

# Report

## Edinburgh Integration Joint Board Accounts 2015-16

16 September 2016

### Executive Summary

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1. This paper presents the 2015-16 annual accounts for Edinburgh Integration Joint Board (EIJB). These are being presented to the IJB for approval following scrutiny by the Audit and Risk Committee on 2<sup>nd</sup> September 2016.

### Recommendations

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2. The committee is asked to:
  - approve and adopt the annual accounts for 2015-16;
  - approve that the Interim Chief Finance Officer resolve and amend any minor textual issues in the annual report up to the date of sign off with Audit Scotland.
  - authorise the designated signatories (Chair, Chief Officer and Interim Chief Finance Officer) to sign the Annual Report & Accounts on behalf of the Board, where indicated in the document.
  - authorise the Interim Chief Finance Officer's signature of the representation letter to the auditors, on behalf of the Board.

### Background

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3. Integration Joint Boards are required to produce annual accounts for 2015-16. Draft financial statements were presented to the July meetings of the Audit and Risk Committee and EIJB and have been subject to audit scrutiny over the summer months. This process has now concluded and the final accounts are being presented for approval.

### Main report

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4. It is the responsibility of the Chief Financial Officer, as the appointed "proper officer", to prepare the financial statements in accordance with relevant legislation and the Code of Practice on Local Authority Accounting in the United Kingdom (the Code). In accordance with this guidance, draft financial statements were produced and presented to the Audit and Risk Committee on

2<sup>nd</sup> July and to EIJB on 15<sup>th</sup> July 2016. Over the summer months these were considered by Audit Scotland, the appointed external auditors. This work has concluded and they are now in a position to give a proposed independent opinion on the financial statements and report on the arrangements in place to ensure the proper conduct of financial affairs and to manage performance and use of resources.

5. The accounts and associated annual audit report were scrutinised by the Audit and Risk Committee on 2<sup>nd</sup> September and no material issues were raised.

### **Audit and completion**

6. The financial statements for the EIJB for 2015-16 are attached as appendix 1 to this report. They reflect that Audit Scotland intend to issue an unqualified opinion on the accounts.
7. The proposed Annual Audit Report from Audit Scotland (ISA 260) is attached at appendix 2. It should be noted that, following review by the Audit and Risk Committee and EIJB, there may be minor changes to the textual content from that of the circulated version. It is proposed that any such minor amendments be negotiated and agreed by the Interim Chief Finance Officer up to the date the accounts are signed by the auditors.

### **Representation letter**

8. International Standard on Auditing (ISA 580) requires external auditors to obtain written confirmation of representations received from management on matters material to the financial statements when other sufficient audit evidence cannot reasonably be expected to exist, before their audit report on the Annual Report & Accounts is issued. A draft letter of representation is included at appendix 3.

### **Lessons learned**

9. As the IJB only assumed responsibility for delegated functions from 1<sup>st</sup> April 2016, the values recorded in the financial statements for 2015-16 are minimal. Consequently no material problems were encountered in either the production of the accounts or the subsequent audit. That said, pulling together the supporting narrative, took longer than originally anticipated. It is recognised that production and finalisation of the 2016-17 accounts will generate an increase in both the volume and complexity. This in turn will require a greater emphasis on early engagement, planning and communication, both internally and with Scott-Moncrieff (our new external auditors). It is therefore proposed that a detailed plan is presented to the committee at it's meeting in March 2017.

## **Key risks**

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10. None identified.

## Financial implications

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11. The financial results deal principally with the financial governance on operational management of existing resources and no resource implications arise specifically from this report.

## Involving people

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12. The draft financial statements have been produced with the support and co-operation of both City of Edinburgh Council and NHS Lothian personnel.

## Impact on plans of other parties

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13. As above.

## Background reading/references

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14. None.

## Report author

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Moira Pringle, Interim Chief Finance Officer

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# Edinburgh Integration Joint Board

Audited Annual Accounts 2015/16

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The Annual Accounts of Edinburgh Integration Joint Board for the period from 27 June 2015 to 31 March 2016, prepared pursuant to Section 105 of the Local Government (Scotland) Act 1973 and in accordance with the terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and Service Reporting Code of Practice.

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## MANAGEMENT COMMENTARY

### Statutory Background

The Edinburgh Integration Joint Board (EIJB) was established as a body corporate by order of Scottish Ministers on 27 June 2015 under the Public Bodies (Joint Working) (Scotland) Act 2014. The EIJB is a separate and distinct legal entity from City of Edinburgh Council and NHS Lothian. The EIJB will be responsible for the planning of future direction and overseeing the integration of health and social care services for the citizens of Edinburgh through the Edinburgh Health and Social Care Partnership.

The EIJB meets on a monthly basis and is made up of ten voting members: five elected members appointed by City of Edinburgh Council; and five NHS Lothian non- executive directors appointed by NHS Lothian. Non voting members of the Board include the EIJB Chief Officer, Chief Finance Officer and service and staffing representatives are also on the Board as advisory members.

### Strategic Plan

The Public Bodies (Joint Working) (Scotland) Act 2014 requires the EIJB to produce a strategic plan setting out how the health and social care services, delegated by the City of Edinburgh Council and NHS Lothian, should be delivered, in order to achieve the National Health and Wellbeing Outcomes. The plan must be approved and published by the Board before services can be delegated from 1 April 2016. The three year plan was approved by the EIJB on 11th March 2016 and covers the period 2016-19.

The EIJB will be responsible for a health and social care budget of around £579 million from April 2016, delegated from NHS Lothian and the City of Edinburgh Council. This funds community health and social care services, including GP practices and also some elements of acute hospital services.

This strategic plan sets out how services will be developed and changed over the three years from April 2016 using the resources available to meet the changing needs of the population and achieve better outcomes for people. The EIJB intends to deliver its vision for a Caring, Healthier and Safer Edinburgh through taking actions to transform how Council and NHS services and staff teams work together, with other partners, those who use services and communities. As set out in the approved strategic plan the key priorities for the EIJB are as follows:

- Tackling inequalities by working with partners to address the root causes, as well as supporting those groups whose health is at greatest risk from current levels of inequality;
- Preventing poor health and wellbeing outcomes by supporting and encouraging people and through early intervention;
- Delivering the right care in the right place at the right time for each individual;
- Practicing person centred care by placing ‘good conversations’ at the centre of engagement with citizens so that they are actively involved in decisions about how their health and social care needs should be addressed;
- Developing and making best use of the capacity available within the city; and

- Making the best use of shared resources (e.g. people, buildings, technology, information and procurement approaches) to deliver high quality, integrated and personalised services.

### **Operational Review**

Services are to be delegated from the partner bodies (NHS Lothian and City of Edinburgh Council) from 1 April 2016. Therefore the operational performance relating to services that will be delegated from 1 April 2016 is set out in the respective operational performance sections of the statement of accounts for the City of Edinburgh Council and NHS Lothian.

Appendix F of the EIJB strategic plan 2016-2019 sets out the proposed indicators that will be used to measure the performance once services are delegated.

The EIJB Audit and Risk Committee and the Strategic Planning Group have been set up below the full board to support integrated policy and strategic development and to ensure EIJB business adheres to the principles of good corporate governance.

### **Financial Review**

As services and the related resources are to be delegated to the Board on 1 April 2016, these accounts do not include any EIJB service commissioning income or expenditure. Accordingly, they reflect only the running costs of the EIJB. The financial performance relating to services that will be delegated from 1 April 2016 is set out in the respective financial performance sections of the statement of accounts for the City of Edinburgh Council and NHS Lothian.

The comprehensive income and expenditure statement for 2015/16 shows a breakeven position, as the running costs have been met by payments to the EIJB from the partner bodies. Detail of these costs and respective payments to the EIJB can be found in the comprehensive income and expenditure statement and accompanying notes (2&3). The balance sheet (page 14) is also presented and sets out the liabilities and assets of EIJB at 31 March 2016.

Going forward, once services are delegated, EIJB will receive payments from the partner bodies (City of Edinburgh Council and NHS Lothian) equivalent to the budget of the services being delegated. EIJB will use this resource to commission services from the parent bodies based on the approved strategic plan. These will be presented in the comprehensive income & expenditure statement as service commissioning income (payments in from partner bodies) and expenditure (payments from EIJB to partner bodies). NHS Lothian and City of Edinburgh Council are in receipt of the first set of directions from the EIJB for delegated services, these set out the associated resource and operational direction as per the EIJBs approved strategic plan.

The indicative integrated budget for the 2016/17 financial year is £483 million. EIJB will also have strategic influence over a further £93 million in the budget set aside for large hospital services. Further to this additional funding of £250 million was allocated nationally by the Scottish Government Health and Social Care Directorate for 2016/17 to improve social care outcomes. EIJB's share of this funding is £20 million. These sums assume delivery of a £22 million savings programme.

EIJB has a significant financial challenge ahead to deliver better outcomes for its service users in a climate of increasing demographic pressures and limited resources. The effect of the UK government's aim to reduce overall public sector spending continues to have a significant impact on the funding of local authorities and the NHS. It is clear that both NHS Lothian and City of Edinburgh Council face funding pressures in 2016/17 which will impact their ability to resource the functions delegated to the IJB. The national financial outlook for 2017/18, and beyond, will, in financial terms, present an even greater challenge.

**Robert McCulloch-Graham**  
**Chief Officer**  
**16 September 2016**

**George Walker**  
**Chair**  
**16 September 2016**

**Moira Pringle**  
**Chief Finance Officer**  
**16 September 2016**



## STATEMENT OF RESPONSIBILITIES

### STATEMENT OF RESPONSIBILITIES FOR THE STATEMENTS OF ACCOUNT

#### Responsibilities of the Edinburgh integration Joint Board

The Edinburgh Integration Joint Board is required:

- to make arrangements for the proper administration of its financial affairs and to secure that it has an officer responsible for the administration of those affairs. In this Integration Joint Board, that officer is the Chief Finance Officer;
- to manage its affairs to achieve best value in the use of its resources and safeguard its assets;
- ensure the Annual Accounts are prepared in accordance with legislation (The Local Authority Accounts (Scotland) Regulations 2014), and so far as is compatible with that legislation, in accordance with proper accounting practices (section 12 of the Local Government in Scotland Act 2003); and
- to approve the Annual Accounts.

I confirm that these Annual Accounts were approved for signature by the Edinburgh Integration Joint Board on 16 September 2016.

**George Walker**  
**Chair of the Edinburgh Integration Joint Board**  
**16 September 2016**

### **Responsibilities of the Chief Finance Officer**

As Chief Finance Officer I am responsible for the preparation of the EIJB's statement of accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ("the Code of Practice"), is required to give a true and fair view of the financial position of the EIJB at the financial year end and its income and expenditure for the year then ended.

In preparing the financial statements I am responsible for:

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

I am also required to:

- keep proper accounting records which are up to date; and
- take reasonable steps to ensure the propriety and regularity of the finances of the EIJB.

### **Statement of Accounts**

I certify that the Statement of Accounts presents a true and fair view of the financial position of the Edinburgh Integration Joint Board as at 31 March 2016, and its income and expenditure for the period from 27 June 2015 to 31 March 2016.

**Moira Pringle**  
**Chief Finance Officer**  
**16 September 2016**

## REMUNERATION REPORT

The Chief Officer of the Edinburgh Integration Joint Board (EIJB) is a joint appointment between City of Edinburgh Council, NHS Lothian and the EIJB. The terms and conditions, including pay for the post, are those set by the City of Edinburgh Council, who employ the post holder directly and recharge the costs to EIJB and NHS Lothian.

The EIJB Interim Chief Financial Officer is appointed by the EIJB and is supplied without charge by NHS Lothian.

The voting members of the EIJB are appointed by the respective partner bodies (NHS Lothian and City of Edinburgh Council). The voting members from NHS Lothian and City of Edinburgh Council in the period June 2015 to March 2016 were;

|                  |     |                          |     |
|------------------|-----|--------------------------|-----|
| G Walker (Chair) | NHS | R Henderson (Vice Chair) | CEC |
| S Allan          | NHS | E Aitken                 | CEC |
| K Blair          | NHS | J Griffiths              | CEC |
| A Joyce          | NHS | S Howat                  | CEC |
| R Williams       | NHS | N Work                   | CEC |

No expenses policy has yet been set by the EIJB. Councillors and NHS Non- Executive Directors are able through their parent bodies to reclaim any expenses. In the period to 31 March 2016, no expense claims were made in relation to work on the EIJB. The Chair of the EIJB was in receipt of additional remuneration in 2015/16 relating to his duties for the EIJB (£6,160 in 2015/16, full year equivalent of £8,088). No allowances were paid to other voting members in this period. The remuneration and pension benefits received by all voting members in 2015/16 are disclosed in the remuneration reports of their respective employer.

### Remuneration Paid to Senior Officers

|  | Period to 31/3/2016             |                      |                        |
|--|---------------------------------|----------------------|------------------------|
|  | Salary, fees and allowances (£) | Taxable expenses (£) | Total remuneration (£) |
| R McCulloch-Graham, EIJB Chief Officer (from 26/10/2015) | 63,806                          | -                    | <b>63,806</b>          |
| <i>Full Year equivalent</i>                              | <i>148,901</i>                  | -                    | <i>148,901</i>         |

## Pension benefits

Pension benefits for the Chief Officer of the EIJB are provided through the Local Government Pension Scheme (LGPS). For local government employees the Local Government Pension Scheme (LGPS) became a career average pay scheme on 1 April 2015. Benefits built up to 31 March 2015 are protected and based on final salary. Accrued benefits from 1 April 2015 will be based on career average salary.

The scheme's normal retirement age is 65.

From 1 April 2009 a five tier contribution system was introduced with contributions from scheme members being based on how much pay falls into each tier. This is designed to give more equality between the cost and benefits of scheme membership

The contribution rates for 2015/16 were as follows;

### Whole Time Pay rate

On earnings up to and including £20,500, 5.50%  
On earnings above £20,500 and up to £25,000, 7.25%  
On earnings above £25,000 and up to £34,400, 8.50%  
On earnings above £34,400 and up to £45,800, 9.50%  
On earnings above £45,800, 12.00%

If a person works part-time their contribution rate is worked out on the whole-time pay rate for the job, with actual contributions paid on actual pay earned.

There is no automatic entitlement to a lump sum. Members may opt to give up (commute) pension for lump sum up to the limit set by the Finance Act 2004. The accrual rate guarantees a pension based on 1/60th of final pensionable salary and years of pensionable service.

The value of the accrued benefits has been calculated on the basis of the age at which the person will first become entitled to receive a pension on retirement without reduction on account of its payment at that age; without exercising any option to commute pension entitlement into a lump sum; and without any adjustment for the effects of future inflation.

The pension figures shown relate to the benefits that the person has accrued as consequence of their total local government service, and not just their current appointment.

The pension entitlements of the Chief Officer for the period to 31 March 2016 are shown in the table below, together with the employer contribution made to the employee's pension during the year. No accrued pension benefits are included in the table below as the employee has been a member of the pension scheme for less than 2 years.

|  | <b>In-Year Contribution</b>  |          | <b>Accrued Pension Benefits</b> |
|--|------------------------------|----------|---------------------------------|
|  | <b>For period to 31/3/16</b> |          | <b>at 31/3/16</b>               |
|  | <b>£</b>                     |          | <b>£</b>                        |
| R McCulloch-Graham, Chief Officer<br>(from 26/10/2015) | 13,654                       | Pension  | n/a                             |
|  |                              | Lump Sum | n/a                             |

The Chair of the EIJB is not a member of the Local Government Pension Scheme or the NHS Pension scheme; therefore no pension benefits are disclosed.

All information disclosed in the tables in this remuneration report will be audited by Audit Scotland. The other sections of the report will be reviewed by Audit Scotland to ensure that they are consistent with the financial statements.

**Robert McCulloch-Graham**  
**Chief Officer**  
**16 September 2016**

**George Walker**  
**Chair**  
**16 September 2016**

## ANNUAL GOVERNANCE STATEMENT

### Scope of Responsibility

The Edinburgh Integration Joint Board (EIJB) is responsible for ensuring that its business is conducted in accordance with the law and appropriate standards, safeguarding public funds and assets and making arrangements to secure best value in their use.

In discharging this responsibility, the Chief Officer has put in place arrangements for governance which includes the system of internal control. This is designed to manage risk to a reasonable level, but cannot eliminate the risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable but not absolute assurance of effectiveness.

As Integration Joint Boards have been set up under Local Government legislation, the EIJB has adopted governance arrangements consistent where appropriate with the six principles of CIPFA and the Society of Local Authority Chief Executives (SOLACE) framework "Delivering Good Governance in Local Government". This statement explains how the EIJB has complied with these principles and also meets the Code of Practice on Local Authority Accounting in the UK, which details the requirement for an Annual Governance Statement.

### Governance Framework

The governance framework comprises the systems and processes, and culture and values, by which the EIJB is controlled and directed and in turn directs and controls the delegated Health & Social Care Functions. It enables the EIJB to monitor the achievement of its strategic priorities and to consider whether those objectives have led to the delivery of appropriate services and value for money.

EIJB has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. As 2015/16 has been a transitional year, this statement sets out the progress to date in establishing a robust governance framework, sources of assurance that the framework is effective and identified areas that will be strengthened in the short term.

The key elements of the EIJB governance framework and the progress in establishing these are set out below:

- **Board-** From 1 April 2016 the EIJB will be responsible for delegated Health & Social Care Functions in Edinburgh. The board comprises of 10 voting members, 5 Councillors from City of Edinburgh Council and 5 non exec-directors from NHS Lothian. The board also contains non-voting members such as the Chief Officer, Chief Finance Officer, Chief Social Worker, Chief Nurse and Clinical Director and other representatives as set out in the Integration Scheme. The Board members undertook a comprehensive induction session in late summer 2015 and have been meeting every second month in private to enable development and discussion around key areas of service;
- **Strategic Plan-** The board is responsible for producing a strategic plan and in turn issuing directions to NHS Lothian and City of Edinburgh Council in respect of delegated services. The board held its first meeting on 17 July 2015, approved its first strategic plan in March 2016 and issued directions in

advance of services being delegated on 1 April 2016. The published strategic plan sets out the vision and key priorities of the EIJB. The shadow Strategic Planning group (SPG) membership and role was reviewed in light of guidance and was formally established on 13 May 2016;

- **Performance-** The board is also responsible for delivering through its directions to the partner bodies. EIJB has approved proposals to integrate performance reporting from both City of Edinburgh Council and NHS Lothian in order to ensure that it has the information it requires in order to fully inform the decisions it will have to make. It has established a Performance and Quality Sub Group, made up of EIJB members and officers to consider performance issues across delegated services. The group meetings are scheduled and agendas planned for 2016/17;
- **Meetings** - the Standing Orders adopted by the Board allow the public to have prior access to meeting agendas and reports, and to attend meetings of the Board, except in clearly defined and limited circumstances. The board also allows deputations from the public on agenda items being considered;
- **Officers-** As required by legislation the EIJB has appointed a Chief Officer and an interim Chief Finance Officer. The interim post will be finalised as the partnership structure is implemented following the consultation period. The EIJB complies with the CIPFA Statement on “The Role of the Chief Financial Officer in Local Government 2010”. The EIJB Chief Finance Officer has overall responsibility for the Partnership’s financial arrangements, is professionally qualified and suitably experienced to lead and direct finance staff;
- **Audit and Risk Management-** the EIJB has appointed a Chief Internal Auditor and has set up an Audit and Risk Committee. This committee has the remit to scrutinise the risk management arrangements of the EIJB, the risk register, the work of Internal and External Audit and the governance arrangements of the Board. An integrated risk management strategy was approved by the EIJB on the 17th July 2015. Workshops have been held with officers, members and key stakeholders to inform the EIJB risk register. The Internal Audit work plan, based on the draft risk register is being considered by the Audit & Risk Committee on 1 July 2016. A development session on risk management is scheduled for August 2016;
- **Standards-** At the meeting of 17 July 2015, the EIJB approved its first set of Standing Orders and a Code of conduct for all members of the IJB. The EIJB appointed a Standards Officer on 11 March 2016; and
- **Finance-** The EIJB Chief Finance Officer- on behalf of the EIJB- has undertaken a detailed financial assurance process for 2016/17. The EIJB Chief Finance Officer has received offers from both NHS Lothian and City of Edinburgh Council setting out the expected level of resource available to the EIJB in 2016/17. These offers have been subject to due diligence by the Chief Finance Officer in conjunction with officers of NHS Lothian and City of Edinburgh Council. This has involved a review of historical spend, identifying and understanding key risk areas and identification of non-recurring or previously committed elements of these budgets. Consideration has also been made to the reasonableness of the future financial planning assumptions that have informed the offers to the EIJB. Whilst acknowledging the financial pressure both NHS Lothian and City of Edinburgh Council are facing, the offers have also been reviewed in terms of fairness compared to allocation to other Integration Joint Boards and to other departments of the two bodies. Throughout the process the EIJB have been updated by the Chief Finance Officer about progress and whether any issues are arising. The Internal Audit teams of both City of Edinburgh Council and NHS Lothian have reviewed this

process and have reported their findings to the relevant committees. EIJB financial regulations were approved by the EIJB on 11 March 2016.

### Review of Effectiveness

The EIJB has responsibility for reviewing the effectiveness of the governance arrangements including the system of internal control. As 2015/16 has been a transitional year there has been no formal review of the effectiveness of the governance framework. This will follow once arrangements are fully in place. Going forward, the review of the effectiveness of its governance framework including the system of internal financial control will be informed by:

- the work of the Internal Auditors and the Chief Internal Auditor's Internal Audit Annual Statement on the adequacy and effectiveness of the Boards system of internal financial control;
- the Chief Officer's certificate of assurance on internal control;
- the operation and monitoring of controls by Edinburgh Health & Social Care partnership managers;
- the External Auditors in their Annual Audit Letter and other reports; and
- other inspection agencies comments and reports.

### Further Development

Whilst this statement demonstrates the work to date in establishing the governance framework for EIJB, the following have been identified as areas that need to be developed in the coming months:

- Statutory regime compliance - as a devolved public body, the Board is subject to a variety of statutory regimes, such as freedom of information and data protection, and appropriate policies and procedures will require to be developed and approved to secure compliance with these;
- Education and knowledge of members - Training will continue to be provided to members and officers to support good decision-making and the future development of the Board;
- Risk Management – Following on from risk workshops and the establishment of the Audit and Risk committee, a strategy, monitoring and reporting regime for risk will be developed and will be reported to the Board and Audit and Risk Committee; and
- Performance Monitoring and Reporting – Integrated Performance and Finance Reports will be developed and brought to the Board in the coming year in order to support the decision making and planning of the Board. The statutory performance report for 2016/17 will be published in summer 2017.



**Certification**

It is our opinion that reasonable assurance, *subject to the matters noted above*, can be placed upon the adequacy and effectiveness of the EIJB's systems of governance.

**Robert McCulloch-Graham**  
Chief Officer  
16 September 2016

**George Walker**  
Chair  
16 September 2016

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

*This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices*

### COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

FOR THE YEAR ENDED 31 MARCH 2016

|   |      | 2015/16                    |                       |                          |
|---|------|----------------------------|-----------------------|--------------------------|
|   | Note | Gross expenditure<br>£000s | Gross income<br>£000s | Net Expenditure<br>£000s |
| Delegated Service Commissioning                   |      | 0                          | 0                     | 0                        |
| Corporate services                                | 2&3  | 97                         | -97                   | 0                        |
| <b>(Surplus)/deficit on provision of services</b> |      | <b>97</b>                  | <b>-97</b>            | <b>0</b>                 |
| <b>Other Comprehensive (Income)/Expenditure</b>   |      |                            |                       | <b>0</b>                 |
| <b>Net income and expenditure</b>                 |      |                            |                       | <b>0</b>                 |

## BALANCE SHEET

*The Balance Sheet shows the value as of the assets and liabilities recognised by the board. The net assets of the Board are matched by the reserves held by the Board.*

### BALANCE SHEET AS AT 31 MARCH 2016

|                            | Note | 31/03/2016<br>£000s |
|----------------------------|------|---------------------|
| <b>Current assets</b>      |      |                     |
| Short term debtors         | 4    | 47                  |
| <b>Current liabilities</b> |      |                     |
| Short term creditors       | 5    | -47                 |
| <b>Net assets</b>          |      | <b>0</b>            |
| Usable reserves            | 6    | 0                   |
| <b>Total reserves</b>      |      | <b>0</b>            |

I certify that the Statement of Accounts present a true and fair view of the financial position of the Edinburgh Integration Joint Board as at 31 March 2016 and its income and expenditure for the period.

The unaudited financial statements were issued on 30 June 2016. The audited financial statements were authorised for issue on 16 September 2016.

**Moira Pringle**  
**Chief Finance Officer**  
**16 September 2016**

## NOTES TO ACCOUNTS

### 1. ACCOUNTING POLICIES

#### 1.1 General Principles

The Annual Accounts for the year ended 31 March 2016 have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (the Code) and the Service Reporting Code of Practice. This is to ensure that the accounts 'present a true and fair view' of the financial position and transactions of the Edinburgh Integration Joint Board.

#### 1.2 Corresponding Amounts

The Edinburgh Integration Joint Board was established on 27 June 2015 and hence the period to 31 March 2016 is its first period of operation. Consequently there are no corresponding amounts for previous years to be shown.

#### 1.3 Accruals of Income and Expenditure

The revenue accounts have been prepared on an accruals basis in accordance with the Code of Practice

#### 1.4 VAT Status

The Integration Joint Board is a non-taxable person and does not charge or recover VAT on its functions.

#### 1.5 Provisions, Contingent Liabilities & Assets

Contingent assets are not recognised in the accounting statements. Where there is a probable inflow of economic benefits or service potential, this is disclosed in the notes to the financial statements.

Contingent liabilities are not recognised in the accounting statements. Where there is a possible obligation that may require a payment or transfer of economic benefit, this is disclosed in the notes to the financial statements

The value of provisions is based upon the Board's obligations arising from past events, the probability that a transfer of economic benefit will take place and a reasonable estimate of the obligation.

#### 1.6 Employee Benefits

The Chief Officer is regarded as an employee of the EIJB although their contract of employment is with City of Edinburgh Council. The LGPS is a defined benefit statutory scheme, administered in accordance with the Local Government Pension Scheme (Scotland) Regulations 1998, as amended.

The post is funded by the EIJB however the statutory responsibility for employer pension liabilities rests with the employing partner organisation (City of Edinburgh Council).

The remuneration report presents the pension entitlement attributable to the post of the EIJB Chief Officer but that the EIJB has no formal ongoing pension liability. Edinburgh Integration Joint Board will be expected to fund employer pension contributions as they become payable during the Chief Officer’s period of service. On this basis there is no pensions liability reflected on the EIJB balance sheet for the Chief Officer.

### 1.7 Cash & Cash Equivalents

EIJB does not hold a bank account or any cash equivalents. Payments to staff and suppliers relating to delegated services will be made through cash balances held by the partner organisations (NHS Lothian and City of Edinburgh Council). On this basis no Cash Flow statement has been prepared in this set of Annual Accounts.

### 1.8 Reserves

EIJB has one usable reserve, the General Fund. This fund can be used to mitigate financial consequences of risks and other events impacting on the Boards resources. Monies within this fund can be earmarked for specific purposes.

## 2. RELATED PARTY TRANSACTIONS

The Edinburgh Integration Joint Board was established on 27 June 2015 as a joint board between City of Edinburgh Council and NHS Lothian. In 2015/16 there were no financial transactions made relating to delegated health and social care functions as functions are not delegated by partners to the Integration Joint Board until 1 April 2016. The income received from the two parties was as follows;

|                           | 31/03/2016<br>£000s |
|---------------------------|---------------------|
| NHS Lothian               | -52                 |
| City of Edinburgh Council | -45                 |
| <b>Total</b>              | <b>-97</b>          |

Expenditure relating to the two parties was as follows;

|                           | 31/03/2016<br>£000s |
|---------------------------|---------------------|
| NHS Lothian               | 50                  |
| City of Edinburgh Council | 42                  |
| <b>Total</b>              | <u><u>92</u></u>    |

Details of creditor and debtor balances with the partner bodies are set out in the subsequent notes (4&5).

### 3. CORPORATE EXPENDITURE

|              | 31/03/2016<br>£000s |
|--------------|---------------------|
| Staff Costs  | 92                  |
| Admin Costs  | 0                   |
| Audit Fees   | 5                   |
| <b>Total</b> | <u><u>97</u></u>    |

EIJB were in receipt of NHS Lothian and City of Edinburgh Council support services in 2015/16. In the absence of an SLA or any reliable means of estimating the cost of this support, no charge has been made to the EIJB from the parent bodies for these services. This includes the provision of an interim Chief Finance Officer, strategic planning services, accommodation, HR and transactional services. These services were provided by both the Council and NHS Lothian. Staff costs in 2015/16 were for the EIJB Chief Officer and EIJB Chair.

### 4. SHORT TERM DEBTORS

|                           | 31/03/2016<br>£000s |
|---------------------------|---------------------|
| Central Government Bodies | 3                   |
| Other Local Authorities   | 44                  |
| <b>Total</b>              | <u><u>47</u></u>    |

## 5. SHORT TERM CREDITORS

|                           | 31/03/2016<br>£000s |
|---------------------------|---------------------|
| Central Government Bodies | 5                   |
| Other Local Authorities   | 42                  |
| <b>Total</b>              | <b>47</b>           |

## 6. MOVEMENT IN RESERVES

|   | 31/03/2016<br>£000s |
|---|---------------------|
| <b>Usable Reserves – General Fund brought forward</b> | <b>0</b>            |
| Surplus/(deficit) on provision of services            | 0                   |
| Other comprehensive expenditure and income            | 0                   |
| <b>Total comprehensive expenditure and income</b>     | <b>0</b>            |
| <b>Total General Fund balance carried forward</b>     | <b>0</b>            |

## 7. POST BALANCE SHEET EVENTS

No material events have occurred post the balance sheet reporting date.

## 8. CONTINGENT LIABILITIES & ASSETS

There are no contingent liabilities or assets to disclose.

## 9. INDEPENDENT AUDITOR'S REPORT

### **Independent auditor's report to the members of Edinburgh Integration Joint Board and the Accounts Commission for Scotland**

I certify that I have audited the financial statements of Edinburgh Integration Joint Board for the year ended 31 March 2016 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Comprehensive Income and Expenditure Statement, Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (the 2015/16 Code).

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 125 of the Code of Audit Practice approved by the Accounts Commission for Scotland, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

### **Respective responsibilities of the Chief Finance Officer and auditor**

As explained more fully in the Statement of Responsibilities, the Chief Finance Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the circumstances of the Edinburgh Integration Joint Board and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Finance Officer; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the annual accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

### **Opinion on financial statements**

In my opinion the financial statements:

- give a true and fair view in accordance with applicable law and the 2015/16 Code of the state of the affairs of the Edinburgh Integration Joint Board as at 31 March 2016 and of the income and expenditure of the Edinburgh Integration Joint Board for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2015/16 Code; and



- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

**Opinion on other prescribed matters**

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014; and
- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Matters on which I am required to report by exception**

I am required to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit; or
- the Annual Governance Statement has not been prepared in accordance with Delivering Good Governance in Local Government; or
- there has been a failure to achieve a prescribed financial objective.

I have nothing to report in respect of these matters.

**David McConnell**  
**Audit Scotland**  
4th Floor  
8 Nelson Mandela Place  
Glasgow  
G2 1BT

**Date:**



# Edinburgh Integration Joint Board

2015/16 Annual Audit  
Report for members of  
Edinburgh Integration  
Joint Board and the  
Controller of Audit

September 2016

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Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. We help the Auditor General for Scotland and the Accounts Commission check that organisations spending public money use it properly, efficiently and effectively ([www.audit-scotland.gov.uk/about/](http://www.audit-scotland.gov.uk/about/)).

David McConnell, Assistant Director, Audit Scotland is the engagement lead of Edinburgh Integration Joint Board for the 2015/16 year.

This report has been prepared for the use of Edinburgh Integration Joint Board and no responsibility to any member or officer in their individual capacity or any third party is accepted.

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# Key messages

## Audit of financial statements

- We have completed our audit of the IJB and issued an unqualified independent auditor's report on the 2015/16 financial statements.
- Working papers were provided according to the agreed timetable.

## Financial management & sustainability

- Overall, the IJB has satisfactory financial management arrangements in place and the financial position is sustainable.
- The proposed budget for 2016/17 assumes £22.2 million of efficiency savings in 2016/17, with discussions ongoing with NHS Lothian around bridging the remaining £5.8 million funding gap. Although the majority of these savings have been identified, there is a risk that these planned efficiencies are not delivered, or that additional savings or income streams cannot be identified to bridge the funding gap.

## Governance & transparency

- We obtained audit assurance over the accuracy and completeness of financial transactions processed by the partner bodies.
- Internal audit services provided to the IJB comply with Public Internal Audit Standards.

## Best Value

- The IJB is fully committed to the integration agenda and has made good progress to date.
- The strategic plan outlines the partnership's aims, visions and priorities for the next three years. This is reviewed annually.
- Key outcomes for the IJB have been agreed.
- The IJB is continuing to develop performance management arrangements to ensure effective reporting of outcomes.

## Outlook

- The integration joint board will continue to operate in a period of austerity with reduced funding in real terms, increasing cost pressures and a growing demand for services. All integration authorities need to continue to shift resources, including the workforce, towards a more preventative and community based approach.
- It is important that the IJB can demonstrate that these changes, which may take several years to fully evolve, is making a positive impact on service users and improving outcomes.

# Introduction

1. In October 2015 the Accounts Commission approved the appointment of Audit Scotland's Audit Services Group as external auditors of Edinburgh Integration Joint Board (the "IJB"). Our audit appointment is for one year, covering the 2015/16 financial year, the first accounting period for which the IJB is required to prepare financial statements.
2. This report is a summary of our findings arising from the 2015/16 audit of Edinburgh Integration Joint Board. The report is divided into sections which reflect our public sector audit model.
3. The management of the IJB is responsible for:
  - preparing financial statements which give a true and fair view
  - implementing appropriate internal control systems
  - putting in place proper arrangements for the conduct of its affairs
  - ensuring that the financial position is soundly based.
4. Our responsibility, as the external auditor of Edinburgh Integration Joint Board, is to undertake our audit in accordance with International Standards on Auditing, the principles contained in the Code of Audit Practice issued by Audit Scotland in May 2011 and the ethical standards issued by the Auditing Practices Board.
5. An audit of financial statements is not designed to identify all matters that may be relevant to those charged with governance. It is the auditor's responsibility to form and express an opinion on the financial statements; this does not relieve management of their responsibility to prepare financial statements which give a true and fair view.
6. [Appendix I](#) lists the audit risks that we identified in the annual audit plan we issued in May 2016. It also summarises the assurances provided by management to demonstrate that risks are being addressed and the conclusions of our audit work. [Appendix II](#) lists the reports we issued to the IJB during the year. A number of national reports have been issued by Audit Scotland during the course of the year. These reports, summarised at [Appendix III](#), include recommendations for improvements.
7. [Appendix IV](#) is an action plan setting out our recommendation to address the high level risk we have identified during the course of the audit. Officers considered the issues and agreed to take steps to address them. The IJB should ensure it has a mechanism in place to assess progress and monitor outcomes.
8. We have included in this report only those matters that have come to our attention as a result of our normal audit procedures; consequently, our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.
9. The cooperation and assistance afforded to the audit team during the course of the audit is gratefully acknowledged.

# Audit of the 2015/16 financial statements

|                                 |   |
|---------------------------------|---|
| <p><b>Audit opinion</b></p>     | <ul style="list-style-type: none"> <li>• We have completed our audit and issued an unqualified independent auditor’s report.</li> </ul>   |
| <p><b>Going concern</b></p>     | <ul style="list-style-type: none"> <li>• The financial statements were prepared on the going concern basis.</li> <li>• The IJB had not agreed its 2016/17 budget at the start of the financial year. However we do not feel this or any other events or conditions cast significant doubt on the IJB’s ability to continue as a going concern.</li> </ul>   |
| <p><b>Other information</b></p> | <ul style="list-style-type: none"> <li>• We review and report on other information published with the financial statements, including the management commentary, annual governance statement and the remuneration report. We consider whether these reports have been properly prepared, comply with extant guidance and are consistent with the financial statements.</li> <li>• We report any material errors or omissions, any material inconsistencies with the financial statements or any otherwise misleading content. We have nothing to report in respect of the other information published as part of the annual report and accounts.</li> </ul> |

## Submission of financial statements for audit

10. The Public Bodies (Joint Working) (Scotland) Act 2014 specifies that Integration Joint Boards (IJBs) should be treated as if they were bodies falling within section 106 of the Local Government (Scotland) Act 1973. The financial statements of the IJB are prepared in accordance with the 1973 Act and the 2015/16 Code of Practice on Local Authority Accounting in the United Kingdom (the Code).
11. NHS Lothian is required to submit audited accounts by 30 June each year. The IJB had satisfactory arrangements in place to ensure that information required by its stakeholder bodies was received by specified dates to enable incorporation into the group accounts of the stakeholder bodies. This included details of balances held at the year-end, the transactions in the year and other information including assurances needed for the governance statement.
12. We received the unaudited financial statements of the IJB in accordance with the agreed timetable. The working papers were of a good standard and finance staff provided good support to the audit team which assisted the delivery of the audit by the deadline.

## Overview of the scope of the audit of the financial statements

13. Information on the integrity and objectivity of the appointed auditor and audit staff, and the nature and scope of the audit, were outlined in our Annual Audit Plan presented to the Audit and Risk Committee on 20 May 2016.

14. As part of the requirement to provide full and fair disclosure of matters relating to our independence, we can confirm that we have not undertaken non-audit related services. The 2015/16 agreed fee for the audit was set out in the Annual Audit Plan and as we did not carry out any work additional to our planned audit activity, the fee remains unchanged.
15. The concept of audit risk is central to our audit approach. We focus on those areas that are most at risk of causing material misstatement in the financial statements. In addition, we consider what risks are present in respect of our wider responsibility, as public sector auditors, under Audit Scotland's Code of Audit Practice.
16. During the planning phase of our audit we identified a number of risks and reported these to you in our Annual Audit Plan along with the work we proposed doing in order to obtain appropriate levels of assurance. [Appendix I](#) sets out the significant audit risks identified and how we addressed each risk.
17. Our audit involved obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error.

## Materiality

18. Materiality can be defined as the maximum amount by which auditors believe the financial statements could be misstated and still not be expected to affect the decisions of users of financial

statements. A misstatement or omission, which would not normally be regarded as material by amount, may be important for other reasons (for example, an item contrary to law).

19. We consider materiality and its relationship with audit risk when planning the nature, timing and extent of our audit and conducting our audit programme. Specifically with regard to the financial statements, we assess the materiality of uncorrected misstatements, both individually and collectively.
20. We summarised our approach to materiality in our Annual Audit Plan. As Edinburgh IJB did not become fully operational until 1 April 2016, the decision on the appropriate level of materiality was deferred until the receipt of the unaudited accounts. Based on our knowledge and understanding of Edinburgh IJB, materiality has been set at £1,000 (or 1% of gross expenditure).

## Evaluation of misstatements

21. The audit identified some presentational adjustments which were discussed and agreed with management. There were no monetary adjustments required as a consequence of our audit work.

## Significant findings from the audit

22. International Standard on Auditing 260 requires us to communicate to you significant findings from the audit, including:
  - The auditor's views about significant qualitative aspects of the entity's accounting practices, including accounting policies, accounting estimates and financial statement disclosures

- Significant difficulties encountered during the audit
  - Significant matters arising from the audit that were discussed, or subject to correspondence with management
  - Written representations requested by the auditor
  - Other matters which in the auditor's professional judgment are significant to the oversight of the financial reporting process.
23. There are no findings from our financial statements audit that we consider need brought to your attention.

## Future accounting and auditing developments

### Audit appointment from 2016/17

24. The Accounts Commission is responsible for the appointment of external auditors to integration joint boards. Paragraph 1 of this report refers to Audit Scotland's one year appointment as the auditor of Edinburgh Integration Joint Board in 2015/16. This was restricted to one year to reflect the final year of our five year appointment as auditors of NHS Lothian and City of Edinburgh Council. External auditors are appointed for a five year term either from Audit Scotland's Audit Services Group or private firms of accountants.
25. The procurement process for the new round of audit appointments was completed in March 2016. Your new appointed auditor will be Scott-Moncrieff.



## Code of Audit Practice

26. A new Code of Audit Practice applies to public sector audits for financial years starting on or after 1 April 2016. It replaces the Code issued in May 2011. It outlines the objectives and principles to be followed by auditors.
27. The new Code increases the transparency of our work by making more audit outputs available on Audit Scotland's website. In addition to publishing all Annual Audit Reports, Annual Audit Plans and other significant audit outputs will be put on the website for all audited bodies. This is irrespective of whether the body meets in public or makes documents available to the public through its own website.

# Financial management and sustainability

| Budget                                  | Outturn                                 | Usable Reserves  |
|---|---|--|
| NHS Lothian<br>£52,000                  | NHS Lothian<br>£52,000                  | There were no reserves<br>at the end of the<br>financial year. |
| City of Edinburgh<br>Council<br>£45,000 | City of Edinburgh<br>Council<br>£45,000 |  |
| Total<br>£97,000                        | Total<br>£97,000                        |  |

## Financial management

28. In this section we comment on the Edinburgh Integration Joint Board financial performance and assess the IJB's financial management arrangements.
29. The IJB does not have any assets, nor does it directly incur expenditure or employ staff, other than the Chief Officer. All funding and expenditure relating to services managed by the IJB are incurred by the stakeholder parties and processed in their accounting records. Satisfactory arrangements are in place to identify this income and expenditure and report this financial information to the IJB.
30. The integration scheme between NHS Lothian and City of Edinburgh Council sets out the financial arrangements around payments by the parties to Edinburgh Integration Joint IJB in respect of all of the functions delegated by them to the IJB.
31. Legislation empowers the IJB to hold reserves. The integration scheme and the reserves strategy set out the arrangements between the partners for addressing and financing any overspends or underspends. It highlights that underspends in an element of the operational budget arising from specific management action may be retained by the IJB to either fund additional in year capacity, or be carried forward to fund capacity in future years of the Strategic Plan. Alternatively, these can be returned to the partner bodies.
32. Where there is a forecast overspend the partner bodies must agree a recovery plan to balance the budget.

## Financial performance 2015/16

33. The IJB set a breakeven budget for 2015/16. This was based on administrative expenditure of £97,000 with £52,000 contributed by NHS Lothian and £45,000 City of Edinburgh Council. The IJB recorded a breakeven position at the end of March 2016.

## Financial management arrangements

34. As auditors, we need to consider whether audited bodies have established adequate financial management arrangements. We do this by considering a number of factors, including whether:
  - the Chief Financial Officer has sufficient status to be able to deliver good financial management
  - standing financial instructions and standing orders are comprehensive, current and promoted within the IJB
  - reports monitoring performance against budgets are accurate and provided regularly to budget holders
  - monitoring reports do not just contain financial data but are linked to information about performance
  - IJB members provide a good level of challenge and question budget holders on significant variances.
35. The Chief Finance Officer was appointed on an interim basis in July 2015, pending the appointment of a Chief Officer for the IJB and the introduction of a reporting structure to the Chief Officer. The IJB intend to make a permanent Chief Finance Officer appointment by the end of 2016.

36. We reviewed the standing orders, which were created on the formation of the IJB. These were approved by the IJB and we consider these to be adequate.
37. Financial due diligence was undertaken by officers during 2015/16 on the proposed 2016/17 resource allocations from City of Edinburgh Council and NHS Lothian. These process included reviews of the historical spend of both organisations, identification of non-recurring or previously committed budget elements, and assessment of key risk areas around the deliverability of services. Regular updates on the due diligence process were made to the IJB during 2015/16.
38. The IJB is currently developing a financial reporting strategy for 2016/17 that builds on existing reporting arrangements in the partner bodies. Both City of Edinburgh Council and NHS Lothian currently monitor expenditure on a monthly basis, however NHS Lothian use quarterly budget forecasts whilst the Council work use monthly forecasts. The high level financial position for EIJB as at 31 May 2016 was reported to the IJB in July 2016. Going forward, quarterly financial reporting to the IJB will be aligned to the most current forecast information available.
39. As auditors we attend a number of Board meetings and Audit and Risk Committee meetings. IJB members provide a good level of challenge and question budget holders on significant variances and service performance issues.

## Conclusion on financial management

40. We have concluded that the IJB has satisfactory financial management arrangements. These support the review and scrutiny of financial performance, the achievement of financial targets, and awareness of any potential overspends.

## Financial sustainability

41. Financial sustainability means that the IJB has the capacity to meet its current and future plans. In assessing financial sustainability we are concerned with whether:
  - spending is being balanced with income in the short term
  - long-term financial pressures are understood and planned for.

## Financial planning

42. A budget of £596 million has been proposed for 2016/17, as set out in table 1.
43. In addition to the direct allocations from City of Edinburgh Council and NHS Lothian, the proposed budget includes additional funding allocated nationally by the Scottish Government Health and Social Care Directorate. EIJB's share of this £250 million national allocation is £20 million. Within the overall budget of £596 million, the IJB will have strategic influence over £93 million of the large hospital services budget during 2016/17, to improve social care outcomes.

**Table 1: EIJB Indicative budget 2016/17**

|                             | Base budget<br>(£million) |
|-----------------------------|---------------------------|
| City of Edinburgh Council   | 185.226                   |
| NHS Lothian core and hosted | 297.923                   |
| Social care fund            | 20.180                    |
| <b>Sub-total</b>            | <b>503.329</b>            |
| NHS Lothian set aside       | 93.144                    |
| <b>Total</b>                | <b>596.473</b>            |

Source: IJB Board papers July 2016

44. Delays to the agreement of the Scottish Government's financial plans, and the subsequent delay in agreeing NHS Lothian's financial plan meant that the IJB budget for 2016/17 was not formally set at the beginning of the financial year. The council budget was set on 21 January 2016. This provided confirmation of the council element of the partnership funding, although discussions continue around conditions attached to elements of the social care fund previously delivered through the council.
45. The NHS Lothian element of partnership funding for 2016/17 is based on a financial plan submitted to the Scottish Government which was out of balance by £20 million, with the IJB's share of this gap being £5.8 million. Subsequently, £6 million of recurring funding has been allocated to NHS Lothian, and they are currently
- investigating a number of other areas to deliver a balanced budget. The distribution of this recurring funding and allocation of additional efficiency savings to the IJB has still to be determined.
46. The absence of an agreed budget at the start of the 2016/17 financial year meant there was some uncertainty during this period regarding the extent to which the IJB could develop and implement its strategic plan objectives. However the IJB has continued to develop and implement these objectives on the basis of indicative funding levels, with limited movement from these original assumptions.
47. The proposed funding settlements for 2016/17 assume realisation of efficiency savings of £22.2 million across the partner bodies, with savings plans developed to deliver these. As noted in previous paragraphs, a funding gap of £5.8 million exists in relation to NHS Lothian's settlement, and the IJB is continuing discussions with NHS Lothian about bridging this gap.
48. Although historically both partner bodies have delivered within budget, in recent years they have faced significant challenges in achieving this position. NHS Lothian continues to face significant pressures on its budget, particularly around delayed discharges and prescribing, including the increasing costs of acute drugs, all of which impact on services within the IJB remit. The council is going through a significant transformation programme, which aims to radically restructure how its services are delivered. A number of the planned efficiency savings are predicated on successful delivery of this programme. There remains a risk that the planned efficiencies

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are not delivered or that additional savings or income streams cannot be identified to bridge the current funding gap.

**Action point 1**

## Conclusion on financial sustainability

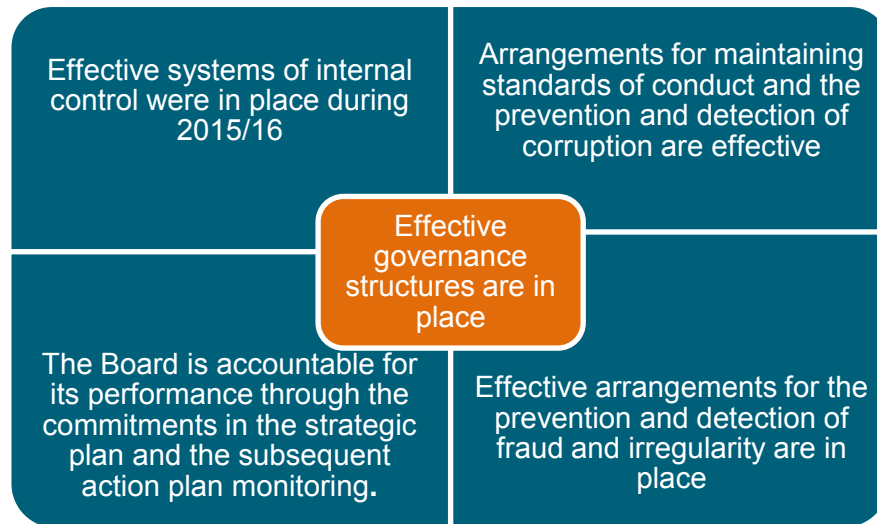
49. Overall we conclude that the IJB's financial position is sustainable currently and in the foreseeable future. However this is contingent on partner bodies' continuing their track record of delivering efficiency savings over the coming years, which will require close financial monitoring and early intervention where necessary.

## Outlook

50. NHS boards and councils have faced several years of financial constraints and this is expected to continue in the coming years. The ageing population and increasing numbers of people with long term conditions and complex needs have already placed significant pressure on health and social care budgets. This puts further pressure on finances.
51. Strategic plans, while setting out the broad direction, will need to be clear regarding the IJB's priorities and the financing and staff that will be available over the longer term to match these priorities. It is important that they provide detail on the level of resources required in each key area and how they will shift resources towards preventative and community based care.

52. In response to these challenges a transformation programme is being put in place across the Partnership in order to set out and deliver a future operating model for Health & Social Care delivery. The progress of this programme will be reported regularly to the EIJB and the audit and risk committee. The IJB will need to show how it is responding to any challenges that arise from this programme.

# Governance and transparency



- 53. Good governance is vital to ensure that public bodies perform effectively. This can be a particular challenge in partnerships, with board members drawn from a wide range of backgrounds.
- 54. The integration scheme between City of Edinburgh Council and NHS Lothian sets out the key governance arrangements. It also sets out the requirement to identify and collate a core set of indicators and measures which relate to integrated functions to enable the reporting of performance targets and improvement measures.
- 55. The IJB is responsible for establishing arrangements for ensuring the proper conduct of the affairs of Edinburgh Integration Joint Board and for monitoring the adequacy of these arrangements.
- 56. The IJB comprises a wide range of service users and partners including five councillors nominated by City of Edinburgh Council and five non-executive directors nominated by NHS Lothian.
- 57. The IJB is supported by a Chief Officer who provides overall strategic and operational advice to the Integration Joint Board, and is directly accountable to the IJB for all of its responsibilities. The Chief Officer is also accountable to both the Chief Executive of City of Edinburgh Council and the Chief Executive of NHS Lothian. The Chief Officer also provides regular reports to both the Council and the NHS Board.
- 58. The IJB is responsible for the strategic planning of health and social care services in Edinburgh, and is supported by the Audit and Risk Committee.
- 59. The services are delivered through the Edinburgh Health and Social Care Partnership. The operational structure of the Partnership focuses on the delivery of most services on a locality basis across 4 geographic boundaries, which take account of existing neighbourhood partnerships within the local authority area.
- 60. The IJB met on a regular basis throughout the year, and the Audit and Risk Committee has established a quarterly cycle of meetings since its inception in April 2016. We review Board minutes and Audit and Risk Committee minutes to ensure they are fulfilling their

responsibilities. We also periodically attend meetings of the Audit and Risk Committee. Additionally, we attend selected Board meetings to observe how it operates. We concluded that the IJB has appropriate governance arrangements in place and they provide a framework for effective organisational decision making.

## Internal control

61. While auditors concentrate on significant systems and key controls in support of the opinion on the financial statements, their wider responsibilities require them to consider the financial systems and controls of audited bodies as a whole. However, the extent of this work should also be informed by their assessment of risk and the activities of internal audit.
62. City of Edinburgh Council and NHS Lothian are the partner bodies. All financial transactions of the IJB are processed through the financial systems of the partner bodies and are subject to the same controls and scrutiny of the council and health board, including the work performed by internal audit.
63. We sought and obtained assurances from the external auditor of the council and health board regarding the systems of internal control used to produce the transactions and balances recorded in the IJB's annual accounts.
64. We also reviewed the IJB's budget setting and financial monitoring arrangements. Overall, we consider the systems of internal control to be effective.

## Internal audit

65. Internal audit provides the IJB and Chief Officer with independent assurance on the IJB's overall risk management, internal control and corporate governance processes. The Chief Auditor of City of Edinburgh Council has been appointed as Chief Internal Auditor for the IJB. An internal audit plan for 2016/17 has been developed and scrutinised by the Audit and Risk Committee.
66. We carried out a review of the adequacy of the internal audit functions at each of the partner bodies. We concluded that internal audit at each partner body operates in accordance with the Public Sector Internal Audit Standards (PSIAS) and has sound documentation standards and reporting procedures in place.
67. As services become more integrated, transactions relating to the IJB will be more fluid between the parties. This provides a challenge to auditors since the annual audit plans of each partner are based on carrying out audit work which may be based on the accounting systems and governance arrangements that relate only to the partner that the auditor is appointed to.

## Arrangements for the prevention and detection of fraud and other irregularities

68. Arrangements are in place to ensure that suspected or alleged frauds or irregularities are investigated by one of the partner bodies internal audit sections. Since the IJB does not directly employ staff, it has been agreed that investigations will be carried out by the internal audit service of the partner body where the fraud or



irregularity originated. If this relates to NHS Lothian, there are arrangements in place to use the Counter Fraud Services. The IJB recognises that, as partnership services become more integrated, the investigations will need to take up a more joined up approach.

69. We concluded that the IJB had effective arrangements in place for fraud detection and prevention during 2015/16.

## Arrangements for maintaining standards of conduct and the prevention and detection of corruption

70. The Integration Joint Board requires that all members must comply with the Standards in Public Life - Code of Conduct for Members of Devolved Public Bodies. A register of members' interests is in place for IJB Members and senior officers.
71. Based on our review of the evidence we concluded that the IJB has effective arrangements in place for the prevention and detection of corruption and we are not aware of any specific issues that we need to record in this report.

## Transparency

72. Local residents should be able to hold the IJB to account for the services it provides. Transparency means that residents have access to understandable, relevant and timely information about how the IJB is taking decisions and how it is using its resources.

73. The Integration Joint Board's purpose and vision are outlined in its Strategic Plan 2016-19, which was approved on 11 March 2016. This shows what success would look like and sets out the IJB's priorities for the next three years. In doing so, it takes account of the priorities outlined in the 2020 Vision for Health and Social Care and the strategic priorities of the Edinburgh Community Planning Partnership.
74. The Strategic Plan for 2016/2019 sets out a range of actions the partnership will take and provides a basis for measuring how well they are doing and whether they are achieving the IJB's priorities and the national outcomes. The action plan is set for a three year period and is reviewed annually.
75. In addition to City of Edinburgh Council and NHS Lothian representation, the IJB includes a number of representatives from health and social care professionals, including GPs, employees, unpaid carers, service users, and the third sector.
76. Members of the public can attend meetings of the IJB. A significant amount of the IJB's business is transacted through the Audit and Risk Committee, the Strategic Planning Group, and the quality and performance sub-group. Minutes and related papers for the IJB are available on the council website. The other committee/group papers are not publicly available, although minutes of their meetings are available within Board papers, and some reports have been presented to the Board for information. As the role and operation of the standing committees and groups develop, the IJB should consider expanding the number of reports routinely available

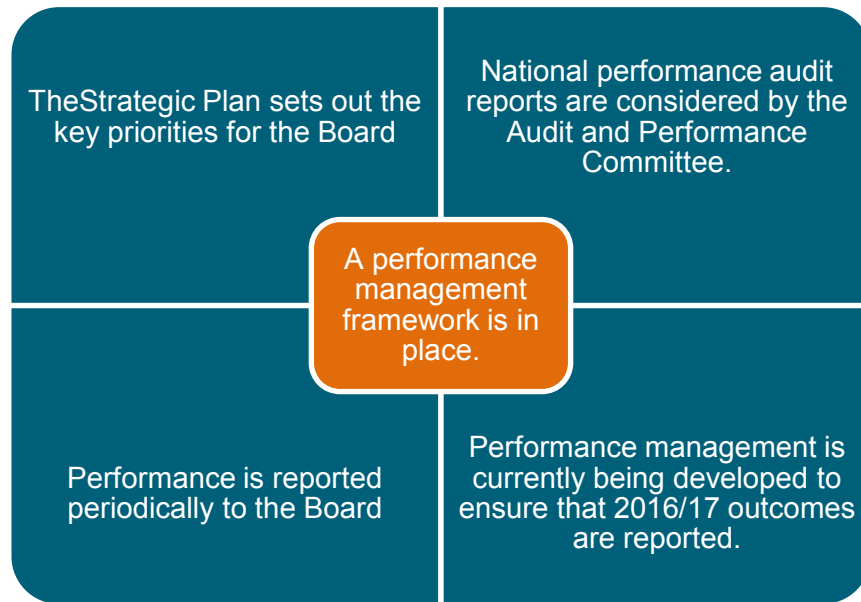
through the council website. Where papers include confidential information these can be withheld or redacted as appropriate.

77. Overall we concluded that the IJB is open and transparent although we believe there is an opportunity to enhance existing arrangements as the Partnership develops.

## Outlook

78. Edinburgh Integration Joint Board faces continuing challenges on a number of fronts including mounting financial challenges, meeting exacting performance targets, and delivering the Scottish Government's aim of having people living longer and healthier lives at home or a homely setting (i.e. the 2020 Vision).
79. The design of IJBs brings the potential for real or perceived conflicts of interest for board members and senior managers. Partners need to be clear regarding how governance arrangements will work in practice, particularly when disagreements arise. This is because there are potentially confusing lines of accountability, which could hamper the IJB's ability to make decisions about the changes involved in redesigning services. People may also be unclear who is ultimately responsible for the quality of care.
80. Embedding robust governance arrangements will be an essential element in meeting these challenges and maintaining accountability. All stakeholders including patients, clinicians, carers, the public, staff, partner bodies and the Scottish Government, benefit from the assurance and confidence a good governance regime brings.

# Best Value



- 81. The Public Bodies (Joint Working) (Scotland) Act 2014 set out a broad framework for creating integration authorities and gave councils and NHS boards a great deal of flexibility to enable them to develop integrated services that are best suited to local circumstances.
- 82. Integration authorities are required to contribute towards nine national health and wellbeing outcomes. These high level outcomes seek to measure the quality of health and social care services and their impact on, for example, allowing people to live independently and in good health, and reducing health inequalities. This signals an

important shift from measuring internal processes to assessing the impact on people using health and social care services.

- 83. The integration scheme specifies the wide range of functions delegated by the council and NHS Lothian to the IJB. These include all services previously carried out by the council's social services department plus a wide range of service previously carried out by the health board including accident and emergency, all community hospitals, all mental health inpatients services, and primary care.
- 84. Accountable officers have a specific responsibility to ensure that arrangements have been made to secure Best Value. IJBs need to establish effective arrangements for scrutinising performance, monitoring progress towards their strategic objectives, and holding partners to account. There is also a need for regular reporting to partner organisations. This is particularly important as most members of City of Edinburgh Council and NHS Lothian are not directly involved in the IJB's work.

## Arrangements for securing Best Value

- 85. The integration scheme committed the IJB to delivering the national outcomes for Health & Wellbeing. Partners identified a core set of indicators and targets and then agreed a framework for reporting progress against these. Locality planning arrangements are also in place which are multi disciplinary and multi sectoral and allow for different local needs to be taken into account in strategic planning.
- 86. The IJB is also committed to a number of high profile deliverables, including savings plans relating to both City of Edinburgh Council

and NHS Lothian, tackling inequalities and poor health outcomes through targeted service delivery on a locality basis, and shifting the balance of care for frail older people to support independent living.

87. The IJB are members of the Lothian Integration Dataset group, which has been working to identify a range of measures of interest to the four integration boards within the NHS Lothian boundary. The aim of the group is to provide a dataset for shared use by the four partnerships, which can be augmented by local measures.
88. The four Edinburgh and Lothian IJBs have identified services that each of the partnerships will lead. For example, Edinburgh Health and Social Care Partnership leads the delivery of rehabilitation and sexual health services. A key objective in respect of the allocation of lead roles across the partnerships was to fairly and effectively monitor, manage and share risks and resources.
89. A key aspect in achieving the vision and priorities set out in the IJB's strategic plan is the effective integration of workforce development across the partnerships to make best use of capacity. This is made more challenging by workforce restructuring ongoing as part of the council's transformation programme. This restructuring is necessary to deliver the financial savings required within the 2016/17 budget. Close management of the programme will be necessary to minimise the risks and impact on workforce development and the IJB's planned service delivery through the transition period.
90. Overall, we concluded that the IJB has arrangements for securing BV and continuous improvement.

## Performance management

91. The Strategic Plan identifies six strategic priorities that are linked to the Scottish Government's nine health and wellbeing indicators. These are:
  - Tackling inequalities
  - Prevention and early intervention
  - Person centred care
  - Right care, right place, right time
  - Making best use of capacity across the system
  - Managing our resources effectively.
92. In April 2016 the IJB established a quality and performance sub group whose remit includes the development of a performance framework for the strategic plan. The group are developing and testing rubrics to provide clear criteria and standards against which the 44 actions in the strategic plan can be measured. In addition, 23 core indicators, linked to the key priorities and actions, have been developed from national sources so that the measurement approach for the agreed integration health and wellbeing outcomes is consistent across all areas.
93. The group reports regularly to the Board on progress in developing this framework. The performance management framework will continue to evolve as improved targets or data sources become available through, for example, the change programme.

- 94. As part of the IJB's due diligence process, the budget proposal offers for 2016/17 from both NHS Lothian and City of Edinburgh Council, setting out the expected level of resource available to the EIJB, and identifying potential risks and pressures. Throughout the process the EIJB have been updated by the Chief Finance Officer about progress and whether any issues are arising. The Internal Audit teams of both City of Edinburgh Council and NHS Lothian have reviewed this process and have reported their findings to the relevant committees.
- 95. Managers from both City of Edinburgh Council and NHS Lothian have been working together to develop a budgetary reporting strategy although this has been challenging due to the different methods of reporting in the organisations.
- 96. We concluded that the IJB has established a satisfactory performance management framework. This is based on the developing arrangements and existing performance frameworks at both City of Edinburgh Council and NHS Lothian.

## Outlook

- 97. Pressures on health and social care services are likely to continue to increase for the foreseeable future. These increasing pressures have significant implications on the cost of providing health and social care services and challenges in ensuring that people receive the right care, at the right time, and in the right setting.
- 98. The IJB is responsible for co-ordinating health and social care services and commissioning NHS Lothian and City of Edinburgh

Council to deliver services in line with the strategic plan. Over time, the intention is that this will lead to a change in how services are provided, with a greater emphasis on preventative services and allowing people to receive care and support in their home or local community.

- 99. The IJB will need to continue to demonstrate and report whether this is making a positive impact on service users and improving outcomes. To help achieve this it is important that the IJB has strategies covering the workforce, risk management, engagement with service users, and data sharing arrangements which help to enable delivery of the IJB's strategic priorities.

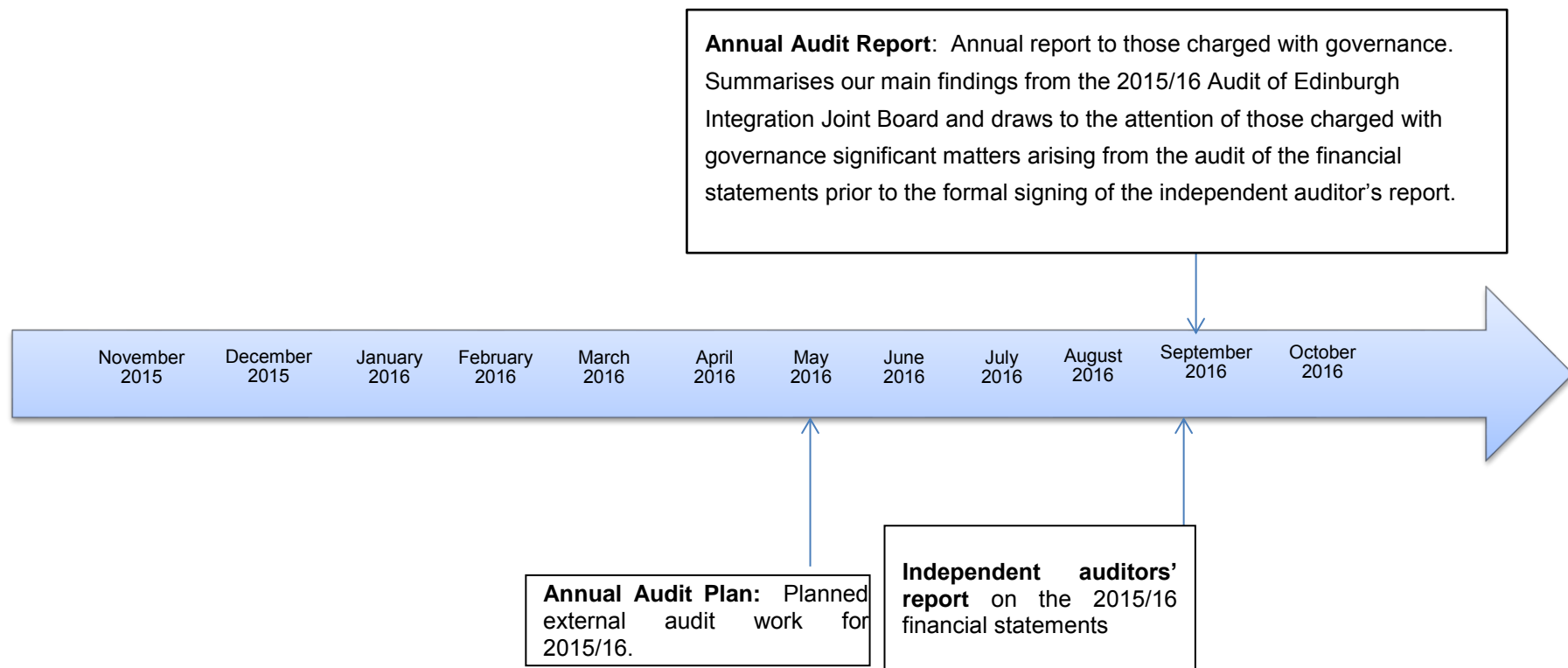
# Appendix I: Significant audit risks

The table below sets out the audit risks we identified during the course of the audit and how we addressed each risk in arriving at our opinion on the financial statements.

| Audit Risk   | Assurance procedure   | Results and conclusions   |
|--|---|---|
| <b>Risk of material misstatement in the financial statements</b>   |   |   |
| <p><b>Financial statements</b></p> <p>The financial statements for the IJB have to be prepared for the first time in 2015/16 for the period from July 2015. The financial statements are required to be prepared in accordance with relevant legislation and the Code of Practice on Local Authority Accounting in the United Kingdom.</p> <p>The IJB is a new body and may not yet have the processes and procedures in place to provide the required financial information.</p> <p><b>Risk:</b> There is a risk that financial statements disclosures and supporting working papers will not be prepared to the required quality and by agreed timescales.</p> | <ul style="list-style-type: none"> <li>• Review of the IJB's arrangements to ensure the proper conduct of its financial affairs.</li> <li>• Continued engagement with officers prior to the accounts being prepared to ensure relevant information is disclosed and the timetable met.</li> <li>• Review of accounts for compliance technical guidance from LASAAC and IRAG.</li> <li>• Review of accounting policies to ensure they are appropriate and complete.</li> </ul> | <ul style="list-style-type: none"> <li>• The financial statements were presented for audit in accordance with the agreed timetable.</li> <li>• No areas of concern highlighted by our audit testing.</li> </ul> |

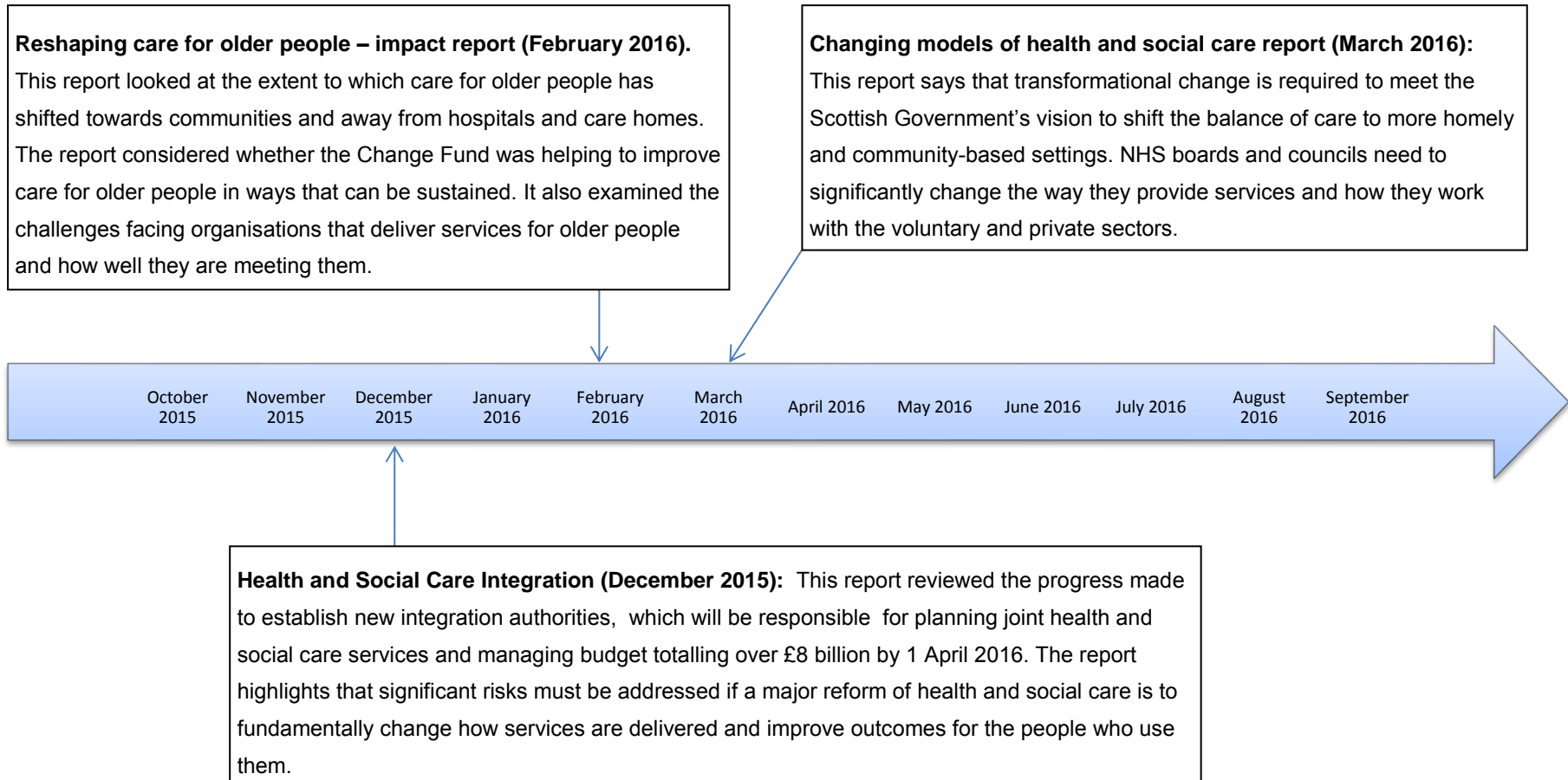
| Audit Risk  | Assurance procedure   | Results and conclusions   |
|---|---|---|
| <p><b>Governance statement and management assurances</b></p> <p>Preparation of the IJB financial statements will rely on the provision of financial and non financial information from the systems of the partner bodies.</p> <p><b>Risk:</b> There is a risk that the Chief Officer does not have adequate assurance that information received from each partner is accurate and complete.</p> | <ul style="list-style-type: none"> <li>• Carry out audit testing to confirm the accuracy and correct allocation of IJB transactions.</li> <li>• Seek relevant audit assurances from the health board auditors.</li> </ul> | <ul style="list-style-type: none"> <li>• Assurances obtained from City of Edinburgh Council and NHS Lothian</li> <li>• No areas of concern noted through audit testing</li> </ul> |
| <p><b>Risks identified from the auditor’s wider responsibility under the Code of Audit Practice</b></p>   |   |   |
| <p><b>Financial planning and sustainability</b></p> <p>The IJB is operating in an environment with a number of challenges and risks to future finances. These include increases in demand, demographic changes, welfare reform and potential changes in central funding. The IJB will need strong financial management and budgetary control to address these challenges.</p>                   | <p>Ensured that ongoing budget monitoring accurately reflects the position of the IJB.</p>  | <ul style="list-style-type: none"> <li>• No further areas of concern highlighted by our audit work.</li> </ul>  |

# Appendix II: Summary of Edinburgh IJB local audit reports 2015/16





# Appendix III: Summary of Audit Scotland national reports 2015/16



# Appendix IV: Action plan

| No. | Para ref. | Issue/risk/Recommendation   | Management action/response  | Responsible officer / Target date           |
|-----|-----------|---|---|---|
| 1.  | 48        | <p><b>Issue</b></p> <p>The indicative budget for the IJB in 2016/17 assumes that the IJB will achieve efficiency savings in the financial year of £22.2 million. In addition, discussions are ongoing with NHS Lothian around how the current funding gap of £5.8 million will be bridged. There remains a risk that planned efficiencies are not delivered, or additional savings or income streams cannot be identified, leaving the IJB with a deficit for the financial year.</p> <p><b>Recommendation</b></p> <p>The IJB should monitor progress towards realising identified savings on a monthly basis, and develop contingency plans to address projected funding gaps.</p> | <p>The financial position is considered on a regular basis at a number of forums. As the Partnership develops, a number of the pre existing arrangements for financial scrutiny remain in place, including:</p> <ul style="list-style-type: none"> <li>quarterly financial performance meetings for the health services in the partnership</li> <li>scrutiny as part of overall NHS Lothian financial position through regular reports to the NHS Lothian Corporate Management Team, Finance and Resources Committee and NHS Lothian Board</li> <li>regular reporting of financial performance for CEC delivered services to the council's Health and Social Care Committee</li> <li>ongoing review of corporate performance by the council's Corporate Management Team and the Finance and Resources Committee.</li> </ul> <p>Finance is an agenda item at each Partnership Executive Team meeting and the Chief Officer and Chief Finance Office have scheduled regular star chamber sessions with senior budget holders. These will focus on delivery of base budgets and savings programmes, and aim to identify any slippage and mitigating actions at an early stage. We also have the support of EY who are providing project management support to the overall savings programme.</p> <p>This is supplemented by finance updates to each of the IJB meetings.</p> | <p>Chief Finance Officer</p> <p>Ongoing</p> |

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8 Nelson Mandela Place  
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Edinburgh Integration Joint Board  
Audit and Risk Committee

16 September 2016

### Edinburgh Integration Joint Board 2015/16 Annual Audit Report

1. International Standard on Auditing (UK and Ireland) 260 (ISA 260) requires auditors to report specific matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action. We also present for your consideration our draft annual report on the 2015/16 audit which identifies significant findings from the financial statements audit. The section headed "Significant findings from the audit in accordance with ISA260" in the attached annual audit report sets out the issues identified. This report will be issued in final form after the financial statements have been certified.
2. Our work on the financial statements is now substantially complete. Subject to the satisfactory conclusion of any outstanding matters and receipt of a revised set of financial statements for final review, we anticipate being able to issue an unqualified auditor's report on 16 September 2016, following approval of the accounts by the Board (the proposed report is attached at Appendix A). There are no anticipated modifications to the audit report.
3. In presenting this report to the Audit and Risk Committee and Board we seek confirmation from those charged with governance of any instances of any actual, suspected or alleged fraud; any subsequent events that have occurred since the date of the financial statements; or material non-compliance with laws and regulations affecting the entity that should be brought to our attention.
4. We are required to report to those charged with governance all unadjusted misstatements which we have identified during the course of our audit, other than those of a trivial nature and request that these misstatements be corrected. We have no unadjusted misstatements to bring to your attention.
5. As part of the completion of our audit we seek written assurances from the Chief Finance Officer on aspects of the financial statements and judgements and estimates made. A draft letter of representation under ISA580 is attached at [Appendix B](#). This should be signed and returned by the Chief Finance Officer with the signed financial statements prior to the independent auditor's opinion being certified.

# APPENDIX A: Proposed Independent Auditor's Report

## Independent auditor's report to the members of Edinburgh Integration Joint Board and the Accounts Commission for Scotland

I certify that I have audited the financial statements of Edinburgh Integration joint Board for the year ended 31 March 2016 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Comprehensive Income and Expenditure Statement, Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (the 2015/16 Code).

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 125 of the Code of Audit Practice approved by the Accounts Commission for Scotland, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

### Respective responsibilities of the Chief Finance Officer and auditor

As explained more fully in the Statement of Responsibilities, the Chief Finance Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the circumstances of the Edinburgh Integration Joint Board and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Finance Officer; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the annual accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

### Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view in accordance with applicable law and the 2015/16 Code of the state of the affairs of the Edinburgh Integration Joint Board as at 31 March 2016 and of the income and expenditure of the Edinburgh Integration Joint Board for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2015/16 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

### Opinion on other prescribed matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014; and

- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Matters on which I am required to report by exception**

I am required to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit; or
- the Annual Governance Statement has not been prepared in accordance with Delivering Good Governance in Local Government; or
- there has been a failure to achieve a prescribed financial objective.

I have nothing to report in respect of these matters.

David McConnell  
Audit Scotland  
4th Floor  
8 Nelson Mandela Place  
Glasgow  
G2 1BT

Date:  
September 2016

## APPENDIX B: Letter of Representation (ISA 580)

David McConnell  
Assistant Director  
Audit Scotland  
4th Floor  
8 Nelson Mandela Place  
Glasgow  
G2 1BT

Dear David

### **Edinburgh Integration Joint Board Annual Accounts 2015/16**

1. This representation letter is provided in connection with your audit of the financial statements of Edinburgh Integration Joint Board for the year ended 31 March 2016 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view of the financial position of Edinburgh Integration Joint Board, as at 31 March 2016 and its comprehensive net expenditure for the year then ended.
2. I confirm to the best of my knowledge and belief, and having made appropriate enquiries of the Audit and Risk Committee, the following representations given to you in connection with your audit of Edinburgh Integration Joint Board for the year ended 31 March 2016.

### **General**

3. I acknowledge my responsibility and that of Edinburgh Integration Joint Board for the financial statements. All the accounting records requested have been made available to you for the purposes of your audit. All material agreements and transactions undertaken by Edinburgh Integration Joint Board have been properly reflected in the financial statements. All other records and information have been made available to you, including minutes of all management and other meetings.
4. The information given in the Management Commentary and Remuneration Report presents a balanced picture of Edinburgh Integration Joint Board and is consistent with the financial statements.
5. I am not aware of any uncorrected misstatements.

### **Regularity of Financial Transactions**

6. The financial transactions of Edinburgh Integration Joint Board are in accordance with the relevant legislation and regulations governing its activities and expenditure and income were incurred or applied in accordance with applicable enactments and guidance issued by the Scottish Ministers.

## **Financial Reporting Framework**

7. The financial statements have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, and in accordance with the requirements of the Local Government (Scotland) Act 1973, the Local Government in Scotland Act 2003 and the Local Authority Accounts (Scotland) Regulations 2014 including all relevant presentation and disclosure requirements.
8. Disclosure has been made in the financial statements of all matters necessary for them to show a true and fair view of the transactions and state of affairs of Edinburgh Integration Joint Board for the year ended 31 March 2016.

## **Accounting Policies & Estimates**

9. All material accounting policies adopted are as shown in the Statement of Accounting Policies included in the financial statements, and takes account of the requirements set out in the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.
10. The significant assumptions used in making accounting estimates are reasonable and properly reflected in the financial statements.

## **Going Concern**

11. The Board has assessed Edinburgh Integration Joint Board's ability to carry on as a going concern, and has not identified any material uncertainties in this assessment.

## **Related Party Transactions**

12. All transactions with related parties have been disclosed in the financial statements. I have made available to you all the relevant information concerning such transactions, and I am not aware of any other matters that require disclosure in order to comply with the requirements of IAS24, as interpreted by the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

## **Events Subsequent to the Balance Sheet Date**

13. There have been no material events since the Balance Sheet which necessitate revision of the figures in the financial statements or notes thereto including contingent assets and liabilities.
14. Since the Balance Sheet date no events or transactions have occurred which, though properly excluded from the financial statements, are of such importance that they should be brought to your notice.

## **Corporate Governance**

15. I acknowledge as Chief Finance Officer my responsibility for the corporate governance arrangements. I confirm that I have disclosed to the auditor all deficiencies in internal control of which I am aware.
16. The corporate governance arrangements have been reviewed and the disclosures I have made are in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16. There have been no changes in the corporate governance arrangements or issues identified, since 31 March 2016, which require disclosure.

## **Fraud**

17. I have considered the risk that the financial statements may be materially misstated as a result of fraud. I have disclosed to the auditor any allegations of fraud or suspected fraud affecting the financial statements. There have been no irregularities involving management or employees who have a significant role in internal control or that could have a material effect on the financial statements.

## **Assets**

18. The assets shown in the Balance Sheet at 31 March 2016 were owned by Edinburgh Integration Joint Board, other than assets which have been purchased under operating leases. Assets are free from any lien, encumbrance or charge except as disclosed in the financial statements.

## **Liabilities**

19. All liabilities have been provided for in the books of account at 31 March 2016.

## **Carrying Value of Assets and Liabilities**

20. The assets and liabilities have been recognised, measured, presented and disclosed in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16. There are no plans or intentions that are likely to affect the carrying value or classification of the assets and liabilities within the financial statements.

Yours sincerely

Moira Pringle  
Chief Finance Officer



**Draft letter of representation**

David McConnell  
Assistant Director  
Audit Scotland  
4th Floor  
8 Nelson Mandela Place  
Glasgow  
G2 1BT

Dear David

**Edinburgh Integration Joint Board  
Annual Accounts 2015/16**

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4. The information given in the Management Commentary and Remuneration Report presents a balanced picture of Edinburgh Integration Joint Board and is consistent with the financial statements.
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**Draft letter of representation****Regularity of Financial Transactions**

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**Going Concern**

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**Draft letter of representation****Related Party Transactions**

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**Draft letter of representation****Liabilities**

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20. The assets and liabilities have been recognised, measured, presented and disclosed in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16. There are no plans or intentions that are likely to affect the carrying value or classification of the assets and liabilities within the financial statements.

Yours sincerely

Moira Pringle  
Chief Finance Officer