and report progress is key to effectively delivering the Transformation Programme.
 106. An external assessment of the IJB's governance arrangements was undertaken in 2018/19 identifying a series of 18 recommendations. As considered below, notable action has been taken in improving governance arrangements, committee structures and communication plans. However, the pace of change throughout 2019/20 has been slower than originally planned and further action is still required.
 107. The COVID-19 pandemic has paused the majority of work in these areas and there has been insufficient time to assess the effectiveness of new arrangements. The IJB must ensure that previously planned activity is reinstated as an area of priority to support the timely refinement of governance arrangements. We therefore continue to recognise the development of governance arrangements as a significant risk and will monitor progress further in 2020/21

Refer to Appendix 2

Governance arrangements

108. The IJB has continued to refine its governance arrangements since it was formally constituted in April 2016. The need to strengthen governance arrangements and clarify reporting processes is one of the objectives highlighted in the IJB's recovery plan.
109. In 2018/19 the IJB commissioned the Good Governance Institute to undertake a review of their systems and processes, providing external and independent expertise. Their overall conclusion, as reported to the Board in December 2018, was that action was required to strengthen the IJB's governance.
110. The report set out a series of 18 recommendations and highlighted that the development and strengthening of the IJB's governance will be a continual process and requires the commitment of IJB members over time. The report identified a need for clarity on lines of accountability and reporting to support effectiveness, and proposed changes to the existing committee structure.
111. The IJB produced an action plan in April 2019 for addressing the recommendations raise. Whilst some progress has been made in addressing these recommendations as outlined below, delivery of the action plan has not been formally reported on or considered by the Board during 2019/20.
112. As we reported in 2018/19, the Board formally approved the terms of reference for five committees of the IJB in June 2019 on the recommendation of the Good Governance Institute. The committees are as follows;
- Strategic Planning
 - Performance and Delivery
 - Audit and Assurance
 - Clinical and Care Governance
 - Futures
113. The Good Governance Institute recommended the development of a Governance Handbook as a key priority for the IJB in order that committee structures, risk appetite, board etiquette and operating principles be set as a foundation.
114. The IJB has worked with the Institute throughout 2019/20 to develop a draft handbook. However, the finalisation, approval and implementation of this has been postponed due to Covid-19 and the need to refocus resource. We strongly encourage that this is finalised as a priority to support the effective governance of the IJB and management have committed to doing so by December 2020.
115. Other key recommendations that still require further action include;
- Review and definition of risk appetite
 - Development of a Board assurance framework
 - Independent assessment of leadership and managerial capacity
 - Development of an integrated performance framework
116. The Board had committed to reviewing the Integration Scheme in 2019/20. However, this was delayed due to COVID-19 and will now be reviewed in 2020/21 instead. The Scheme was however updated in June 2019 to reflect the new obligations under the Carers (Scotland) Act 2016.

Impact of COVID-19 on governance arrangements

117. On 14 April 2020 the Board agreed to suspend all Board and Committee meetings until 30th June 2020. The decision was made in response to significant additional pressure on staff resourcing and the need to prioritise the delivery of front-line services.
118. As the IJB was still required to take forward a budget for the 2020/21 financial year, the scheduled budget meeting went ahead as planned on 28 April 2020, albeit held remotely.
119. In line with the IJB's standing orders, authority to take any urgent decisions on behalf of the Board was delegated to the Chief Officer in consultation with the Chair and Vice-Chair until meetings resumed.
120. The Board first met again on 21 July 2020 and agreed to resume the supporting committees from the end of July 2020. To support their efficient return, the Board approved some short-term changes to the operation of committees such as holding virtual meetings, reducing the length of committees and streamlining the agenda planning process. It is expected that these arrangements will be in place until December 2020 when they will be reviewed again by the Board. Dates have been agreed for resumption of all committees.
121. A number of key activities scheduled for completion by March 2020 have been delayed which the IJB attributes to the impact of COVID-19. This includes reviewing the Integration Scheme, reviewing the Directions Policy and documenting an assurance framework. Now that Board meetings have resumed, the IJB must ensure that appropriate plans are in place to

complete these tasks and reinstate the previous pace of improvement.

Openness & Transparency

122. There is an increasing focus on how public money is used and the outcomes that it helps to achieve. Due to this it is important that public bodies operate in a transparent manner and consider potential actions which can continuously improve transparency.
123. We found that the IJB has clear arrangements in place to ensure that members of the public can attend the board meetings as observers and that agendas are available five working days in advance of the meetings.
124. We noted that the IJB does not make audit committee papers available on their website, although minutes are available through the board papers. The Board has reflected on this as part of the current review of governance arrangements and deem the balance of openness to be appropriate.

Health and Social Care Integration – Update on Progress

125. Audit Scotland published a report “Health and Social Care Integration – Update on Progress” in November 2018. The aim of the audit was to “explore the impact public bodies were having on integration of health and social care services”.
126. The report identified that generally integration authorities are delivering services in a more collaborative way, however they continue to operate in a challenging environment and financial planning could be further streamlined. Further work is required with regards to strategic planning, collaborative

- leadership, governance arrangements and data sharing.
127. Audit Scotland identified six key recommendations to support integration authorities in fully integrating health and social care (Exhibit 7). The IJB performed an initial self-evaluation against these recommendations in February 2019 and identified a number of activities they were currently undertaken that relate to addressing these recommendations.
 128. In February 2019, the Scottish Government Ministerial Strategic Group published a report containing 25 proposals for ensuring the success of health and social care integration structured under the six recommendations raised by Audit Scotland. The report also included a self-evaluation template. The IJB initially assessed arrangements against this in May 2019 and prepared a detailed action plan in response.

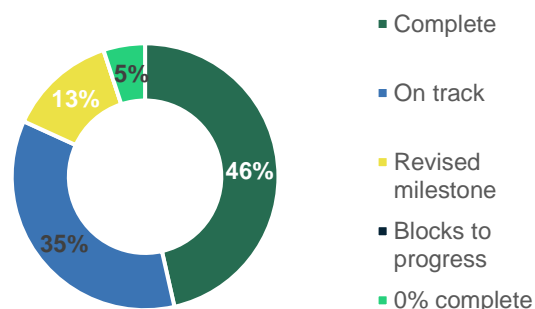
Exhibit 7: Health and Social Care Integration recommendations

1. Commitment to collaborative leadership and building relationships
2. Effective strategic planning for improvement
3. Integrated finances and financial planning
4. Agreed governance and accountability arrangements
5. Ability and willingness to share information
6. Meaningful and sustained engagement

Source: Audit Scotland: Health and social care integration: update on progress – November 2018

129. In February 2020, the IJB considered progress against the reports from Audit Scotland and the Ministerial Strategic Group through their detailed Ministerial Strategy Group action plan. As outlined in Exhibit 7, around 80% of the identified actions are either complete or on track to be completed but milestones have been revised for 13% of actions. No blocks to progress were identified within the progress report.
130. For the 5% of actions where no progress has been made, these sit out-with the immediate control of the IJB or the Partnership. The Board directed the Chief Officer and Chief Financial Officer to continue to work with NHS Lothian and City of Edinburgh Council to ensure delivery against the wider partnership actions.
131. It was agreed that a further update would be presented to the Board in December 2020.

Exhibit 8: Progress against Ministerial



Strategic Group Health and Social Care action plan

Source: Ministerial Strategic Group Action Plan update – February 2020

Internal Audit

including fraud management arrangements.

132. The Chief Auditor of City of Edinburgh Council has been appointed as the Chief Internal Auditor for the IJB. Internal audit activity is undertaken by a combination of the City of Edinburgh Council and NHS Lothian internal audit teams.
133. To avoid duplication of effort and to ensure an efficient audit process we have taken cognisance of the work of internal audit throughout our audit. While we have not placed formal reliance on the work of internal audit in 2019/20, we have taken account of internal audit's work in respect of our wider scope responsibilities. We are grateful to the internal audit team for their assistance during the course of our work.
134. In her Annual Opinion, the Chief Internal Auditor notes the some improvement is required to the IJB control environment and governance and risk management framework. As a result, internal audit provided an 'amber rated opinion'. This is an improvement in comparison to 2018/19 where significant enhancements were noted and a 'red rated opinion' was provided.

Standards of conduct

135. In our opinion, the IJB's arrangements in relation to standards of conduct and the prevention and detection of bribery and corruption are adequate.
136. The IJB implemented a code of conduct based on the template code provided by Scottish Government and the codes in place at the partner organisations. In line with the integration scheme, the IJB utilises the financial governance arrangements in place within the partner bodies

Value for money

Value for money is concerned with using resources effectively and continually improving services. In this section we report on our audit work as it relates to the Board's reporting of its performance.



The establishment of a Performance and Delivery Committee in June 2019 has been a key step in developing a robust performance management framework. However, work is still required to refine performance reports and measures to ensure these support efficient and effective scrutiny of progress against the Strategic Plan.

The IJB continues to perform poorly against a number of key indicators. These areas have been recognised and reflected on with the transformation programme.

COVID-19 has imposed unprecedented challenges on the IJB but has also presented the opportunity to be innovative and embrace new ways of working. The IJB recognizes this and has completed an initial lessons learned exercise to start building on these positive changes.

Significant audit risk

137. Our audit plan identified a significant risk to financial management under our wider scope responsibilities.

Value for money: Performance

Under the integration scheme, the IJB is responsible for implementing a comprehensive performance management system that allows for transparent reporting and appraises achievement against the strategic plan. One of the key strands outlined in the IJB's Statement of Intent is the development of a performance management framework.

The IJB has developed metrics that will be reported to every meeting of the Board. However, as reported in our 2018/19 Annual Audit Report, further work is still required to fully develop and embed the performance management framework. In June 2019, the Board approved a new committee structure including the establishment of the Performance and Delivery Committee. The committee first met in September 2019 and reviewed their Terms of Reference and core duties.

Without a clear, effective performance management framework in place there is a risk that the IJB cannot demonstrate continual improvement of services delivered and the achievement of value for money through appropriate use of resources. The establishment of a Performance and Delivery Committee with a clear purpose and remit is a key step in developing a robust performance management framework.

Noted in the 2019/20 External Audit Plan

138. Delivery against local and national targets is presented to the Performance and Delivery Committee on a bi-monthly basis. Further work is required to refine the format and structure of performance reports, as outlined below, to ensure these succinctly highlight areas of underperformance and support efficient scrutiny. In addition, work is still ongoing to develop and embed an integrated performance framework with measures that more clearly consider performance against the Strategic Plan. We will continue to monitor the development of this framework in 2020/21 as a significant risk area.

Performance Framework

139. Under the integration scheme, the IJB is responsible for implementing a comprehensive performance management system that allows for transparent reporting and appraises achievement against the strategic plan.
140. In June 2019 the Board approved the terms of reference for a Performance and Delivery committee as part of the new governance structure. The purpose and function of the committee is to;
- Provide assurance that the IJB is meeting commitments;
 - Oversee a performance and progress reporting framework and supporting processes
 - Receive progress reports from accountable officers on finance, duty of care, quality, variations and other relevant matters.
141. The committee conducted its first meeting in September 2019 and met bi-monthly until all committee meetings were suspended in April 2020. Approved minutes of each meeting are presented to the Board.

Performance reporting

142. A performance report is presented at each Performance and Delivery committee, providing an overview of performance against the seven key local indicators and national Ministerial Strategic Group measures. Detailed dashboards are supported by a narrative report which highlights key risks and noteworthy changes to performance.

143. Performance reports are significant in length with the most recent committee report in excess of 60 pages. Whilst the level of detail may be beneficial to some members, this does not support efficient scrutiny. Members should focus discussions on area of concern or underperformance and the current reporting format does not succinctly summarise or highlight these areas.
144. Performance reports would benefit from the inclusion of a performance scorecard that summarises for each indicator whether performance has improved, declined or remained constant and how this compares against targets or thresholds. A RAG rating could be used to draw members' attention to areas of underperformance or concern.
145. The Strategic Plan 2019-2022 identifies the need to develop an integrated performance management framework that better reflects progress against priorities. The IJB notes this as an area where further work is still required and has committed to developing this by April 2021 with the Annual Government Statement. We will continue to monitor progress in developing this as part of our 2020/21 audit work.

Refer to Appendix 2

Performance during 2019/20

146. In line with the requirements of the Public Bodies (Joint Working) Act 2004, the IJB prepares an annual public performance report that considers progress against both the nine National Health and Wellbeing

Outcomes and the key priorities identified within their strategic plan.

147. The COVID-19 pandemic has impacted the collection of data in some cases as outlined by the IJB in their 2019/20 performance report. Data relating to nine of the national indicators should have been published in April 2020 as part of the Scottish Health and Care Experience Survey. However, publication has been delayed and so the performance is based on the latest available data (2017/18). For the remaining indicators, data is not available for the final quarter of 2019/20. Hence the performance report is based on data for the 2019 calendar year instead.

148. The performance report compares the IJB's performance against 19 core national indicators to the Scottish average and ranks the IJB compared to other authorities. As Exhibit 9 demonstrates, performance continues to be mixed compared to other integration authorities.

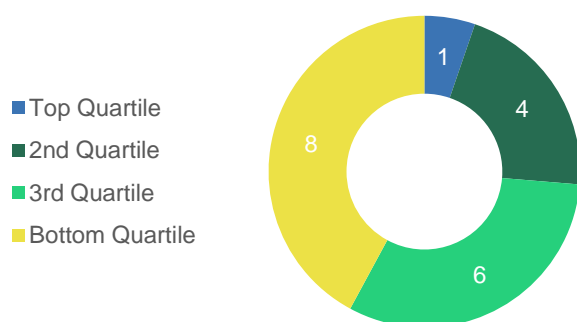
149. The IJB is ranked in the bottom quartile for eight (42%) of the 19 indicators. For the following four indicators, the IJB is ranked between 28th and 30th:

- Percentage of adults supported at home who agreed they felt safe
- Percentage of adults supported at home who agreed that their health and social care services seemed to be well co-ordinated
- Emergency readmissions to hospital within 28 days of discharge
- Proportion of last 6 months of life spent at home or in a community setting

150. For the nine indicators where 2019 data was available, the IJB reported;

- For five indicators, performance had improved compared to the prior year;
- For two indicators, performance had fallen but was still above the Scottish average; and
- For two indicators, performance had fallen and is behind the Scottish average.

Exhibit 9: Edinburgh IJB performance against the core national indicators



Source: Edinburgh IJB Annual Performance Report 2019/20

Delayed discharges

The IJB has historically underperformed against their delayed discharges target (the number of days people spend in hospital when they are ready to be discharged) but reported a significant improvement in the 2019/20 annual performance report.

151. In March 2020 partnerships were asked to prepare mobilisation plans in response to the COVID-19 pandemic with the aim of creating capacity and

space within hospitals. As associated target to reduced delayed discharges was set across Scotland.

- 152. The partnership identified a number of actions to reduce delays, free up beds in acute services and develop capacity within the community. This had a significant impact on performance and the IJB reported an improvement of 27% compared to 2018/19.
- 153. However, the IJB continues to significantly underperform compared to the Scottish average (50% higher) and remains in the bottom quartile, ranking 27th compared to other integration authorities (2018/19: ranked 31st).
- 154. Partnerships across Scotland managed to reduce delayed discharges, A&E attendances and hospital admissions in March and April as the pandemic hit. A national lessons learned exercise was completed in July 2020 highlighting local initiatives and examples of good practice that could support a sustainable improvement in performance. The report recognises the need to continue working collectively to ensure learning is spread at all levels across health and social care.

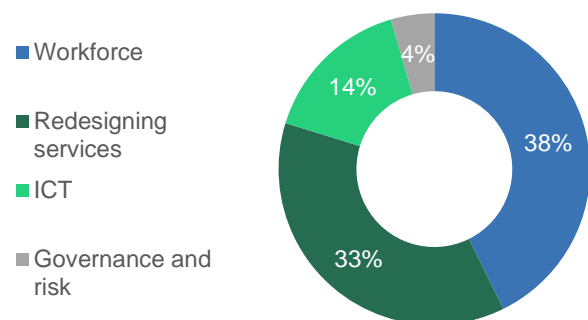
Impact of COVID-19 on service delivery

- 155. COVID-19 has had a significant impact on operations and service delivery. Given the scale of the required response, some services have been stopped or reduced to allow resource to be refocus on higher priority areas. Where services have continued, new innovative delivery models have been necessary to

ensure support could still be provided to those who need it most.

- 156. To assess the impact and effectiveness of the immediate response, the Partnership completed a lessons learned exercise in May 2020 to identify areas for improvement and share good practice. Over the three week exercise, 296 lessons were submitted by various service areas who had to adapt operational delivery or key process.
- 157. Consistent themes emerged from the information gathered and lessons were grouped into four main categories as summarised in Exhibit 10. The Partnership recognise that this in an iterative process and have continued to capture further lessons. This will be kept until regular review and actions will be shared with the relevant individuals.

Exhibit 10: COVID-19 Lessons Learned



Source: COVID-19 Lessons Learned report

- 158. A key priority for the Partnership is to ensure the timely, efficient and appropriate resumption of service delivery in areas where this had been reduced or stopped. To oversee this process a Project Board was established in May 2020 tasked with considering the Scottish Government's route map to managing the COVID-19

crisis and assessing the implications of this on service delivery.

159. For services that had stopped or been reduced, managers have collated project plans outlining the initial impact on services, what could be reintroduced with social distancing or a blended approach and what service re-design or transformation opportunities have arisen.
160. This information is currently being collated into an overarching plan for resuming services. Key milestones have been set, aligned to the phases identified in the Scottish Government's route map for transitioning out of lockdown. A RAG rating will be used to highlight any key risks that need mitigating and the Project Board will consider this on a weekly basis.
161. It is important that the Board's strategic and operational decision continue to be driven by the need to improve services and outcomes. The reinstatement of the Performance and Delivery committee in August 2020 should provide clearer oversight and more focused scrutiny of performance during this period.

Appendices



Appendix 1: Respective responsibilities of the Board and the Auditor

Responsibility for the preparation of the annual accounts

The Board is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has responsibility for the administration of those affairs. The Chief Financial Officer has been designated as that officer within the IJB.

The Chief Financial Officer is responsible for the preparation of the IJB's annual accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing the annual accounts, the Chief Financial Officer is responsible for;

- selecting suitable accounting policies and applying them consistently;
- making judgements and estimates that are reasonable and prudent;
- complying with legislation; and
- complying with the Code.

The Chief Financial Officer is also responsible for;

- keeping proper accounting records which are up to date; and
- taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditor responsibilities

We audit the annual accounts and give an opinion on whether:

- they give a true and fair view in accordance with applicable law and the 2019/20 Code of the state of the affairs of the body as at 31 March 2020 and of its income and expenditure for the year then ended;
- they have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2019/20 Code;
- they have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, the Local Authority Accounts (Scotland) Regulations 2014 and the Local Government in Scotland Act 2003;
- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate or the Chief Financial Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about its ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue;
- the audited part of the Remuneration Report has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014;
- the information given in the Management Commentary is consistent with the financial statements and has been prepared in accordance with statutory guidance issued under the Local Government Scotland Act 2003; and
- the information given in the Annual Governance Statement and Statement of Financial Control is consistent with the financial statements and has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016).

We are also required to report, if in our opinion:

- adequate accounting records have not been kept; or
- the financial statements and the audited part of the Remuneration Report are not in agreement with accounting records; or
- we have not received all the information and explanations we require for our audit or there has been a failure to achieve a prescribed financial objective.

Wider scope of audit

The special accountabilities that attach to the conduct of public business, and the use of public money, mean that public sector audits must be planned and undertaken from a wider perspective than in the private sector. This means providing assurance, not only on the financial statements, but providing audit judgements and conclusions on the appropriateness, effectiveness and impact of corporate governance and performance management arrangements and financial sustainability.

The Code of Audit Practice frames a significant part of our wider scope responsibilities in terms of four audit dimensions: financial sustainability; financial management; governance and transparency; and value for money.

Best value

Appointed auditors have a duty to be satisfied that local government bodies have made proper arrangements to secure best value.

Our work in respect of the IJB's best value arrangements has been integrated into our audit approach, including our work on the wider scope audit dimensions.

Independence

International Standard on Auditing (UK) 260 "Communication with those charged with governance" requires us to communicate on a timely basis all facts and matters that may have a bearing on our independence.

Confirmation of independence

We confirm that we will comply with FRC's Revised Ethical Standard (June 2016). In our professional judgement, the audit process is independent and our objectivity has not been compromised in any way. In particular there are and have been no relationships between Azets and the IJB, its elected members and senior management that may reasonably be thought to bear on our objectivity and independence.

Appendix 2: Action Plan

Our action plan details the weaknesses and opportunities for improvement that we have identified during our audit.

Action plan grading structure

To assist the IJB in assessing the significance of the issues raised and prioritising the action required to address them, the recommendations have been rated.

| Rating | Assessment rationale |
|----------------|---|
| Grade 5 | <ul style="list-style-type: none">• Very high risk exposure - Major concerns requiring immediate attention. |
| Grade 4 | <ul style="list-style-type: none">• High risk exposure - Material observations requiring management attention. |
| Grade 3 | <ul style="list-style-type: none">• Moderate risk exposure - Significant observations requiring management attention. |
| Grade 2 | <ul style="list-style-type: none">• Limited risk exposure - Minor observations requiring management attention |
| Grade 1 | <ul style="list-style-type: none">• Efficiency / housekeeping point. |

Follow up of prior year recommendations

We deem all five open recommendations raised within our 2016/17 and 2017/18 annual audit reports to be ongoing. Details are given below.

1. Medium term financial plan

| Initial rating | Issue & recommendation | Management comments |
|----------------|--|--|
| Grade 4 | <p>Observation</p> <p>The IJB is forecasting a funding shortfall at current services levels of almost £117 million by 2022-23</p> <p>Recommendation</p> <p>The IJB should develop a Medium Term Financial Plan to support the delivery of the vision and priorities within the updated Strategic Plan for 2019-22.</p> | <p>Accepted.</p> <p>Responsible officer: Chief Finance Officer</p> <p>Implementation date: March 2019</p> |
| Current status | Audit Update | Management response |
| Ongoing | <p>Ongoing work has been halted as a result of the emerging pressures of COVID-19 and the need for partners to rework their own medium term financial plans in response. Management have committed to working closely with partners and developing the medium term financial strategy by December 2020. It is important that such a strategy is completed in accordance with this revised timetable.</p> | <p>Accepted.</p> <p>Responsible officer: Chief Finance Officer</p> <p>Implementation date: December 2020</p> |

2. Assurance Framework

| Initial rating | Issue & recommendation | Management comments |
|-----------------------|--|--|
| <p>Grade 2</p> | <p>Observation</p> <p>During our audit, we noted a number of areas where there was a lack of clarity of requirements for reporting and monitoring performance and improvement plans.</p> <p>We noted that the Board has committed to reviewing the governance arrangements during 2018.</p> <p>Recommendation</p> <p>As part of a review of governance arrangements, the Board should consider the introduction of an Assurance Framework to ensure that Board members share an understanding about assurance needs and sources.</p> | <p>Accepted.</p> <p>Responsible officer: Chief Officer</p> <p>Implementation date: March 2019</p> |
| Current status | Audit Update | Management response |
| <p>Ongoing</p> | <p>As reported to the Audit and Assurance Committee in March 2020, work is still ongoing to develop an Assurance Framework and the Board has approved the approach for doing so.</p> | <p>Accepted.</p> <p>Responsible officer: Chief Officer</p> <p>Implementation date: December 2020</p> |

3. Recovery Plan

| Initial rating | Issue & recommendation | Management comments |
|----------------|---|--|
| Grade 3 | <p>Observation</p> <p>We noted that reporting on the Improvement Plan is predominantly narrative in nature and it may therefore be difficult for Board members to scrutinise the scale and pace of improvement.</p> <p>Recommendation</p> <p>The Board should ensure that action plans to deliver improvement actions are;</p> <ul style="list-style-type: none"> - Reported on a regular basis, using succinct format which include a clear assessment of progress against actions - Framed in SMART terms | <p>Accepted.</p> <p>Responsible officer: Chief Officer</p> <p>Implementation date: January 2019</p> |
| Current status | Audit Update | Management response |
| Ongoing | <p>The Return to Transformation report outlines progress against key milestones for each of the seven phase one projects. Whilst this considered progress and significant risks to progress, it did not consider the impact completed actions have had on performance. As noted against action 4, work is still on going to develop a suite of performance measures that better reflect progress against strategic priorities.</p> | <p>Accepted. As part of the annual review of the current strategic plan the six strategic priorities will be re-examined and adjusted as required as we enter the next planning cycle from January 2021. Measures of effectiveness (MoE) will then be created which directly support these strategic priorities, which in turn will provide the required high-level performance framework. Output from the transformation programme will then be mapped to the MoE.</p> <p>However, we will still be required to capture our performance against the mandated MSG 6 and the National Indicators on a regular basis and as part of the Annual Performance Report.</p> <p>Responsible officer: Head of Strategic Planning</p> <p>Implementation date: March 2021</p> |

4. Performance

| Initial rating | Issue & recommendation | Management comments |
|----------------|---|---|
| Grade 4 | <p>Observation</p> <p>The IJB's performance against a number of key indicators continues to fall below target, despite intervention actions to date. A vision for the future has been set out in the Statement of Intent but strategic support is needed from the Board's partners to deliver transformational change.</p> <p>Recommendation</p> <p>The Board should work with partners to ensure that sufficient financial and leadership capacity is available to deliver sustained improvement</p> | <p>Accepted.</p> <p>Responsible officer: Chief Officer</p> <p>Implementation date: Ongoing</p> |
| Current status | Audit Update | Management response |
| Ongoing | <p>A number of areas showed poor performance in 2019/20 and the IJB is continuing to work with partners to support the delivery of sustainable improvement.</p> <p>The Performance and Delivery Committee has operated since September 2019 and scrutinised performance information at each meeting. We noted that performance reports include a significant level of detail and would benefit from the inclusion of a performance scorecard that summarises for achievement and trends for each indicator.</p> <p>The Board is continuing to develop an integrated set of performance measures that better reflects progress against strategic priorities and we will therefore continue to monitor progress during our 2020/21 audit.</p> | <p>Accepted. As output from the transformation programme is produced, associated Directions will be issued by the EIJB. A Directions tracker is managed by the Performance and Delivery Committee.</p> <p>A high-level performance framework will be produced that directly aligns to the EIJB priorities. A scorecard will be considered to supplement this framework.</p> <p>Responsible officer: Head of Strategic Planning</p> <p>Implementation date: March 2021</p> |

5. Workforce planning

| Initial rating | Issue & recommendation | Management comments |
|----------------|--|---|
| Grade 4 | <p>Observation</p> <p>The integration scheme requires the IJB to develop an integrated workforce plan for the city.</p> <p>The IJB has not yet developed an integral workforce plan, and as a result is not meeting the requirement of the integration scheme. Without a documented plan in place, the IJB cannot demonstrate that a strategic overview is being taken over the risks the city faces in relation to workforce supply and demand challenges, communication, staff engagement and training needs to support the implementation of the strategic plan.</p> <p>Recommendation</p> <p>The IJB should develop an integrated workforce plan for the city.</p> | <p>This is captured in the 2016-17 directions issued to CEC and NHS Lothian. Direction 19 requires:</p> <p>”the City of Edinburgh Council and NHS Lothian are directed to work with the Edinburgh Health and Social Care Partnership to:</p> <p>a. produce and implement a workforce development strategy that supports the delivery of the strategic plan; taking account of the National Health and Social Care Workforce Plan;</p> <p>b. ensure that any business cases developed in relation to the strategic plan clearly set out any ICT implications.”</p> <p>Responsible officer: Chief Nurse</p> <p>Implementation date: Initial workforce strategy will be presented to IJB in December 2018.</p> |
| Current status | Audit Update | Management response |
| Ongoing | <p>Workforce and cultural development was identified as a priority phase one project in the Transformation Programme. However, per the IJB’s progress report, Return to Transformation (July 2020), this was assessed as an underdeveloped and delayed project. Action plans have been revised to ensure the workforce strategy is developed during 2020/21 and we recommend that this is actioned as a priority.</p> | <p>Agreed. A workforce plan will be submitted to the Scottish Government in line with their timetable (currently March 2021). In parallel, the ‘enabling’ programme board will develop a workforce strategy.</p> <p>Responsible officer: Chief Finance Officer</p> <p>Implementation date: Workforce plan will be submitted to the Scottish Government as required. Initial workforce strategy will be presented to IJB by December 2021.</p> |



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