



# Edinburgh Integration Joint Board

2020/21 Annual Audit Report to members of  
Edinburgh Integration Joint Board and the  
Controller of Audit

October 2021



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# Key messages

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This report concludes our audit of the Edinburgh Integration Joint Board (“the IJB”) for 2020/21.

This section summarises the key findings and conclusions from our audit.

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## Financial statements audit

<b>Audit opinion</b>	<p>The IJB's annual accounts for the year ended 31 March 2021 were considered by the Audit &amp; Assurance Committee on 1 October 2021 and approved by the Board on 26 October 2021.</p> <p>We report unqualified opinions within our independent auditor's report.</p>
<b>Key findings on audit risks and other matters</b>	<p>COVID-19 continues to present unprecedented challenges to the operation, financial management and governance of organisations, including public sector bodies. In response to the pandemic we identified potential areas of increased risk of material misstatement to the financial statements and our audit opinion. We are pleased to report those risks identified did not materialise.</p> <p>The IJB had appropriate administrative processes in place to prepare the annual accounts and the required supporting working papers.</p>
<b>Audit adjustments</b>	<p>We are pleased to report that there were no material adjustments to the unaudited annual accounts. We identified one unadjusted difference following the receipt of further information after the publication of the unaudited accounts. We deem this unadjusted difference to be immaterial.</p> <p>We identified some disclosure and presentational adjustments during our audit. These have been reflected in the final set of financial statements.</p>
<b>Accounting systems and internal controls</b>	<p>We have applied our risk based methodology to the audit. This approach requires us to document, evaluate and assess the IJB's processes and internal controls relating to the financial reporting process.</p> <p>Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we have included these in this report. No material weaknesses or significant deficiencies were noted.</p>

## Wider scope audit

### Auditor judgement



### Financial Sustainability

The IJB continues to face significant financial pressures, both immediately and over the medium to longer term, with latest projections suggesting a funding gap of £63.5 million by 2023/24. Management have recognised the need for a more strategic approach to financial planning and have proposed the development of an Integration and Sustainability Framework that will consider how the IJB directs the totality of its resource in a financially sustainable manner that best serves the people of Edinburgh. The development of a medium-term financial strategy has been further delayed and we encourage the IJB to develop this alongside its Integration and Sustainability Framework as an area of priority in 2021/22.

Substantial work has been undertaken in 2020/21 to develop the IJB's inaugural workforce strategy. This outlines the IJB's vision and priorities for delivering a high quality, skilled and sustainable workforce, whilst recognising the challenges faced in recruiting and retaining appropriately skilled staff. The IJB is due to consider the final strategy for sign off in December 2021.

## Auditor judgement



### Financial Management

Whilst the IJB started 2020/21 with an unbalanced budget, it reported an accounting surplus of £22 million at 31 March 2021. This has arisen from funding received in 2020/21 to be spent in future years, with £21 million ring fenced for specific purposes. The IJB incurred £40.5 million of net additional costs directly attributable to the COVID-19 pandemic response which has been offset by additional Scottish Government funding of £43.4 million, with £2.9 million carried forward to spend in 2021/22.

The Board approved the 2021/22 financial plan in March 2021 and a savings and recovery programme of £19.2 million. At the start of the financial year, modelling indicated that even after assuming full delivery of the 2021/22 savings programme and maximum utilisation of reserves, the budget remains unbalanced by £9.3 million. The IJB and partners have agreed that the remaining budget gap is at a level where it is feasible to identify mitigating actions as the year progresses.

In line with internal audit's recommendation, we encourage the IJB to undertake a lessons learned exercise to ensure opportunities to strengthen financial reporting and management processes are capitalised on. Management intend to finalise this exercise in 2021/22.

## Auditor judgement



### Governance & Transparency

The IJB has continued to improve the maturity of its governance arrangements during 2020/21. The IJB approved the Good Governance Handbook in July 2021 which covers a range of themes including the principles of good governance, the role of the Board and IJB members, code of conduct and risk management arrangements. This handbook is intended to provide practical value for members of the IJB and staff, setting out the hallmarks of best practice.

Another area of focus in 2020/21 has been strengthening risk management arrangements. Improvements have been introduced to supporting effective scrutiny of risks scored as 'high' or 'very high' and to increase the level of engagement from the Executive Management Team in monitoring and managing risks.

Further work is required in 2021/22 to develop the IJB's risk appetite and escalation approach and to commission an independent assessment of the leadership and managerial capacity needed for the IJB to succeed over the next three years. Given the level of significant change the IJB has committed to over the next three years, this work should be completed as an area of priority in 2021/22.

## Auditor judgement



### Value for Money

Further work is required to develop a robust performance management framework and management have committed to delivering this in 2021/22. Five overlapping workstreams have been established, including understanding the outcomes the IJB wants to measure performance against, developing a set of corresponding indicators, and establishing the relevant mechanisms and responsibilities to measure and report on this data.

Performance continues to be mixed, with the IJB performing above the Scottish average in 10 of the 19 core national indicators. The IJB continues to perform poorly against a number of key indicators, such as readmission to hospital within 28 days of discharge and the proportion of last six months of life spent at home or in a community setting. These areas have been recognised and reflected within the transformation programme.

COVID-19 has had a significant impact on the operations and service delivery. The Partnership has recognised the opportunity to be innovative and embrace new ways of working and is looking to develop a lessons learned framework in 2021/22 in order to continue to capture lessons learned through the pandemic.

## Definition

Our wider scope audit involves consideration of the IJB's arrangements as they relate to financial sustainability; financial management, governance and transparency and value for money. We have used the following grading to provide an overall assessment of the arrangements in place as they relate to the four dimensions.



# Introduction



We carried out our audit in accordance with Audit Scotland's Code of Audit Practice and maintained auditor independence



## Scope

1. This report summarises the findings from our 2020/21 audit of the Edinburgh Integration Joint Board (“the IJB”).
2. We outlined the scope of our audit in our External Audit Plan, which we presented to the Audit and Assurance Committee at the outset of our work. The core elements of our work include:
  - an audit of the 2020/21 annual report and accounts and related matters;
  - 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



## Responsibilities

3. The IJB is responsible for preparing an annual report and accounts which show a true and fair view and for implementing appropriate internal control systems. The weaknesses or risks identified in this report are only those that have come to our attention during our normal audit work and may not be all that exist. Communication in this report of matters arising from the audit 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. 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.

## Auditor independence

5. 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.
6. We confirm that we complied with the Financial Reporting Council's (FRC) Ethical Standard. In our professional judgement, we remained independent and our objectivity has not been compromised in any way.
7. We set out in Appendix 1 our assessment and confirmation of independence.

## Openness and transparency

10. This report will be published on Audit Scotland's website [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk).

## Adding value through the audit

8. 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

9. 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.

# Financial statements audit

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

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## Overall conclusion

11. The annual accounts were approved by the Board on 26 October 2021. We report unqualified opinions within our independent auditor’s report.
12. We received the unaudited annual accounts and supporting papers of a reasonable standard, in line with our agreed audit timetable. Our thanks go to staff at the IJB, Council and NHS Lothian for their assistance with our work.
13. The annual report and accounts will be submitted to the Scottish Government and Controller of Audit by the 30 November 2021 deadline.

## Our audit opinion

Opinion	Basis for opinion	Conclusions
Financial statements	<p>We conduct our audit in accordance with applicable law and International Standards on Auditing.</p> <p>Our findings / conclusion to inform our opinion are set out in this section of our annual report.</p>	We issue an unqualified audit opinion.
Going concern basis of accounting	<p>In the public sector when assessing whether the going concern basis of accounting is appropriate, the anticipated provision of the services is more relevant to the assessment than the continued existence of a particular public body.</p> <p>We assess whether there are plans to discontinue or privatise the IJB’s functions.</p> <p>Our wider scope audit work considers the financial sustainability of the IJB.</p>	<p>We reviewed the financial forecasts for 2021/22. 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.</p> <p>Our audit opinion is unqualified in this respect.</p>
Opinions prescribed by the Accounts Commission on:	We read all the financial and non-financial information in the annual report and accounts to identify material inconsistencies with the audited financial statements and	The statutory other information contains no material misstatements or inconsistencies with the financial statements.

Opinion	Basis for opinion	Conclusions
<ul style="list-style-type: none"> <li>Management Commentary</li> <li>Annual Governance Statement</li> <li>Remuneration Report</li> </ul>	<p>to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit.</p> <p>We plan and perform audit procedures to gain assurance that the statutory other information has been prepared in accordance with;</p> <ul style="list-style-type: none"> <li>Statutory guidance issued under the Local Government in Scotland Act 2003 (Management Commentary);</li> <li>The Delivering Good Governance in Local Government: Framework (Annual Governance Statement); and</li> <li>The Local Authority Accounts (Scotland) Regulations 2014 (Remuneration Report).</li> </ul>	<p>We have concluded that:</p> <ul style="list-style-type: none"> <li>The management commentary is consistent with the financial statements and has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003.</li> <li>The information given in the Annual Governance Statement is consistent with the financial statements and has been prepared in accordance with the Delivering Good Governance framework.</li> <li>The audited part of the Remuneration Report has been properly prepared in accordance with the Local Authority Accounts (Scotland) Regulations 2014.</li> </ul>
<p>Matters reported by exception</p>	<p>We are required to report on whether:</p> <ul style="list-style-type: none"> <li>adequate accounting records have not been kept; or</li> <li>the financial statements and the audited part of the Remuneration and Staff Report are not in agreement with the accounting records; or</li> <li>we have not received all the information and explanations we require for our audit.</li> </ul>	<p>We have no matters to report.</p>

## An overview of the scope of our audit

14. The scope of our audit was detailed in our External Audit Plan, which was presented to the Audit and Assurance Committee in January 2021. 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.
15. 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.
16. In our audit, we test and examine information using sampling and other audit techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain evidence through performing a review of the significant accounting systems, substantive procedures and detailed analytical procedures.

## Significant risk areas

17. Significant risks are defined by professional standards as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, we consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.
18. The significant risk areas 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.

## Significant risk areas

### 1. Management override

#### Significant risk description

In any organisation, there exists a risk that management have 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.

**Audit risk assessment:** High

#### How the scope of our audit responded to the significant risk

##### Key judgement

There is the potential for management to use their judgement to influence the financial statements as well as the potential to override IJB's controls for specific transactions.

##### Audit procedures

- Review of IJB's accounting records and audit testing on transactions.
- Review of judgements and assumptions made in determining accounting estimates as set out in the financial statements to determine whether they are indicative of potential bias. This included a retrospective review of the prior year estimates against the current year estimates.

#### Key observations

We have not identified any indication of management override in the year. We did not identify any areas of bias in key judgements made by management and judgements were consistent with prior years.

## 2. Revenue recognition

### Significant risk description

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 income and expenditure transactions in such a way as to lead to a material misstatement in the reported financial position.

**Audit risk assessment: High**

### How the scope of our audit responded to the significant risk

#### Key judgements

Given the financial pressures facing the public sector, there is an inherent fraud risk associated with the recording of income around the year end. However, we do not deem this risk to be present for contributions received from the IJB's funding partners due to a lack of incentive and opportunity to manipulate transactions.

#### Audit procedures

- As the IJB does not undertake any income generating activity and funding from partners is its only source of income, no further audit procedures were deemed necessary.

### Key observations

We revisited our conclusion to rebut the risk of revenue recognition throughout the audit and our conclusion did not change.

### 3. Expenditure recognition

**Significant risk description** As most public sector bodies are net expenditure bodies, the risk of fraud is more likely to occur in expenditure. There is a risk that expenditure may be misstated resulting in a material misstatement in the financial statements.

**Audit risk assessment:** High

**How the scope of our audit responded to the significant risk**

#### Key judgements

Given the financial pressures facing the public sector as a whole, there is an inherent fraud risk associated with the recording of accruals around the year end.

#### Audit procedures

- Evaluate the significant expenditure streams and review the controls in place over accounting for expenditure.
- Consideration of the IJB's key areas of expenditure and obtain evidence that expenditure is recorded in line with appropriate accounting policies and the policies have been applied consistently across the year.

**Key observations**

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 the audit to take account of developments as they arise. We have specifically updated our risk assessment to identify charges for services provided by NHS Lothian as a key accounting estimate and a key audit risk.

#### 4. Charges for services provided by NHS Lothian (significant accounting estimate)

##### Significant risk description

NHS Lothian is partnered with four integration authorities and is responsible for delivering integration functions across the entire Lothian region. Some services are delivered specifically for one integration authority (disclosed as core services) and the charge for delivering this service can be easily determined. Some services however are delivered on a pan-Lothian basis, utilised by one or more integration authority, in which case the charge for delivering these services is allocated across the relevant integration authorities.

We therefore deem the charge recognised by the IJB for services provided by NHS Lothian to be a significant accounting estimate and represents an increased risk of misstatement in the financial statements.

**Audit risk assessment: High**

##### How the scope of our audit responded to the significant risk

##### Key judgements

NHS Lothian developed a model, in agreement with partners, to determine how costs related to integration services were allocated between the four integration authorities. The proportion allocated to Edinburgh IJB represents 100% of costs related to core services and a percentage of hosted and set aside services based on demographics and population data.

##### Audit procedures

- Consider the basis for costs allocated to the IJB and ensure this is reasonable.
- Obtain assurances from the audit of NHS Lothian that the information provided to the IJB is arithmetically correct, consistent with underlying data and free from material misstatement

##### Key observations

We deem the basis for cost allocation to be reasonable given the nature of data available to NHS Lothian. We obtained assurances that the information used to prepare the IJB's annual accounts is arithmetically correct, consistent with underlying data and fairly stated within the annual accounts.

## Other risk factors

### Impact of COVID-19 on the annual accounts

20. COVID-19 continues to present unprecedented challenges to the operation, financial management and governance of organisations, including

public sector bodies. In response to the pandemic we identified potential areas of increased risk of material misstatement to the financial statements and/or our audit opinion. Our conclusions are set out in the table below.

Area considered	Description	Conclusion
Access to audit evidence	<p>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.</p>	<p>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.</p> <p>We stayed in close contact with the IJB colleagues right up until the point of accounts signing, to ensure all relevant issues were satisfactorily addressed.</p>
Timescales	<p>The pre COVID-19 deadline was 30 September. The Scottish Government amended the accounts regulations to require the 2020/21 annual accounts to be signed off by 31 October (amended from 30 September) and published by 15 November (amended from 31 October).</p> <p>However, the provision of the Coronavirus (Scotland) Act 2020 (which permitted bodies to delay publication of the 2019/20 accounts until reasonably practicable) have been extended. 'Reasonably practicable' was considered to be 30 November and this date is considered appropriate for 2020/21. The extension of the Act also allows flexibility over the date (usually 30 June) for the unaudited accounts.</p>	<p>The IJB committed to continue with its original timetable; for both the publication of the unaudited accounts and approval of the audited accounts. The annual accounts are due to be considered by the Audit and Assurance Committee on 1 October and approved by the Board on 26 October.</p>

## Estimates and judgements

21. We are satisfied with the appropriateness of the accounting estimates and judgements used in the preparation of the financial statements.
22. As part of the planning and fieldwork stages of the audit we identified all accounting estimates made by management and determined which of those are key to the overall financial statements. Consideration was given to income, expenditure, accruals and provisions for legal obligations. Other
23. Our audit work consisted of reviewing these key areas for any indication of bias and assessing whether the judgements used by management are reasonable. We have summarised our assessment of this below, categorised between Prudent, Balanced and Optimistic.

than charges for services provided by NHS Lothian, we have not determined the other accounting estimates to be significant. We revisited our assessment during the completion stages of our audit and concluded that our assessment remained appropriate.

### Estimates and judgements

#### Charges for services provided by NHS Lothian

Balanced

We reviewed the reasonableness of the assumptions used in the calculation of the IJB's liability for services provided by NHS Lothian and deemed this to be reasonable. Management have updated their accounting policies to reflect on this as a key area of estimation and judgement.

## Materiality

24. 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 and is affected by our assessment of the risk profile of the organisation and the needs of users. We review our assessment of materiality throughout the audit.
25. Whilst our audit procedures are designed to identify misstatements
26. Our initial assessment of materiality for the IJB's financial statements was £11.000million. On receipt of the unaudited annual accounts, we reassessed materiality and updated it to £12.750million. We consider that our updated assessment has remained appropriate throughout our audit.

which are material to our audit opinion, we also report to the IJB and management any uncorrected misstatements of lower value errors to the extent that our audit identifies these.

## Materiality

### Overall materiality

£12.750million



100%

Accounts materially misstated where total errors exceed this value

### Performance materiality

£9.563million



75%

Work performed to capture individual errors at this level

### Trivial threshold

£250,000



5%

All errors greater than this level are reported

### Materiality

Our assessment is made with reference to the IJB's cost of delegated services. We consider the cost of delegated services to be the principal consideration for the users of the accounts when assessing the performance of the IJB

Our assessment of materiality equates to approximately 1.5% of the IJB's cost of delegated services as disclosed in the 2020/21 unaudited annual accounts.

In performing our audit we do apply a lower level of materiality to the audit of the Remuneration and Staff Report. Our materiality is set at £5,000.

### Performance materiality

Performance materiality is the working level of materiality used throughout the audit. We use performance materiality 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.

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 the uncorrected and undetected misstatements exceed overall materiality.

### Trivial misstatements

Clearly trivial are matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

## Audit differences

27. We are pleased to report that there were no material adjustments to the financial statements.
28. We identified one unadjusted difference and some disclosure and presentational adjustments during our audit which have been detailed in Appendix 2.

## Internal controls

29. As part of our work we considered internal controls relevant to the preparation of the financial statements such that we were able to design appropriate audit procedures. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to the IJB. These matters are limited to those which we have concluded are of sufficient importance to merit being reported.

Area	Assessment	Comment
Control and process environment	<b>Satisfactory</b>	We consider the control environment within the entity to be satisfactory.
Quality of supporting schedules	<b>Satisfactory</b>	The supporting schedules received during the course of the fieldwork were sufficient for our audit purposes.
Responses to audit queries	<b>Satisfactory</b>	Management's responses to our audit queries were appropriate and received on a timely basis.

## Follow up of prior year recommendations

30. We followed up on progress in implementing the outstanding audit recommendations from the prior year. Detail on these is included in the action plan at Appendix 4.

## Other communications

### Accounting policies, presentation and disclosures

31. Our work included a review of the adequacy of disclosures in the financial statements and consideration of the appropriateness of the accounting policies adopted by the IJB.
32. The accounting policies, which are disclosed in the annual accounts, are in line with the Code and are considered appropriate.

33. There are no significant financial statements 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.

34. Overall we found the disclosed accounting policies, and the overall disclosures and presentation to be appropriate.

### Fraud and suspected fraud

35. We have previously discussed the risk of fraud with management. We have not been made aware of any incidents in the period nor have any incidents come to our attention as a result of our audit testing.

36. Our work as auditor is not intended to identify any instances of fraud of a non-material nature and should not be relied upon for this purpose.

### Non-compliance with laws and regulations

37. As part of our standard audit testing, we have reviewed the laws and regulations impacting the IJB. There are no indications from this work of any significant incidences of non-compliance or material breaches of laws and regulations that would necessitate a provision or contingent liability.

### The Local Authority Accounts (Scotland) Regulations 2014

38. As part of our audit we reviewed the IJB's compliance with the Local Authority Accounts (Scotland) Regulations 2014, in particular in respect to regulations 8 to 11 as they relate to the annual accounts.

39. The Scottish Government Finance Circular 10/2020 provided guidance on the publication and inspection of the unaudited accounts as a result of the COVID-19 pandemic.

40. Overall we concluded that appropriate arrangements are in place to comply with these Regulations and the guidance as set out in the Finance Circular 10/2020.

### Written representations

41. We presented the final letter of representation to the Chief Finance Officer to sign at the same time as the financial statements are approved.

### Related parties

42. We are not aware of any related party transactions which have not been disclosed.

# 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.



## Auditor judgement



The IJB continues to face significant financial pressures, both immediately and over the medium to longer term, with latest projections suggesting a funding gap of £63.5 million by 2023/24. Management have recognised the need for a more strategic approach to financial planning and has proposed the development of an Integration and Sustainability Framework that will consider how the IJB directs the totality of its resource in a financially sustainable manner that best serves the people of Edinburgh. The development of a medium-term financial strategy has been further delayed and we encourage the IJB to develop this alongside its Integration and Sustainability Framework as an area of priority in 2021/22.

Substantial work has been undertaken in 2020/21 to develop the IJB's inaugural workforce strategy. This outlines the IJB's vision and priorities for delivering a high quality, skilled and sustainable workforce, whilst recognising the challenges faced in recruiting and retaining appropriately skilled staff. The IJB is due to consider the final strategy for sign off in December 2021.

## Significant audit risk

43. Our audit plan identified a significant risk in relation to financial sustainability under our wider scope responsibilities:

### Financial sustainability

The IJB has been able to demonstrate arrangements for short term planning. However, as we first reported in our 2016/17 Annual Audit Report, the IJB has not developed a medium or long-term financial plan or strategy.

In October 2019, the Board considered a Financial Framework 2020-2023. This was intended to form the basis of a medium-term financial strategy, however further development of this was postponed due to the outbreak of the pandemic. An updated Financial Framework 2021-2024 was considered by the Board in December 2020, highlighting the significant financial challenges the IJB continues to face over the medium term.

The Financial Framework outlines a savings requirement of £30.3million in 2021/22, £46.8million in 2022/23 and £63.5million in 2023/24. In an acknowledgement of the need to evolve their thinking and approach to financial planning, the IJB has introduced an Integration and Sustainability Framework that will focus on how the IJB can direct the totality of its resources to best serve the people of Edinburgh in a sustainable manner. There is an urgent need to work with partners to develop this strategic approach to financial planning and address the savings requirements in an effective and sustainable manner. Work is ongoing to develop a savings and recovery programme for 2020/21 to bridge the transition into this new approach.

*Noted in the 2020/21 External Audit Plan*

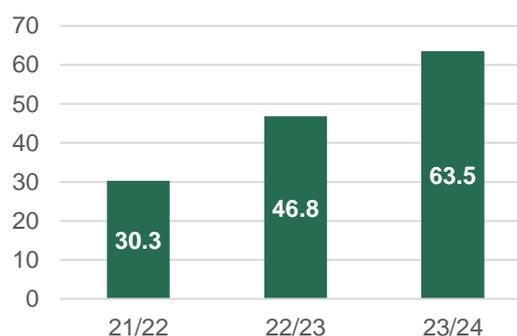
44. Whilst the IJB has updated its Financial Framework to reflect the latest position, a medium-term financial strategy has not been developed. Management had committed to developing a strategy by December 2020 however progress has been halted. The IJB has recognised the need for a more long-term approach within its Integration and Sustainability Framework, however this is at the early stages of development.
45. The health and social care sector continues to face unprecedented challenges to the sustainability of the system, some of which have been exacerbated by the COVID-19 pandemic. The IJB is faced with an ageing population, an increase in demand, an aging workforce and limited resource availability. In an environment of heightened financial pressures, increasing demand and the growing need to redesign services, robust and timely financial planning is essential in supporting the sustainability in the medium to long-term. The IJB

should develop a medium-term financial strategy in 2021/22 as an area of priority.

## Financial Outlook

46. The IJB's Financial Framework, first developed in October 2019, was intended to form the basis of a medium term financial strategy and presents an initial outlook over the medium term based on partner's planning assumptions.
47. The Framework takes cognisance of the IJB's authority to direct the totality of resources across both NHS Lothian and City of Edinburgh Council in a manner that best serves the people of Edinburgh. Aligned to the 2019-2022 Strategic Plan and transformation programme, the Framework takes account 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.
48. The Board approved the Financial Framework 2021-2024 in December 2020. Many of the assumptions were indicative, prior to announcement of the Scottish Government's 2021 budget and within the Framework it is assumed that COVID-19 costs will be met by the Scottish Government through the mobilisation planning process.
49. The Framework highlights that even with the commitments around redesign and the initiatives outlined in the transformation programme, the medium-term financial outlook remains extremely challenging, as summarised in exhibit 2.

### Exhibit 2: Cumulative Future Financial Gap (£m)



Source: Financial Framework 2021-2024-December 2020

50. The Board subsequently developed a Savings and Recovery Programme to bridge the funding gap for 2021/22. However, further work is required to address the £63.5million funding gap identified for 2023/24.

### Integration and Sustainability Framework

51. The IJB's approach to financial planning focuses on quantifying the in-year financial gap and subsequently identifying and delivering savings plans to address the gap. Management recognise that this approach results in saving proposals with limited impact on performance, quality and outcomes.
52. Recognising the need for a more strategic approach, the IJB proposed the development of an Integration and Sustainability Framework, introducing this concept alongside the Financial Framework 2021-24. The Framework will consider how the IJB directs the totality of its resources in a manner

which best serves the people of Edinburgh in a financially sustainable manner.

53. To inform this Framework, the first phase is establishing a clear understanding of what health and social care services in Edinburgh currently look like and how they are provided. The next phase will focus on identifying opportunities to reshape and reimagine services through collaborative working.
54. Work has commenced, ensuring appropriate linkages with the existing transformation programme. However there is no clear timeline for finalising this Framework.
55. This analysis should underpin the medium-term financial strategy and we encourage the IJB to develop the Integration and Sustainability Framework and the medium term financial strategy as an area of priority. As detailed in Audit Scotland's Local Government in Scotland: Financial overview 2019/20, Edinburgh is one of four IJBs that do not have a medium-term financial strategy in place

## Workforce Planning

56. The IJB identified workforce and cultural development as a priority phase one project of the Transformation Programme. Building on the Baseline Workforce Plan presented in December 2018, substantial work has been undertaken in 2020/21 to develop its inaugural workforce strategy. Management's latest update on the delivery of the transformation programme presented this project as on track.
57. The initial draft, with the working title 'Working Together', was shared with

the Transformation Programme Board in January 2021 and the Portfolio Board in February 2021, accompanied by a draft action plan, implementation plan and governance arrangements. This remains a work in progress and is yet to be considered by the Board.

58. 'Working Together' outlines the IJB's vision and priorities for its workforce and considers the actions needed to deliver a high quality, skilled and sustainable workforce. The draft strategy takes cognisance of the IJB's overarching Strategic Plan and is structured under four strategic workforce priorities;
  - Health & Wellbeing;
  - Culture & Identity;
  - Workforce Capacity & Transformation; and
  - Leadership & Development.
59. When the IJB formed in 2016, two distinct health and social care teams working in NHS Lothian and City of Edinburgh Council were merged into one operational organisation; the Edinburgh Health and Social Care Partnership (the Partnership). Whilst the IJB does not directly employ staff they are responsible for coordinating the services delegated to the Partnership.
60. The strategy recognises the challenges currently faced within the workforce. The Partnership consists of just under 5,000 colleagues, of which 44% are aged 50 and above. National demographic projections indicate a reduced capacity within working age groups which could further exacerbate the Partnership's ability to recruit and retain skilled and knowledgeable staff. Staff training,

development, recruitment, retention and succession planning are all due to be considered as part of the strategy.

61. Management engaged with the existing workforce on the content of the draft strategy through focus groups and surveys to ensure this reflected their needs and ambitions. Work is now ongoing to revise and adapt the strategy and supporting three year action plan based on the feedback received.
62. The final Workforce Strategy is due to be considered by the Board in December 2021 for final sign-off. In addition, the Scottish Government has requested that all integration authorities submit a workforce plan by March 2022 (previous deadline of March 2021 extended as a result of the COVID-19 pandemic). The IJB is committed to developing this plan alongside their Workforce Strategy and are on track to meet this deadline.

## Independent Review of Adult Social Care (Feeley Report)

63. On 1 September 2020 the First Minister announced that there would be an Independent Review of Adult Social Care in Scotland as part of the 2020/21 Programme for Government. The review was chaired by Derek Feeley, a former Scottish Government Director General for Health and Social Care and Chief Executive of NHS Scotland.
64. The review took a human-rights based approach and aimed to recommend improvements to adult social care in

Scotland, primarily in terms of the outcomes achieved by and with people who used services, their carers and families, and the experience of people who work in adult social care.

65. The report from this review (the Feeley Report<sup>1</sup>) was published in February 2021 and highlighted three things that must change in order to secure better outcomes across adult social care;
- Shift the paradigm
  - Strengthen the foundations
  - Redesign the system
66. The report outlined 53 recommendations, including the establishment of a National Care Service for Scotland, created on an equal footing with NHS Scotland and a call for integration authorities to be funded directly by the Scottish Government.
67. In August 2021, the Scottish Government commenced a consultation on their response to the report and proposals to improve the way social care is delivered. The IJB is actively engaging in this consultation and has already reflected on how the principles outlined in the Feeley Report are aligned to the IJB's transformation programme.
68. With the consultation due to close in November 2021, we will continue to consider the Scottish Government's response to the Feeley Report and any potential impact on the IJB as part of our 2021/22 audit.

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<sup>1</sup> <https://www.gov.scot/publications/independent-review-adult-social-care-scotland/>

# Financial management

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



## Auditor judgement



Whilst the IJB started 2020/21 with an unbalanced budget, it reported an accounting surplus of £22 million at 31 March 2021. This has arisen from funding receiving in 2020/21 to be spent in future years, with £21 million ring fenced for specific purposes. The IJB incurred £40.5 million of net additional costs directly attributable to the COVID-19 pandemic response which has been offset by additional Scottish Government funding of £43.4 million, with £2.9million carried forward to spend in 2021/22.

The Board approved the 2021/22 financial plan in March 2021 and a savings and recovery programme of £19.2 million. At the start of the financial year, modelling indicates that even after assuming full delivery of the 2021/22 savings programme and maximum utilisation of reserves, the budget remains unbalanced by £9.3 million. The IJB and partners have agreed that the remaining budget gap is at a level where it is feasible to identify mitigating actions as the year progresses.

In line with internal audit's recommendation, we encourage the IJB to undertake a lessons learned exercise to ensure opportunities to strengthen their financial reporting and management processes are capitalised on.

## Significant audit risk

69. Our audit plan identified a significant risk in relation to financial management under our wider scope responsibilities:

### Financial management

In July 2020, the Board agreed the 2020/21 financial plan and the savings and recovery plan which set out how financial balance could be achieved in the year. By August however the year end forecasts provided by NHS Lothian and City of Edinburgh Council projected overspends of £10.9million. The latest forecast (October 2020) projected overspends of £17.896million, the majority of which relates to COVID-19 spend. Both partners had commissioned work to further understand the financial impact of COVID-19.

As reported in our 2019/20 Annual Audit Report, interpreting these financial projections has been challenging given the differences in partners approach to reporting and the level of uncertainty over additional funding. The Government has committed to fully funding the financial impact of COVID-19, however, until further allocations are confirmed and received, this remains a significant risk to the IJB's financial position. This is of particular concern given the low level of reserves held by the IJB (£3.166million at 31 March 2020)

*Noted in the 2020/21 External Audit Plan*

70. As outlined below, whilst the IJB started 2020/21 with an unbalanced budget, they reported a surplus of £22 million, largely as a result of additional funding made available by the Scottish Government. We are satisfied that the partnership has taken an appropriate approach to financial management in 2020/21, having introduced a number of improvements to enable the accurate and timely identification of additional costs arising from the COVID-19 pandemic. In line with internal audit's recommendation, we encourage the IJB to reflect on how these improvements can be used to strengthen their standard financial reporting process. Management intend to complete this exercise in 2021/22.
71. The Board approved the 2021/22 financial plan in March 2021 that, even after assuming full delivery of the 2021/22 savings and recovery programme and utilisation of reserves, recognises a funding gap of £9.3 million. The IJB has agreed with partners that identifying additional savings at this time could lead to unnecessary public concern and deterioration in service delivery and performance. The IJB and partners have agreed that the remaining budget gap is at a level where it is feasible to identify mitigating actions as the year

progresses. We will continue to consider financial management as a significant risk in our 2021/22 audit plan.

## Financial performance in 2020/21

72. The IJB started 2020/21 with an initial funding gap of £21.9 million. The financial plan identified three mitigating actions totally £6 million and a savings and recovery programme was developed to address the resultant savings requirement of £15.9 million. The Savings Governance Board was established to monitor and scrutinise progress and delivery.
73. The IJB spent £850 million delivering health and social care services to the people of Edinburgh in 2020/21 (2019/20: £762 million). For 2020/21 the Board is reporting a surplus of £22 million (2019/20: deficit of £6.5million), largely as a result of additional funding made available by the Scottish Government. This is the second year that the IJB has not needed to rely on additional contributions from partners to manage their financial position.
74. Of this surplus, £21 million is ring fenced for specific purposes, representing funding received in 2020/21 but not yet spent. The remaining £1 million represents a surplus on delegated services for 2020/21 and an unallocated general reserve balance. The surplus has been transferred to usable reserves bringing the total balance to £25.4 million as at 31 March 2021 (31 March 2020: £3.2 million).
75. The financial position of the IJB going into 2021/22 has increased the reserves position, however the majority of funding in reserves is ring fenced for specific purposes. The IJB are actively in discussion with partners and the Scottish Government to determine the extent of flexibility in the application of these monies going forward.

### Exhibit 3: Financial Performance in 2020/21

	Budget	Actual	Variance
	£000	£000	£000
Health services	621,642	620,618	1,025
Council services	228,157	228,157	-
<b>Total Outturn</b>	<b>849,800</b>	<b>848,775</b>	<b>1,025</b>

Source: Finance Update – June 2021

### Impact of COVID-19

76. Of the £850 million costs incurred in 2020/21, net costs of £40.5 million are directly attributable to COVID-19. In line with their commitment to fully fund the financial consequences of the pandemic, the IJB received funding of £43.4 million to meet these additional costs. Reflecting the fact that COVID-19 related costs will likely span across financial years, the Scottish Government agreed that any associated funding not fully utilised in 2020/21 should be carried forward to 2021/22. The IJB has transferred the balance of £2.9 million to an earmarked reserve as part of their 2020/21 surplus.
77. The impact of the pandemic on the IJB's finances has been closely monitored throughout the year. NHS Lothian submitted regular and timely information to the Scottish Government through Local Mobilisation Plans, reflecting the impact on both their own services and those of the Health and Social Care Partnership. These returns provided the necessary information to determine the additional cost and funding required to support the COVID-19 response.
78. Additional costs incurred as a result of the COVID-19 response include;
- Sustainability payments made to support providers during the pandemic;
  - Purchase of additional capacity to relieve the strain on acute medical services;
  - Establishment and running of COVID assessment hubs and mobile testing units;
  - Delivery of the vaccination programme; and
  - Payment of health and social care staff bonus payment.
79. In addition, the IJB could not deliver the 2020/21 savings and recovery programme in full as a result of the workforce being refocussed onto the COVID-19 response. The IJB recognised £2.929 million slippage in the delivery of savings as an additional cost of COVID-19 and like other integration authorities, received funding to offset the financial impact of this.

### Partnership Working

80. The IJB has continued to work closely with both partner organisations to determine the financial impact of the pandemic and update projections for the year.
81. We previously noted that challenges in interpreting financial information with the IJB's partners taking differing approaches to forecasting. The Council assumed that all COVID-19 costs would be fully funded whereas NHS Lothian did not recognise any additional monies until the funding was confirmed.
82. A number of improvements were introduced in 2020/21 to support financial management arrangements and the submission of Local Mobilisation Plan returns to the Scottish Government;
- The IJB Chief Finance Officer (CFO) worked with both the Council and NHS Lothian to interpret the Scottish Government guidance and prepare the Partnership's submission .

- A timetable was agreed with partners for the timely provision and submission of information.
  - The IJB CFO joined the national partnership benchmarking group and engaged across the CFO network to share evidence of good practice and to ensure these insights were incorporated into Partnership returns.
  - A consistent approach to preparing financial information was introduced to support the efficient preparation of Partnership returns.
83. Internal audit undertook a review of the design and operation of the key controls established to ensure that complete and accurate Partnership financial information was included in the mobilisation plans provided to Scottish Government. As reported to the Audit and Assurance Committee in May 2021, internal audit gave this area an effective rating and concluded that the arrangements in place were adequately designed and operating effectively. One low risk finding was raised, recommending that a lessons learned exercise should be completed to identify areas of best practice. Management have committed to undertaking this by October 2021.
84. One area of good practice identified by internal audit was the completion of reconciliations between current and previous returns to identify any significant changes in cost estimates or actuals, and the provision of an explanation where such changes were identified. We encourage

management to reflect on how they can maintain the same level of accountability, transparency and scrutiny over significant changes month to month as part of their standard financial reporting process.

## Delivering Financial Balance

85. The 2021/22 budget was considered and approved by the Board in March 2021. Modelling indicates that even after assuming full delivery of the 2021/22 savings and recovery programme and maximum utilisation of reserves, the budget remains unbalanced by £12.11 million, with the potential to further reduce to £9.3 million. The IJB Chief Officer has led urgent discussions with NHS Lothian and City of Edinburgh Council on this position.
86. Delegated budgets from partners total £692.2 million for 2021/22 (2020/21: £684.6 million). For NHS Lothian this represents a 1.5% uplift (£5.7 million) from the 2020/21 budget and an additional allocation of £0.8million through NRAC (the formula used to assess each board's fair share of the overall NHS Scotland resource) consequences.
87. The Scottish Government 2021/22 budget provided for an additional £72.6 million to be transferred from the health portfolio for investment in adult social care and integration. Local authorities were required to pass this additional funding to integration bodies in full, and hence the uplift in budget allocation from City of Edinburgh Council is as follows:
- £2.9 million to support the delivery of the living wage;

- £2.4 million to support continued implementation of the Carers Act; and
- £1.6 million for the uprating of free personal and nursing care.

88. Set against this, the projected cost of delegated services for 2021/22 is £723.5 million (2020/21: £706.4 million). This results in a savings requirement of £31.3 million.

### Savings and Recovery Programme 2021/22

89. The Board considered and approved the 2021/22 savings and recovery programme in March 2021 which aimed at addressing the funding gap. The IJB has tried to ensure the alignment of proposals to the strategic plan and demonstrate a commitment to continually strive to improve outcomes for people and maintain the quality of services. However, the savings and recovery programme recognises that given the magnitude of the 2021/22 savings requirement, changes will need to be made that may impact services, people and staff.

90. As part of the programme, the Board approved 17 savings projects and proposals totalling £19.2 million which have been aligned to the IJB's Strategic Plan and strategic aims. The savings proposals are structured under the following four sections:

### Exhibit 4: Savings and Recovery Programme 2021/22

	£m
<b>21/22 savings requirement</b>	<b>31.30</b>
<b>Previously approved proposals</b>	<b>8.53</b>
<i>Purchasing</i>	7.19
<i>External housing support</i>	0.50
<i>Other initiatives below £0.5m</i>	0.84
<b>Operational / Grip &amp; Control</b>	<b>4.74</b>
<i>Prescribing</i>	2.20
<i>Hosted services &amp; set aside</i>	2.16
<i>Other initiatives below £0.5m</i>	0.37
<b>Transformation projects</b>	<b>1.81</b>
<b>New proposals</b>	<b>4.12</b>
<i>Policy Development &amp; Implementation</i>	4.00
<i>Other initiatives below £0.5m</i>	0.12
<b>Total savings</b>	<b>19.20</b>
<b>Net position</b>	<b>12.11</b>

Source: Savings and Recovery Programme 2021/22 – March 2021

91. The financial plan identified two further mitigating actions totalling £2.8 million, reducing the budget gap to £9.3 million, as summarised below. These relate to reducing investment in community mobilisation by £1 million and limiting contractual uplifts to what is affordable unless additional funding is provided by Scottish Government for the living wage (£1.8 million).

### Exhibit 5: Financial Plan 2021/22

	NHS £m	Council £m	Total £m
Delegated budget	458.3	234.0	692.2
Projected expenditure	(463.7)	(259.9)	(723.5)
<b>Savings requirement</b>	<b>(5.4)</b>	<b>(25.9)</b>	<b>(31.3)</b>
Savings and recovery programme	5.8	13.4	19.2
<b>Updated shortfall</b>	<b>0.4</b>	<b>(12.5)</b>	<b>(12.1)</b>
Route to break even			
Community mobilisation			1.0
Contract uplifts			1.8
<b>Remaining gap for 2021/22</b>			<b>(9.3)</b>

Source: 2021/22 Financial Plan

92. The IJB has been in regular discussion with NHS Lothian and City of Edinburgh Council over additional measures required to balance the plan. Opportunities to deliver further efficiencies whilst maintaining performance and improving outcomes are deemed to be exhausted. In addition, in the context of a country emerging from the pandemic and reshaping services, much uncertainty exists and additional in-year budget allocations are considered likely in 2021/22.

93. Taking these factors into consideration, the IJB has agreed with partners that identifying additional savings at this time could lead to unnecessary public concern and a significant deterioration in service delivery and performance. The IJB and partners have agreed that the remaining budget gap is at a level where it is feasible to identify

mitigating actions as the year progresses.

94. The financial position will be closely monitored by the IJB and we will continue to consider the financial management arrangements during our 2021/22 audit.

### Prevention and detection of fraud and irregularity

95. 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 arrangements to be sufficient and appropriate.

96. Since the start of the pandemic, the risk of fraud and error has increased, as summarised in Audit Scotland's report, "*COVID-19 Emerging Fraud Risks*", with resources being stretched and the introduction of changes to controls and governance. We reviewed the arrangements in place within the IJB, NHS Lothian and City of Edinburgh Council against the risks outlined in Audit Scotland's report and are satisfied that where there have been changes in the control environment, appropriate mitigating controls have been implemented.

#### **Risk of fraud and corruption in the procurement function**

97. 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 partner bodies.
98. In line with our approach previously used, we sought assurances from the external audit of NHS Lothian and City of Edinburgh Council regarding the level of risk present in the procurement function and no significant issues were highlighted.

# 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.



## Auditor judgement



The IJB has continued to improve the maturity of its governance arrangements during 2020/21. The IJB approved the Good Governance Handbook in July 2021 which covers a range of themes including the principles of good governance, the role of the Board and IJB members, code of conduct and risk management arrangements. This handbook is intended to provide practical value to members of the IJB and staff, setting out the hallmarks of best practice.

Another area of focus in 2020/21 has been strengthening risk management arrangements. Improvements have been introduced to supporting effective scrutiny of risks scored as 'high' or 'very high' and to increase the level of engagement from the Executive Management Team in monitoring and managing risks.

Further work is required to develop the IJB's risk appetite and escalation approach and to commission an independent assessment of the leadership and managerial capacity needed for the IJB to succeed over the next three years. Given the level of significant change the IJB has committed to over the next three years, this work should be completed as an area of priority in 2021/22.

## Significant audit risk

99. Our audit plan identified a significant risk in relation to governance and transparency under our wider scope responsibilities:

### Governance and transparency

The IJB has continued to refine its governance arrangements since it was formally constituted in April 2016. In 2018/19 the IJB commissioned the Good Governance Institute to undertake a review of their systems and process, 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. The report outlined a series of 18 recommendations and the IJB developed an action plan in response in April 2019.

As reported in our 2019/20 Annual Audit Report, whilst some progress has been made in addressing these recommendations, the pace of change has been slower than originally planned and further action is still required. This includes the finalisation of a Good Governance Handbook, review and definition of risk appetite, development of an integrated performance framework and an independent assessment of leadership and managerial capacity. The IJB has not formally reported on or considered progress against the action plan since its development in April 2019.

The Good Governance Institute's report echoes a number of the issues raised in the IJB's Statement of Intent, agreed by the Board in October 2017, and the subsequent recovery plan. The IJB has recognised the need to strengthen governance arrangements and define reporting processes to bring clarity to the partnership's activities and support the IJB in effectively discharging its duties. Whilst we recognise that the development and strengthening of the IJB's governance will be a continual process, requiring the commitment of IJB members over time, there is a risk of suboptimal performance and quality, and financial imbalance if sufficient action is not taken in a timely manner.

*Noted in the 2020/21 External Audit Plan*

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100. Progress in delivering the Good Governance Institute's recommendations has been considered by the Executive Management Team but has not been formally reported to the Board in 2020/21. At the time of writing, 16 of the 18 recommendations are deemed to be complete with the remaining two in progress.
101. The Board approved the IJB's Good Governance Handbook in July 2021 which covers a range of themes, providing a practical reference guide that supports the hallmarks of good governance. The IJB has committed to reviewing the Good Governance Handbook in 18 months (January 2023).

102. The handbook has been developed in collaboration with the Good Governance Institute and reflects the work undertaken over the past two years to increase the maturity of the IJB's governance arrangements, including;
- Revision of the committee structure and terms of reference;
  - Clarity over the roles and responsibilities of chairs and committee members; and
  - The establishment of a development programme for members.
103. Further work is required to address the remaining recommendations which relate to;
- The development of the IJB's risk appetite and risk escalation approach; and
  - Commissioning an independent assessment of the leadership and managerial capacity needed for the IJB to succeed over the next three years.
104. We encourage the IJB to continue building on their governance arrangements and consider these outstanding recommendations as an area of priority. The IJB recognises the significant level of transformation required over the medium term to modernise and streamline service delivery and improve outcomes whilst remaining financially sustainable. Robust risk management arrangements and leadership is essential to successfully driving this process. Whilst the pace of change has improved in 2020/21, we will continue to monitor the development of governance arrangements as part of our 2021/22 audit.

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## Governance and transparency

### Governance Arrangements

105. On 14 April 2020 the Board agreed to suspend all Board and Committee meetings until 30 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.
106. With the exception of the scheduled budget meeting held on 28 April 2020, the Board first met again on 21 July 2020. The Board agreed the resumption of the supporting committees on the following dates:
- Audit and Assurance - 28 July;
  - Clinical and Care Governance - 6 August

- Performance and Delivery - 19 August
  - Futures- 9 September
  - Strategic Planning- 15 September
107. 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. The IJB expect these arrangements to continue whilst social distancing guidelines remain in place.
108. The Board continued to receive and consider all standing agenda items during 2020/21 including quarterly finance update reports and committee updates. We are therefore satisfied that the Board received sufficient and appropriate information throughout the period to support effective and timely scrutiny and challenge.
109. However, we noted that whilst the Audit and Assurance Committee appropriately consider and scrutinise delivery of internal audit actions, progress against external audit recommendations is not considered outwith the annual external audit process.
110. Of the four outstanding audit recommendations reported at Appendix 4, three were first raised in 2016/17 and one raised in 2017/18. Whilst we acknowledge that these recommendations may have required a high degree of work, the pace of change over the past five years has been slow. We recommend that the Audit and Assurance Committee regularly consider and scrutinise progress against external audit

recommendations to ensure work is completed in a timely manner.

#### *Action Plan point 1*

### Integration scheme

111. The Board had committed to reviewing the Integration Scheme in 2020/21 but this was delayed for a second financial year due to COVID-19. Work is ongoing to develop an updated draft by October 2021 for discussion with partners and approval through the relevant governance groups. We will continue to monitor progress made as part of our 2021/22 audit.

### Openness and Transparency

112. 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.
113. 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.
114. 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.

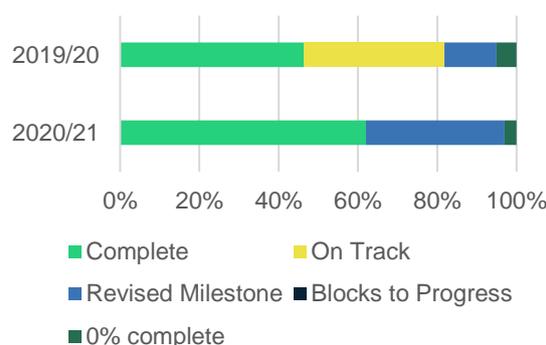
## Health and Social Care Integration- Update on Progress

- 115. 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”.
- 116. 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.
- 117. Audit Scotland identified six key recommendations to support integration authorities in fully integrating health and social care. 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 IJB performed a self-evaluation against both reports and a detailed action plan in response.
- 118. In February 2021, the IJB considered progress against the reports from Audit Scotland and the Ministerial Strategic Group through their detailed Ministerial Strategy Group action plan.
- 119. As outlined in Exhibit 6, approximately 62% of the identified actions are complete in 2020/21 compared to 46% in 2019/20. The majority of actions

deemed to be on track in 2019/20 have been provided with revised milestones in 2020/21, which the IJB attributes to the refocus of activity in response to the COVID-19 pandemic. In line with 2019/20, no blocks to progress were identified within the progress report.

- 120. For the 3% of actions where no progress has been made (2019/20: 5%), 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.

### Exhibit 6: Progress against Ministerial Strategic Group Health and Social Care action plan



Source: Ministerial Strategic Group Action Plan updates – February 2020 and February 2021

- 121. The IJB have committed to assess the impact of the Review of Adult Social Care on the future direction of both the Audit Scotland and Ministerial Strategic Group reviews during 2021/22.

## Risk Management

- 122. The IJB has recognised the need to strengthen risk management

processes and it has been an area of focus in 2020/21. The Good Governance Handbook outlines best practice and sets six principles that the IJB should adhere to;

- An engaged Board focuses the business on managing the things that matter
  - The response to risk is most proportionate when the tolerance of risk is clearly defined and articulated
  - Risk management is most effective when ownership or, and accountability for, risks is clear
  - Effective decision-making is underpinned by good quality information
  - Decision-making is informed by a considered and rigorous evaluation and costing of risk
  - Future outcomes are improved by implementing lessons learned
123. The risk register is reviewed by the Audit and Assurance Committee quarterly and by the IJB every six months. The register was updated in 2020/21 to reflect the threat and impact of the COVID-19 pandemic and other potential external forces such as new Scottish Government regulation.
124. During the year, the Audit and Assurance Committee has focused on simplifying the way risks are described and ensuring the challenges are clearly defined with identified actions to reduce the overall risk score.
125. From September 2020, the IJB introduced a new risk profile card format for risks scored as 'high' or 'very high'. The risk profile card clearly identifies the risk and related objective, explains how the risk would happen and the potential outcome, illustrates the historic and current risk score, provides a recent update on risk management activities, summarises the planned actions to reduce the risk score and names a risk owner who is responsible for delivering actions.
126. The use of the risk profile cards allows the IJB to focus their attention on the most significant risks to the delivery of their objectives. The IJB has continued to enhance the risk profile card format to ensure it includes all the necessary information to support effective scrutiny.
127. Enhanced risk management arrangements were adopted by the Executive Management Team in March 2021, as communicated to the Audit and Assurance Committee in June 2021. The Executive Management Team committed to reviewing the risk profile cards once they have been updated by risk owners but prior to these being presented to the Audit and Assurance Committee. This supports appropriate scrutiny of risk mitigating actions at all key levels of the governance structure.
128. The IJB have recognised that continuous development of risk management activity is required, in particular the identification of further ongoing or additional controls aimed at reducing the level of risk. A risk workshop is planned for 2021/22 to review target risk levels, perform a further in-depth analysis of actions required to mitigate risk, and to identify whether there are any further risks need to be captured with the register. We will therefore continue to monitor

the development of the IJB's risk management framework as part of our 2021/22 audit work.

## Internal Audit

129. 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.

130. 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 2020/21, 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.

131. In her Annual Opinion, the Chief Internal Auditor notes that 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 in line with the outcome reported in 2019/20.

132. The IJB has recognised the need to develop the principles governing the relationship between City of Edinburgh Council's, NHS Lothian's and the IJB's respective audit committees. The Chief Internal Auditor is currently working with NHS Lothian's Chief Internal Auditor and the IJB's Chief Financial Officer to update the principles and revise the relationship with NHS Lothian Audit Committee and internal audit function.

133. In August 2021, an update was provided to the Audit and Assurance Committee highlighting that the refreshed principles had been received by NHS Lothian. However, the workshop to review, discuss, and finalise the refreshed principles has still to be scheduled. It is estimated that this work will not be completed until February 2022 to allow the principles to be reviewed and finalised and approved by relevant committees.

# 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.



## Auditor judgement



Further work is required to develop a robust performance management framework and management have committed to delivering this in 2021/22. Five overlapping workstreams have been established, including understanding the outcomes the IJB wants to measure performance against, developing a set of corresponding indicators, and establishing the relevant mechanisms and responsibilities to measure and report on this data.

Performance continues to be mixed, with the IJB performing above the Scottish average in 10 of the 19 core national indicators. 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 had a significant impact on the operations and service delivery. The Partnership has recognised opportunity to be innovative and embrace new ways of working and is looking to develop a lessons learned framework in 2021/22 in order to continue to capture lessons learned through the pandemic.

## Significant audit risk

134. Our audit plan identified a significant risk in relation to value for money under our wider scope responsibilities:

### **Value for Money: Performance Management Framework**

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 IJBs Statement of Intent (approved October 2017) and subsequent Transformation Programme is the development of a performance management framework.

In June 2019, the Board approved a new committee structure which included the establishment of the Performance and Delivery Committee. The committee has met on a bi-monthly basis since September 2019 (excluding the period of April to August 2020 when all Board and Committee meetings were suspended in response to the COVID-19 pandemic).

Delivery against local and national targets is presented to the Performance and Delivery Committee on a bi-monthly basis. However, as reported in 2019/20 Annual Audit Report, further work is required to refine the format and structure of performance reports 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.

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.

*Noted in the 2020/21 External Audit Plan*

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135. The IJB has outlined a proposed approach to developing an integrated performance framework which is considered further below. Management have committed to developing this by April 2022 to coincide with the commencement of the new Strategic Plan 2022-2025. Significant work is required in 2021/22 to meet this deadline and we will continue to monitor the development of this framework in 2021/22 as a significant risk area.

## Performance Framework

136. 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.
137. The Performance and Delivery Committee is responsible for overseeing the performance and progress monitoring framework. Committee meetings were suspended from April to August 2020 as a result of the COVID-19 pandemic, but the committee has continued to meet bi-monthly since. Approved minutes of each meeting are presented to the Board.
138. The Strategic Plan 2019-2022 identifies the need to develop an integrated performance management framework that better reflects progress against priorities. Work has continued to be delayed in 2020/21 as result of the IJB’s focus on responding to the COVID-19 pandemic.
139. An overview of the proposed approach to developing the performance framework was presented to the Performance and Delivery committee in July 2021. The work is intended to be conducted in line with the development of a new strategic plan 2022-2025, such that the refreshed performance reporting can be put in place alongside the new strategic plan.
140. The IJB has identified five overlapping workstreams which outline the work required to develop the performance framework( exhibit 7). The four principles that management want their performance framework to reflect are;

- Outcomes-based;
- Clear;
- Comprehensive; and
- Robust.

141. We will continue to monitor progress in developing the performance framework as part of our 2021/22 audit work.

### Exhibit 7- Performance Framework identified workstreams and timetable

Workstream	Timeline
Understanding the outcomes we want to monitor performance against	April- Nov 2021
Developing a set of indicators that build a picture of performance against these outcomes	Aug- Dec 2021
Ensuring we have robust data in place to measure this performance	Aug- March 2022
Understanding performance roles and responsibilities- who needs to receive what performance information	Aug- Nov 2021
Creating a mechanism and deliverables for reporting	Dec- March 2022

Source: Performance framework update to the Performance and Delivery Committee- July 2021

142. A performance report is presented at each Performance and Delivery

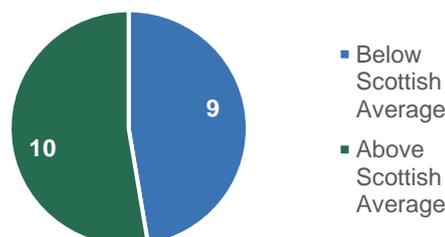
committee, providing an overview of performance against the seven key local indicators and national Ministerial Strategic Group measures. Detailed dashboards are supported by a narrative report which highlights key risks and noteworthy changes to performance.

- 143. As highlighted in our 2019/20 Annual Audit Report, performance reports are significant in length with the most recent committee report in excess of 50 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 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. In addition, the annual performance report attributes the COVID-19 pandemic and the significant impact on operations and service delivery as the reason for the majority of movement in the IJB's performance during the year. However, the performance reports presented more regularly to the Performance and Delivery committee provide limited narrative for scrutiny on the impact of the COVID-19 pandemic on the IJB's performance.

## Performance during 2020/21

- 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 performance report compares the IJB's performance against 19 core national indicators to the Scottish average. For some indicators, performance is based on data for the 2020 calendar year due to the national data for 2020/21 being incomplete at the time of writing. As a result, figures will not take into account the full impact of the COVID-19 pandemic.

### Exhibit 8- Edinburgh IJB performance against the core national indicators



Source: EIJBA Annual Performance Report 2020-21- July 2021

- 148. As Exhibit 6 demonstrates, performance continues to be mixed compared to the Scottish average. The IJB performed worse than the national average in nine of the 19 indicators. The following two indicators were highlighted where the IJB is ranked in the bottom 20% of integration authorities;

- Readmission to hospital within 28 days of discharge; and
- Proportion of last six months of life spent at home or in community setting.

### Delayed Discharges

149. The IJB has historically underperformed against their delay discharges target (the number of days people aged 75+ spend in hospital when they are ready to be discharged). However, performance improved significantly for both Edinburgh and Scotland in 2020/21.
150. It is recognised that the 2020/21 figures will be affected by the pandemic both due to the lower number of people being admitted to hospital and the focus to free up beds to increase hospital capacity. Between 2019/20 and 2020/21, the number of bed days lost due to delayed discharges decreased by 51% for the IJB, compared to a 37% decrease in the national average.
151. Whilst the IJB remains above the national average, the gap has closed significantly over the past few years and in 2020/21 the IJB were ranked 22<sup>nd</sup> out of 31 partnerships, compared to 27<sup>th</sup> in 2019/20.
152. The IJB is continuing to work to reduce the levels of delayed discharges. For example, through the ongoing Home First project, the IJB intend to introduce a 'planned date of discharge' to support and encourage more proactive discharge planning. It is recognised however that delayed discharges will likely increase again as services are remobilised and the IJB will continue to closely monitor performance in the area.

### Impact of COVID-19 on service delivery

153. COVID-19 has had a significant impact on the operations and service delivery of the IJB. Given the scale of required response, some services have stopped or been reduced to allow resources to be refocused 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.
154. A key priority for the Partnership was to ensure timely, efficient and appropriate resumption of service delivery in areas where this had been reduced or stopped. In May 2020, a Project Board was established to oversee this process and manage the resumption of service delivery in line with the Scottish Government's route map through the COVID-19 pandemic.
155. For services that had stopped or been reduced, managers collated project plans outlining the initial impact on services, what could be reintroduced with social distancing and what service re-design or transformation opportunities have arisen. Project proposals were considered and approved by the project team and reopened as appropriate.
156. The Partnership completed a lessons learned exercise in May 2020 to identify areas for improvement and share good practice. Four consistent themes emerged from this exercise which have been reflected in the Transformation Plan; workforce, redesigning services, ICT, and governance and risk.
157. The Partnership have recognised that lessons learned is an iterative process

but have not carried out any further lessons learned exercises during the year. The Partnership are looking to develop a framework going forward which captures lessons learned from the longer-term period affected by the COVID-19 pandemic.

158. City of Edinburgh Council are currently developing a lessons learned framework which is expected to be completed by the end of the 2021/22. The Partnership have aligned the development of their own lessons learned framework with this milestone.

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## Appendix 1: Respective responsibilities of the Board and the Auditor

The Code of Audit Practice (2016) sets out the responsibilities of both the Board and the auditor and are detailed below.

### Board responsibilities

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).

Area	Chief Financial Officer responsibilities
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**Corporate governance**

The Chief Financial Officer is responsible for establishing arrangements to ensure the proper conduct of its affairs including the legality of activities and transactions, and for monitoring the adequacy and effectiveness of these arrangements. Those charged with governance should be involved in monitoring these arrangements.

The Chief Financial Officer has responsibility for:

**Financial statements.**

- preparing financial statements which give a true and fair view of its financial position and their expenditure and income, in accordance with the applicable financial reporting framework and relevant legislation;
- maintaining accounting records and working papers that have been prepared to an acceptable professional standard and that support its financial statements and related reports disclosures;
- maintaining proper accounting records; and
- preparing and publishing, along with the financial statements, an annual governance statement, management commentary (or equivalent) and a remuneration report that is consistent with the disclosures made in the financial statements. Management commentary should be fair, balanced and understandable and also address the longer term financial sustainability of the IJB.

Management is responsible, with the oversight of those charged with governance, for communicating relevant information to users about the entity and its financial performance, including providing adequate

Area	Chief Financial Officer responsibilities
	disclosures in accordance with the applicable financial reporting framework. The relevant information should be communicated clearly and concisely.
<b>Standards of conduct for prevention and detection of fraud and error</b>	The Chief Financial Officer is responsible for establishing arrangements to prevent and detect fraud, error and irregularities, bribery and corruption and also to ensure that its affairs are managed in accordance with proper standards of conduct.
<b>Financial position</b>	<p>The Chief Financial Officer is responsible for putting in place proper arrangements to ensure the financial position is soundly based having regard to:</p> <ul style="list-style-type: none"> <li>• Such financial monitoring and reporting arrangements as may be specified;</li> <li>• Compliance with statutory financial requirements and achievement of financial targets;</li> <li>• Balances and reserves, including strategies about levels and their future use;</li> <li>• Plans to deal with uncertainty in the medium and long term; and</li> <li>• The impact of planned future policies and foreseeable developments on the financial position.</li> </ul>
<b>Best value</b>	The Chief Financial Officer has a specific responsibility to ensure that arrangements have been made to secure best value. They are responsible for ensuring that these matters are given due priority and resources, and that proper procedures are established and operate satisfactorily.

## Auditor responsibilities

Auditor responsibilities are derived from statute, the Code of Audit Practice, International Standards on Auditing (UK), professional requirements and best practice. These are to:

- undertake statutory duties, and comply with professional engagement and ethical standards;
- provide an opinion on the financial statements and the regularity of transactions;
- review and report on, as appropriate, other information such as annual governance statements, management commentaries and remuneration reports;
- notify the Controller of Audit when circumstances indicate that a statutory report may be required; and
- demonstrate compliance with the wider scope of public audit.

### 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 dimensions.

## Independence

In accordance with our profession's ethical guidance and further to our External Audit Annual Plan issued confirming audit arrangements there are no further matters to bring to your attention in relation to our integrity, objectivity and independence.

We confirm that Azets Audit Services and the engagement team complied with the FRC's Ethical Standard. We confirm that all threats to our independence have been properly addressed through appropriate safeguards and that we are independent and able to express an objective opinion on the financial statements.

### Audit and non-audit services

The total fees charged to the IJB for the provision of services in 2020/21 (with prior year comparators) is as follows:

	Current year £	Prior year £
Audit of Edinburgh Integration Joint Board (Auditor remuneration)	21,112	20,500
<b>Total audit</b>	<b>21,112</b>	<b>20,500</b>
Non-audit services	-	-
<b>Total fees</b>	<b>21,112</b>	<b>20,500</b>

FRC's Ethical Standard stipulates that where an auditor undertakes non audit work, appropriate safeguards must be applied to reduce or eliminate any threats to independence. No non-audit services were provided to the IJB.

### Audit quality

The Auditor General and the Accounts Commission require assurance on the quality of public audit in Scotland through comprehensive audit quality arrangements that apply to all audit work and providers. The audit quality arrangements recognise the importance of audit quality to the Auditor General and the Accounts Commission and provide regular reporting on audit quality and performance.

Audit Scotland maintains and delivers an [Audit Quality Framework](#).

The most recent audit quality report which covers our work at the IJB since appointment can be found at <https://www.audit-scotland.gov.uk/report/quality-of-public-audit-in-scotland-annual-report-202021>

## Appendix 2: Adjusted and unadjusted errors identified during the audit

### Corrected misstatements

We did not identify any corrected misstatements during our audit of the IJB's annual accounts.

### Uncorrected misstatements

We identified one uncorrected audit difference, as detailed below, which we have discussed with management and confirmed that it is individually immaterial. We are satisfied that the unaudited annual accounts were prepared based on the best available information at the time, and that the difference has arisen following the provision of more up to date information during the course of the audit.

No	Detail	Assets	Liabilities	Reserves	CIES
Details of unadjusted audit differences		Dr / (Cr)	Dr / (Cr)	Dr / (Cr)	Dr / (Cr)
		£m	£m	£m	£m
1.	Adjustment to LMP sustainability payments following confirmation of actual figures	(2.24)		2.24	-

### Disclosure amendments

No	Detail
1	Annual Governance Report – additional disclosure to confirm how the IJB complies with the governance requirements of the statements from CIPFA on the Role of the Chief Financial Officer in Local Government, the Role of the Head of Internal Audit, the Code of Practice on Managing the Risk of Fraud and Corruption and Audit Committees: Practical Guidance for Local Authorities and Police.
2	Assumptions made about the future and other major sources of estimation uncertainty – an explanation of any estimation uncertainty regarding the charges for services provided.
3	Independent Auditor's Report should not be disclosed as a note to the accounts.

## Appendix 3: Action Plan

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

The recommendations are categorised into three risk ratings:

**Key:**

**Significant deficiency**

**Other deficiency**

**Other observation**

### 1. Delivery of external audit actions

**Other observation**

<b>Observation</b>	The Audit and Assurance Committee do not consider progress in delivering external audit recommendations outwith our Annual Audit Report.
<b>Implication</b>	Whilst we acknowledge that these recommendations may require a high degree of work and are reflected in other operational plans, the pace of change has been slow over the past five years. Without regular updates from management, the Audit and Assurance Committee does not receive sufficient and regular information to support effective scrutiny of how the IJB is managing and addressing the risks identified through the external audit process.
<b>Recommendation</b>	The Audit and Assurance Committee should receive regular updates on progress made in addressing external audit recommendations.
<b>Management response</b>	Accepted. Progress will be reported to the Audit and Assurance Committee on a 6 monthly basis with the first report in Spring 2022.  Responsible officer: Chief Financial Officer  Implementation date: Spring 2022

## Appendix 4: Follow up of prior year recommendations

We have followed up on progress in implementing the outstanding action raised in the prior years. This action remains in progress.

The recommendations are categorised into three risk ratings:

**Key:**

**Significant deficiency**

**Other deficiency**

**Other observation**

### Medium term financial plan – action raised in 2016/17

**Recommendation** 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.

Rating	Significant deficiency	Implementation date	Initial December 2017 Latest: December 2020
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<b>Ongoing</b>	The Board has not yet developed a medium term financial strategy. The IJB has recognised the need for a more long-term approach to financial planning within its Integration and Sustainability Framework, however this is at the early stages of development. The IJB should develop a medium-term financial strategy in 2021/22 as an area of priority.
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### Assurance Framework – action raised in 2017/18

**Recommendation** 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.

<b>Rating</b>	<b>Other deficiency</b>	<b>Implementation date</b>	Initial: March 2019 Latest: December 2020
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**Complete**

In December 2020 the EIJB agreed an approach for an overarching Board assurance framework. This included a suggested mechanism for reviewing the work of the IJB committees.

The Governance Handbook was finalised and approved by the Board in June 2021.

However, due to all committees not resuming until September 2020, a “light touch” approach was agreed for the implementation of the Assurance Framework in 2020/21.

**Recovery Plan – action raised in 2017/18**

**Recommendation** The Board should ensure that action plans to deliver improvement actions are;

- Reported on a regular basis, using succinct format which include a clear assessment of progress against actions
- Framed in SMART terms

<b>Rating</b>	<b>Significant deficiency</b>	<b>Implementation date</b>	Initial: January 2019 Latest: March 2021
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<b>Ongoing</b>	<p>Regular reporting on the Transformation Programme to both the Transformation Portfolio Board and Strategic Planning Group outlines progress against key milestones for each of the seven phase one projects. The programme is due to end in March 2022 when it will transition to the Strategic Core Programme.</p> <p>Whilst the reporting 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>
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**Performance – action raised in 2016/17**

**Recommendation** To enable the IJB to report progress against both the national outcomes and its own strategic priorities, it should ensure sufficient performance measures are clearly attributed to each strategic priority. The Board should work with partners to ensure that sufficient financial and leadership capacity is available to deliver sustained improvement

<b>Rating</b>	<b>Significant deficiency</b>	<b>Implementation date</b>	Initial: December 2017  Latest: March 2021
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<b>Ongoing</b>	<p>A number of areas showed poor performance in 2020/21 and the IJB is continuing to work with partners to support the delivery of sustainable improvement.</p> <p>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 IJB have committed to developing the performance framework by April 2021. The revised deadline is attributed to timing of the strategic planning cycle where the performance framework timescales are now aligned with development of the new Strategic Plan for 2022-2025.</p>
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**Workforce planning – action raised in 2016/17**

**Recommendation** The IJB should develop an integrated workforce plan for the city.

<b>Rating</b>	<b>Significant deficiency</b>	<b>Implementation date</b>	Initial: December 2018 Latest: December 2021
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**Ongoing**

Workforce and cultural development was identified as a priority phase one project in the Transformation Programme. The update presented to the Transformation Portfolio Board in June 2021 provided the project with a Green RAG rating, demonstrating that the IJB is on track with this project.

A draft workforce strategy has been developed by the IJB during 2020/21 which is to be presented to the Board in December 2021. The IJB has committed for the development of the workforce strategy to run in parallel with the revised deadline of March 2022 to submit a workforce plan to the Scottish Government.



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