

Report

Edinburgh Integration Joint Board Annual Accounts 2016/17

Edinburgh Integration Joint Board

22 September 2017

Executive Summary

1. This paper presents the 2016/17 annual accounts for the Edinburgh Integration Joint Board (IJB). These are being presented to the Integration Joint Board for approval following scrutiny by the IJB Audit and Risk Committee on 11 September 2017.

Recommendations

2. The Integration Joint Board is asked to:
 - a) approve and adopt the annual accounts for 2016/17
 - b) 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
 - c) authorise the designated signatories (Chair, Interim Chief Officer and Interim Chief Finance Officer) to sign the annual report & accounts on behalf of the Board, where indicated in the document; and
 - d) authorise the Interim Chief Finance Officer to sign the representation letter to the auditors, on behalf of the Board.

Background

3. Integration Joint Boards are required to produce annual accounts for 2016/17. Draft financial statements were presented to the June meeting of the IJB Audit and Risk Committee and the July meeting of the IJB following which they have been subject to audit scrutiny over the summer months. This process has now concluded and the final accounts were presented to the Audit and Risk Committee on 11 September 2017. Sign off by the IJB is the final step in the approval process.

Main report

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 June and to the IJB on 14 July 2017. 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 11 September and no material issues were raised.

Audit and completion

6. The financial statements for the IJB for 2016-17 are attached as appendix 1 to this report. They reflect that Scott-Moncrieff intend to issue an unqualified opinion on the accounts.
7. The proposed Annual Audit Report from Scott-Moncrieff is attached at Appendix 2. Following review by the IJB, 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 proposed letter of representation is included at Appendix 3.

Internal audit opinion

9. The Chief Internal Auditor has produced a “Final Internal Audit Annual Report and Opinion” for the IJB based on activity undertaken for the financial year ended 31 March 2017. This was presented to and discussed by the Audit and Risk Committee on 11 September 2017.
10. On the basis that the existing internal audit capacity is sufficient to provide assurance on the high risks identified by the EIJB only, with no coverage of any medium or low rated risks, a “disclaimer” opinion was issued:

“As a consequence of the limited level of assurance obtained, we consider that we have been unable to gather sufficient evidence to conclude on the adequacy of the framework of governance, risk management and control of the EIJB and issue a final ‘disclaimer’ opinion”.

11. The impact of the above is discussed in the separate “Assurance Challenges” report that is item 5.10 on the agenda of the 22 September EIJB.

Key risks

12. As identified in the Assurance Challenges report referred to in section 11.

Financial implications

13. There are no direct financial implications.

Involving people

14. 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

15. As above.

Impact on directions

16. None.

Background reading/references

17. None.

Michelle Miller
Interim Chief Officer, Edinburgh Health and Social care Partnership

Report author

Moira Pringle, Interim Chief Finance Officer

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Appendix 1



Edinburgh Integration Joint Board

Annual Accounts 2016/17

The Annual Accounts of Edinburgh Integration Joint Board for the year ended 31 March 2017, 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 2016/17 and Service Reporting Code of Practice.

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MANAGEMENT COMMENTARY

Introduction

This management commentary provides an overview of the key messages relating to the objectives and strategy of the Edinburgh Integration Joint Board (EIJB). It considers our financial performance for the year ended 31st March 2017 and provides an indication of the issues and risks which may impact upon our finances in the future.

Role and remit

EIJB was established as a body corporate by order of Scottish Ministers on 27th June 2015 under the Public Bodies (Joint Working) (Scotland) Act 2014. As a separate and distinct legal entity from City of Edinburgh Council and NHS Lothian, we are 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 arrangements for EIJB's operation, remit and governance are set out in the integration scheme which has been approved by the City of Edinburgh Council, NHS Lothian and the Scottish Government. On the 1st April 2016, functions and associated budget resources for relevant IJB functions were delegated to EIJB from NHS Lothian and the City of Edinburgh Council for the financial year 2016/17.

EIJB meets monthly 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, representatives from the third sector and citizen members. Service and staffing representatives are also on the Board as advisory members.

Strategic Plan

Edinburgh's population of almost half a million, accounts for 9% of the total population of Scotland and is projected to increase faster than any other area of the country; with a higher rate of growth in some age groups than others. Whilst this growth has many social and economic advantages, it also presents challenges. Although a relatively affluent city, Edinburgh has areas of significant inequality and 'deprivation' and one of our key priorities is to lead, where possible, on tackling health and social inequalities.

Our 3 year strategic plan was approved by the Board on 11th March 2016 and sets out how the health and social care services delegated by the City of Edinburgh Council and NHS Lothian 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. Using our budget of around £600 million, delegated from NHS Lothian and the City of Edinburgh Council, we fund community health and social care services, including GP practices and some elements of acute hospital services.

We intend to deliver our 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. Our key priorities (as set out in the strategic plan) and 12 areas of focus to deliver these are shown in the diagram below:



Operational Review

Our first annual performance report has now been published and is available [here](#). It provides a review of the progress made during 2016/17, the first year of operation of the Edinburgh Integration Joint Board and the Edinburgh Health and Social Care Partnership.

In line with the expectations set by the Scottish Government the report considers our performance from three different perspectives:

1. the progress we have made in:
 - achieving the nine national health and wellbeing outcomes and the related key priorities of the Integration Joint Board;
 - moving to a locality based model of planning and delivering services;
 - making our strategic plan a reality;
2. the way in which we have managed our finances and delivered best value; and

3. how other people see us based on feedback from people who use our services, unpaid carers and staff and external organisations who inspect and regulate health and social care services

As anticipated we have faced many challenges during 2016/17 to improve the quality of services at a time of significant resource reduction, whilst moving to an integrated four locality model of operation.

The major challenges we faced included:

- too many people in Edinburgh waiting too long to receive the support they need to help them live independent and healthy lives at home; making a significant reduction in the number of people waiting for support and the length of time they are waiting will be an absolute priority during 2017/18;
- a significant proportion of the GP practices in Edinburgh are operating with restricted lists and there are significant difficulties recruiting and retaining care workers in a city with virtually full employment;
- the joint inspection of services for older people that took place in 2016/17, identified a number of weaknesses in service planning and delivery and found some of our key processes to be 'unsatisfactory'. We have developed a robust action plan in response to the recommendations from the Inspection the implementation of which is being proactively managed.

Whilst we do not wish to gloss over the performance and quality challenges, we have some positives to report. There has been significant progress in implementing the new structure that will support the delivery of services on a locality basis, and will introduce more preventative and proactive services for the citizens of Edinburgh. We believe that this will allow us to provide more responsive and person-centred services focused on assessing, treating and supporting people as close to home as possible so they can live their lives in ways that suit them.

One of our great strengths is the dedication of our workforce all of whom are committed to providing the best services possible to keep the citizens of Edinburgh safe and healthy. Whilst the joint inspection report on services for older people was critical in several areas it did identify that services where they were received were good.

"When people received services, they were generally of good quality and made a positive difference."

Our performance in respect of unscheduled care is amongst the best in Scotland.

Our teams are fully aware of the challenges that remain to be met in providing "the right care in the right place at the right time". With our restructure virtually complete and our staff teams motivated and keen to meet these challenges, we are in a much-improved position at the end of this reporting period.

The information contained in the performance report has been used to inform the programme of work we are taking forward to implement our strategic plan during 2017/18.

Financial Plan

Strong financial planning and management needs to underpin everything that we do to ensure that our limited resources are targeted to maximise the contribution to our objectives. A financial assurance process was undertaken on the 2016/17 funding contributions made available by NHS Lothian and the City of Edinburgh Council. Through this, baseline pressures of £5.8 million were identified in the delegated NHS budget with the council contribution assessed as representing a balanced plan, albeit incorporating a requirement to deliver savings of £15.0 million.

Based on this, the IJB budgeted to deliver partnership services at a cost of £596 million. Funding adjustments during the year increased this budget to £676 million.

Annual Accounts 2016/17

The annual accounts report the financial performance of EIJB. The main purpose is to demonstrate the stewardship of the public funds that have been entrusted to us for the delivery of our vision and strategic priorities. The requirements governing the format and content of IJBs' annual accounts are contained in The Code of Practice on Local Authority Accounting in the United Kingdom (the Code). These annual accounts have been prepared in accordance with this Code.

Financial Performance

EIJB's financial performance is presented in the comprehensive income and expenditure statement, which can be seen on page 19. The balance sheet (page 20) is also presented and sets out the liabilities and assets at 31st March 2017.

During the year we worked closely with NHS Lothian to identify measures to mitigate the funding shortfall described above and, at the year end, the full value of the pressure had reduced to £2.5 million. This was funded by NHS Lothian through their achievement of an overall breakeven position. The cost of NHS delivered services therefore matched the income available. Similarly, following an additional contribution of £1.1m from the City of Edinburgh Council, the health and social care services they provided also achieved a break even position. The combination these one off contributions allowed the IJB to achieve a balanced position for 2016/17 after allowing for the carry forward £3.7m of our £20.2m allocation from the social care fund. This money will be used in 2017/18 to support investments aligned to our strategic plan priorities.

Significant pressures were nonetheless apparent, notably:

- **Prescribing** remains the most significant single financial issue facing delegated NHS services. Pressures on the GP prescribing budget gave rise to an in year overspend of £2.2 million. Significant efforts have been taken to improve this for 2017/18, including prioritisation of additional funding and the introduction of a new pan Lothian effective prescribing fund of £2 million;
- **Nursing** in services for older people where high levels of: vacancies; patient acuity requiring 1:1 close observations; sickness; and the use of bank nurses to achieve safe minimum staffing levels are impacting on costs;
- Delivery of **efficiencies** remains a challenge with £8.1 million of savings relating to services delivered by the City of Edinburgh Council being met on a one off basis in 2016/17. Consequently, these will be carried forward to 2017/18; and
- Continued growth in **demand** reflecting a growing elderly population who are living longer with more complex needs.

It will be important moving forward to 2017/18 and future years that expenditure is managed within the financial resources available and this will require close partnership working between EIJB as service commissioner and the City of Edinburgh Council and NHS Lothian as providers of services.

Financial Outlook, Risks and Plans for the Future

Like many other public sector organisations, we face significant financial challenges and, due to the continuing difficult national economic outlook and increasing demand for services, will need to operate within tight fiscal constraints for the foreseeable future. Pressures on public sector expenditure are expected to continue, both at a UK and Scottish level, meaning NHS Lothian and City of Edinburgh Council will face continued funding pressures for the foreseeable future. This in turn will impact on their ability to resource the functions delegated to the IJB.

Our financial plan for 2017/18 was approved on 24th March 2017 and recognises the relationship between delivery of ongoing financial balance, our ability to make investments in line with strategic plan priorities and the requirement to deliver an ambitious savings programme.

This plan recognises the additional funding, totalling £357m across Scotland, to address social care pressures over the period 2016/17 to 2017/18. Whilst this has been welcomed, we continue to face considerable challenges, many of which have significant financial consequences. Examples include:

- increased demand for services alongside reducing resources;
- impact of demographic changes;
- delays in accessing appropriate services, including social care assessments, reviews and timely discharge from hospital;
- impact of welfare reform on the residents of Edinburgh;
- impact of the living wage and other nationally agreed policies;
- risk that the savings programme does not deliver within the required timescales or achieve the desired outcomes; and

- costs associated with meeting new legislative requirements without adequate resources being put in place.

These risks mean that money is tighter than ever before. It is therefore crucial that we focus on early intervention, prevention and recovery if we are to work within the total annual budget of just over £600 million. Moving into 2017/18, we are working to proactively address the funding challenges presented while, at the same time, providing services for the residents of Edinburgh. Our priorities for the coming year include:

Embedding the locality model to ensure that citizens receive the right care in the right place at the right time – assessment, treatment and support in the community becomes the default model avoiding unnecessary admissions to hospital and reducing delays/waiting times across the system. We will do this through:

- Growing the care and support capacity within the community including the embedding of the care at home contract
- Developing a primary care strategy which will maximise the contribution of the primary care workforce to ensure GP sustainability

Enabling transformation by:

- Increasing the use of Technology Enabled Care
- Improving the end user experience of ICT
- Developing a three year sustainable financial strategy
- Developing an integrated workforce and organisational development strategy

Shifting the balance of care including:

- Producing a frail elderly strategy, including review of interim care, development of intermediate care and use of Liberton and other hospital sites
- Working with housing providers to deliver the ambitions set out in the Housing Contribution Statement
- Completing phase 1 of the Royal Edinburgh Hospital reprovision
- Developing a business case for Royal Edinburgh Hospital phase 2
- Completing the move from Murray Park

Responding to national and local requirements, including:

- the National Health and Social Care Delivery Plan
- Implementing the Carers Act and producing a new carers strategy
- British sign language plan and See Hear Strategy
- Lothian Hospitals Plan including views on acute receiving unit

Michelle Miller
Interim Chief Officer
22nd September 2017

Ricky Henderson
Chair
22nd September 2017

Moira Pringle
Interim Chief Finance Officer
22nd September 2017

STATEMENT OF RESPONSIBILITIES

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 22nd September 2017.

Ricky Henderson

Chair of the Edinburgh Integration Joint Board

22nd September 2017

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 at the reporting date, and its income and expenditure for the year ended 31 March 2017.

Moira Pringle

Interim Chief Finance Officer

22nd September 2017

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 and the associated costs are included in the support costs disclosed in note 4.

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 year April 2016 to March 2017 were:

G. Walker (Chair) (<i>resigned 31.01.17</i>)	NHS	R. Henderson (Vice Chair)	CEC
M. Ash (<i>appointed 20.01.17</i>)	NHS	E. Aitken (<i>resigned 08.05.17</i>)	CEC
S. Allan	NHS	J. Griffiths	CEC
K. Blair (<i>resigned 18.11.16</i>)	NHS	S. Howat	CEC
C. Hirst (<i>appointed 01.02.17</i>)	NHS	N. Work	CEC
A. Joyce	NHS		
R. Williams	NHS		

G. Walker resigned on 31 January 2017, when his term as a non-executive director on NHS Lothian ended. G Walker was appointed as an additional non-voting member from 1 February 2017. R. Henderson was appointed as chair on 29 June 2017.

The current voting members from NHS Lothian and City of Edinburgh Council are:

C. Hirst (Vice Chair)	NHS	R. Henderson (Chair)	CEC
M. Ash	NHS	D. Howie	CEC
S. Allen	NHS	C. Miller	CEC
A. Joyce	NHS	A. Rankin	CEC
R. Williams	NHS	S. Webber	CEC

Councillors and NHS Non-Executive Directors are able through their parent bodies to reclaim any expenses. In the year to 31 March 2017, no expense claims were made in relation to work on the EIJB. The Chair of the EIJB was in receipt of additional remuneration in 2016/17 relating to his duties for the EIJB £6,807 (2015/16 £6,160). The annualised salary for this position would be £8,169. No allowances were paid to other voting members during the year. The remuneration and pension benefits received by all voting members in 2016/17 are disclosed in the remuneration reports of their respective employer.

Remuneration Paid to Senior Officers

	Year to 31/3/2017			Period to 31/03/2016
	Salary, fees and allowances (£)	Taxable expenses (£)	Total remuneration (£)	Total remuneration (£)
R. McCulloch-Graham, EIJB Chief Officer (from 26.10.2015 to 28.08.17)	148,901	-	-	63,806
<i>Full year equivalent</i>				<i>148,901</i>

M. Miller was appointed, on an interim basis, as Chief Officer from 29.08.17.

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 linked to the state pension age (but with a minimum age of 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 2016/17 were as follows:

Whole Time Pay rate

<u>Whole Time Pay</u>	<u>Contribution rate</u>
On earnings up to and including £20,500 (2016 £20,500)	5.50%
On earnings above £20,500 and up to £25,000 (2016 £20,500 to £25,000)	7.25%
On earnings above £25,000 and up to £34,400 (2016 £25,000 to £34,400)	8.50%
On earnings above £34,400 and up to £45,800 (2016 £34,400 to £45,800)	9.50%
On earnings above £45,800 (2016 £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 based on 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 year to 31 March 2017 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.

	In-Year Contribution			Accrued Pension Benefits	
	For year to 31/03/17 £	For period to 31/3/16 £		at 31/3/17 £	at 31/3/16 £
R. McCulloch- Graham, Chief Officer (from 26.10.15)	31,716	13,654	Pension	n/a	n/a
			Lump Sum	n/a	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 Scott-Moncrieff. The other sections of the report will be reviewed by Scott Moncrieff to ensure that they are consistent with the financial statements.

Michelle Miller
Interim Chief Officer
22nd September 2017

Ricky Henderson
Chair
22nd September 2017

ANNUAL GOVERNANCE STATEMENT

Scope of Responsibility

The Edinburgh integration Board (EIJB) is responsible for ensuring that its business is conducted in accordance with the law and appropriate standards, that public money is safeguarded and properly accounted for, and that arrangements are in place to secure best value.

In discharging this responsibility, The EIJB and the Chief Officer have put in place arrangements for governance which includes robust internal controls, including the management of risk.

Governance Framework

The governance framework comprises the systems and processes, culture and values, by which the EIJB is controlled and directed. It enables the EIJB to monitor the progress with its strategic priorities and to consider whether those objectives have led to the delivery of appropriate services and value for money.

A key element of the EIJB's governance framework is its formal committee and sub-groups. These groups provide additional layers of governance, scrutiny and rigour to the business of the EIJB. Their different roles covering the wide spectrum of the EIJB's business, allows increased scrutiny and monitoring and the focus and capability to provide the EIJB with the necessary assurance.

Edinburgh Integration Joint Board

The EIJB has been responsible for health and social care functions in Edinburgh since 1 April 2016. The Board consists of 10 voting members of which five are non-executive directors of NHS Lothian and five are councillors from the City of Edinburgh Council. There are also a number of non-voting members both appointed due to the statutory requirements and to provide more varied experience and knowledge to the Board.

Strategic Planning Group

The Strategic Planning Group (SPG) was formally established in May 2016. It is chaired by the vice-chair of the EIJB, and the chair of the EIJB is the vice-chair. This ensures a strong link with the leadership of the EIJB but allows an increased focus. The SPG reviews business cases to ensure they are robust and meet the aims of the strategic plan, provides assurance to the EIJB on whether there has been appropriate consultation and engagement in line with statutory responsibilities. The SPG also oversees the delivery of the strategic plan. The annual review of the Strategic Plan has also commenced and is focussing on the financial plan, directions and annual performance.

Audit and Risk Committee

The Audit and Risk Committee is a key component of creating a strong governance culture. Its role is to assist the EIJB in ensuring that there is a robust framework in place to provide assurance on risk management,

governance and internal control. It also scrutinises internal and external audits and can make recommendations to the EIJB on any matter within its remit.

A work programme including annual approval of IJB Accounts, Internal Audit Charter, Internal Audit Plan and Chief Internal Auditor Opinion has been established. The Committee also annually considers the External Audit Plan and External Auditor's Opinion.

Performance and Quality sub-group

The EIJB has agreed to integrate performance reporting from both the City of Edinburgh Council and NHS Lothian. A performance and quality sub-group was also established which was to provide assurance to the EIJB on the quality of the service being provided. This has recently been reviewed to ensure continuous improvement, in line with the requirements to deliver best value. The sub-group will focus on the delivery of the annual performance report and the review and monitoring of this twice a year.

Flow Board

The Flow Board was specifically created to improve the situation regarding delayed discharge. Delayed discharge had been identified as a significant issue requiring concerted partnership efforts to support improved performance.

Professional Advisory Group

The EIJB has also retained the Professional Advisory Group. This group was created in 2012 and provides professional guidance to the EIJB. It has membership on the Strategic Planning Group and the Performance and Quality Sub-Group.

Officers

As required by the legislation the EIJB has appointed a Chief Officer and a Chief Finance Officer. It has also appointed a Chief Internal Auditor and had put in place an interim Chief Risk Officer to establish risk management in the EIJB. A replacement Chief Risk Officer is expected to be put in place in the near future. The EIJB has also appointed a Standards Officer.

Governance Documentation

The EIJB has agreed the following governance documentation:

- Financial Regulations – Section 95 of the Local Government (Scotland) Act 1973 requires all IJBs to have adequate systems and controls in place to ensure the proper administration of their financial affairs. The EIJB has agreed a set of financial regulations which are supported by a series of financial directives and instructions with clear lines of delegation to the Chief Finance Officer to carry out that function.
- A Code of Conduct for the members of the EIJB has been agreed and made available to all members. Compliance with the Code of Conduct is regulated by the Standards Commission for Scotland. Training is provided to members on the Code of Conduct.

- A set of Standing Orders has been agreed which sets out the rules governing the conduct and proceedings at the EIJB and its committees. The Standing Orders includes rules on the notice of meetings and how voting and debate should be conducted.

Board and Committee Processes

The EIJB and the Audit and Risk Committee both have a rolling actions log which helps the groups monitor the implementation of decisions.

A formal referral process for relevant audit reports has been agreed with the Council's Chief Internal Auditor and the City of Edinburgh Council's Governance, Risk and Best Value Committee. A similar approach has been sought with NHS Lothian. This ensures that audit information can be shared between the three organisations.

A deputation process has been agreed by the EIJB which allows and encourages groups to directly address the Board on issues under consideration.

Risk Management

The EIJB created a risk register in July 2016 which prioritised and scored inherent risks was developed by the IJB Senior Management Team, supported by PwC. The risk register has been continually updated, including having specific development sessions where all members could take part in a discussion on risk appetite. As a result of consideration in the development session, a revised Risk Register was presented to the Audit and Risk Committee on 2 September 2016 alongside actions to ensure the Risk Register remained current and dynamic. These actions included assigning ownership to each risk and submitting the register to the Audit and Risk Committee on a quarterly basis.

The IJB Senior Management Team, supported by PwC, met in February 2017 to further develop the risk register with the aim of fully assigning ownership of each risk. A resultant risk register has been produced which lists 49 risks across the IJB, Edinburgh Health and Social Care Partnership, NHS Lothian and City of Edinburgh Council.

A risk register is in place for the restructure of services overseen by the Locality Implementation Group.

Procurement

The Health and Social Care Partnership Procurement Board exercises oversight of all proposals to award, extend or terminate contracts with third party providers.

Complaints

A review of complaint handling was undertaken in July 2016. The results of this transferred the management of social work complaints to the Edinburgh Health and Social Care Partnership. Further work is necessary to develop a single recording system for the management and co-ordination of complaints to ensure a more efficient and robust system.

Review of Effectiveness

The EIJB has responsibility for reviewing the effectiveness of the governance arrangements including the internal controls.

The Chief Officer has completed an annual assurance questionnaire for the EIJB and the health and social care partnership.

Standing Orders are reviewed annually in a report to the EIJB, to ensure they are up to date and relevant.

The Health and Social Care Partnership's contract management framework is subject to annual internal review.

A quarterly internal audit update detailing internal audit activity on behalf of the EIJB is submitted to the Audit and Risk Committee.

The Chief Internal Auditor provided an annual audit opinion which was:

"As a consequence of the limited level of assurance obtained, we consider that we have been unable to gather sufficient evidence to conclude on the adequacy of the framework of governance, risk management and control of the EIJB and issue a final 'disclaimer' opinion".

This was on the basis that the existing internal audit capacity is sufficient to provide assurance on the high risks identified by the EIJB only, with no coverage of any medium or low rated risks.

Regular finance monitoring reports are presented to the EIJB and Council and NHS committees. Monitoring arrangements have been effective in identifying variances and control issues and taking appropriate action. This has included allocating funds to offset unachieved saving plans.

The report on the Joint Inspection of Services for Older People identified a number of areas of concern and identified recommendations. It did highlight though that the EIJB had appropriate governance arrangements in place to support the integration of health and social care and that demonstrated a commitment to engage with the community.

Major business continuity risks are reviewed regularly and three business continuity audits have been undertaken in the previous year. Feedback on these has been positive.

Further development

The EIJB has information governance responsibilities under legislation, including the Data Protection Act 1998, the Freedom of Information (Scotland) Act 2002 and the Public Records (Scotland) Act 2011. Arrangements are being developed to ensure EIJB compliance with statutory requirements. Failure to do so could result in reputational damage and financial penalties

Further work is ongoing to review the risk register, embed ongoing review and scrutiny and better reflect the structural changes of integration. The risk register will aim to improve the delineation between EIJB risks and NHS Lothian and the City of Edinburgh Council risks. The Audit and Risk Committee has agreed a further formal refresh of the Risk Register.

Work is currently taking place to review internal controls and procedures as part of the continuing work on integration. This review will consider effectiveness, update where necessary and identify any gaps.

Work is ongoing to review the current audit capacity to ascertain whether the resources allocated to audit work are adequate to provide robust assurance for the EIJB.

Certification

It is our opinion that in light of the foregoing, reasonable assurance, subject to the matters raised above, can be placed on the effectiveness and adequacy of the EIJB's systems of governance.

Michelle Miller
Interim Chief Officer
22nd September 2017

Ricky Henderson
Chair
22nd September 2017

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 2017**

2015/16			2016/17	
Net Expenditure			Gross expenditure	Gross income
£000		Note	£000	£000
				Net Expenditure
				£000
0	Health Services	8	486,291	486,291
0	Social Care Services	8	189,596	189,596
0	Corporate services	3	277	277
0	Cost of services		676,164	0
0	Taxation and non-specific grant income and expenditure	2		-679,854
0	Surplus on provision of services		676,164	-679,854
			676,164	-3,690

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 2017

31/03/2016		Notes	31/03/2017
£000			£000
	Current assets		
47	Short term debtors	4	3,714
	Current liabilities		
-47	Short term creditors	5	-24
0	Net assets		3,690
0	Usable reserves	MiRS	-3,690
0	Total reserves		-3,690

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 2017 and its income and expenditure for the year.

These financial statements replace the unaudited financial statements certified by Moira Pringle, Chief Finance Officer on 23 June 2017.

Moira Pringle
Interim Chief Finance Officer
22nd September 2017

MOVEMENT IN RESERVES STATEMENT

This Statement shows the movement in the year on the different reserves held by the Edinburgh Integration Joint Board.

	31/03/2017	31/03/2016
	£000	£000
Usable reserves – General Fund brought forward	0	0
Surplus on the provision of services	-3,690	0
Other comprehensive income and expenditure	0	0
	<hr/>	<hr/>
Total comprehensive income and expenditure	-3,690	0
	<hr/>	<hr/>
Balance, as at 31 March carried forward	-3,690	0
	<hr/>	<hr/>

NOTES TO ACCOUNTS

1. ACCOUNTING POLICIES

1.1 General Principles

The Annual Accounts for the year ended 31 March 2017 have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (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 (EIJB).

1.2 Accruals of Income and Expenditure

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

1.3 VAT Status

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

1.4 Going Concern

The accounts are prepared on a going concern basis, which assumes that the EIJB will continue in operational existence for the foreseeable future.

1.5 Funding

Edinburgh Integration Joint Board receives contributions from its funding partners, namely NHS Lothian and the City of Edinburgh Council to fund its services.

Expenditure is incurred in the form of charges for services provided to the EIJB by its partners.

1.6 Provisions, Contingent Liabilities and 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.

1.7 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.

1.8 Cash and Cash Equivalents

The 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.

1.9 Reserves

Reserves are created by appropriating amounts out of revenue balances. The 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.

When expenditure to be funded from a reserve is incurred, it is charged to the appropriate service in that year and thus included in the Comprehensive Income and Expenditure Statement. Movements in reserves are reported in the Movement of Reserves Statement.

1.10 Support Services

Support services are not delegated to the EIJB through the Integration scheme, and are instead provided by NHS Lothian and the City of Edinburgh Council free of charge, as a 'service in kind'. Support services provided mainly comprise the provision of financial management, human resources, legal services, committee services, ICT, payroll and internal audit services.

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 were not delegated by partners to the Integration Joint Board until 1 April 2016. The income received from the two parties was as follows:

	31/03/2017	31/03/2016
	£000	£000
NHS Lothian	-486,410	-52
City of Edinburgh Council	-193,444	-45
Total	-679,854	-97

Expenditure relating to the two parties was as follows;

	31/03/2017	31/03/2016
	£000	£000
NHS Lothian	486,398	50
City of Edinburgh Council	189,698	42
Total	676,096	92

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

3. CORPORATE EXPENDITURE

	31/03/2017	31/03/2016
	£000	£000
Staff Costs	206	92
Other Fees	47	0
Audit Fees	24	5
Total	277	97

Staff costs relate to the EIJB Chief Officer and EIJB Chair.

EIJB were in receipt of NHS Lothian and City of Edinburgh Council support services in 2016/17 and 2015/16. NHS Lothian and the City of Edinburgh Council have agreed to provide support services, without an onward recovery. Support services to a value of £751,000 have been provided. In 2015/16, in the absence of an SLA or any reliable means of estimating the cost of this support, no charge was made to the EIJB from the parent bodies for these services. This included 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.

4. SHORT TERM DEBTORS

	31/03/2017	31/03/2016
	£000	£000
Central Government Bodies	12	3
Other Local Authorities	3,702	44
Total	3,714	47

5. SHORT TERM CREDITORS

	31/03/2017	31/03/2016
	£000	£000
Central Government Bodies	0	-5
Other Local Authorities	0	-42
Other Bodies	-24	0
Total	-24	-47

6. POST BALANCE SHEET EVENTS

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

7. CONTINGENT LIABILITIES and ASSETS

There are no contingent liabilities or assets to disclose.

8. SEGMENTAL REPORTING

Expenditure on services commissioned by the EIJ Board from its partner agencies is analysed over the following services:

HEALTH SERVICES	Budget £000	Actual Expenditure £000	Variance £000
Core services			
Community AHPs	5,961	5,992	-31
Community hospitals	10,064	10,959	-895
District nursing	10,611	10,349	262
GMS	72,916	72,699	217
Mental health	9,614	9,408	206
Prescribing	77,974	80,167	-2,193
Resource transfer	51,078	51,072	6
Other	12,278	12,170	108
Total core services	250,496	252,816	-2,320
Hosted services			
AHPs	6,830	6,464	366
Complex care	1,780	2,301	-521
GMS	5,781	5,796	-15
Learning disabilities	8,875	8,878	-3
Lothian unscheduled care service	5,986	5,986	0
Mental health	25,484	24,740	744
Oral health services	9,355	9,200	155
Rehabilitation medicine	4,004	3,745	259
Sexual health	3,072	3,010	62
Substance misuse	4,646	5,271	-625
Other	6,566	6,763	-197
Total hosted services	82,379	82,154	225

HEALTH SERVICES	Budget £000	Actual Expenditure £000	Variance £000
Set aside services			
Accident and emergency (outpatients)	6,533	6,419	114
Cardiology	17,076	16,960	114
Gastroenterology	5,762	5,529	233
General medicine	32,178	32,764	-584
Geriatric medicine	18,882	18,677	205
Infectious disease	8,296	8,186	110
Rehabilitation medicine	2,017	2,152	-135
Therapies	6,063	6,177	-114
Other	4,027	4,312	-285
Total set aside services	100,834	101,176	-342
Non Cash Limited			
Therapies	26,447	26,447	0
Ophthalmology	9,067	9,067	0
Pharmacy	13,947	13,947	0
Total Non Cash Limited	49,461	49,461	0
Corporate			
Other	664	684	-20
Reserves	2,457	0	2,457
Total corporate	3,121	684	2,437
Total Health Services	486,291	486,291	-
SOCIAL CARE SERVICES			
External purchasing	127,855	126,604	1,251
Care at home	14,336	14,422	-86
Community equipment	1,518	1,542	-24
Day services	14,748	14,829	-81
Health improvement / health promotion	1,631	1,598	33
Information and advice	3,623	3,782	-159
Intermediate care	1,611	1,619	-8
Local area co-ordination	1,480	1,329	151
Reablement	7,810	8,669	-859
Residential care	22,104	22,594	-490
Social work assessment and care management	11,509	11,994	-485
Resource Allocation	-21,290	-21,431	141
Telecare	700	717	-17
Other	821	1,328	-507
Additional contribution from City of Edinburgh Council	1,140	-	1,140
Total Social Care Services	189,596	189,596	-
Useable Reserves		-3,690	-3,690
TOTAL ALL SERVICES	675,887	672,197	-3,690

9. FUNDING ANALYSIS

The expenditure and funding analysis shows how annual expenditure is used and funded from resources by in comparison with how those resources are consumed or earned in accordance with generally accepted accounting practice. In essence this demonstrates the difference between expenditure on an accounting basis and a funding basis. For EIJB no such difference applies and the information required is disclosed elsewhere in the financial statements.

INDEPENDENT AUDITOR'S REPORT

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

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 120 of the Code of Audit Practice approved by the Accounts Commission, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Report on the audit of the financial statements

Opinion on financial statements

We certify that we have audited the financial statements in the annual accounts of the Edinburgh Integration Joint Board for the year ended 31 March 2017 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Balance Sheet and notes to the financial statements, including a summary of significant accounting policies. 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 2016/17 (the 2016/17 Code).

In our opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2016/17 Code of the state of affairs of the body as at 31 March 2017 and of its surplus on the provision of services 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 2016/17 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.

Basis of opinion

We conducted our audit in accordance with applicable law and International Standards on Auditing in the UK and Ireland (ISAs (UK&I)). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the body in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standards for Auditors, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Chief Finance Officer for the financial statements

As explained more fully in the Statement of Responsibilities, the Chief Finance Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable legal requirements and ISAs (UK&I) as required by the Code of Audit Practice approved by the Accounts Commission. Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors. 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 body 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.

Our objectives are to achieve reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK&I) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Other information in the annual accounts

The Chief Finance Officer is responsible for the other information in the annual accounts. The other information comprises the information other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon except on matters prescribed by the Accounts Commission to the extent explicitly stated later in this report.

In connection with our audit of the financial statements in accordance with ISAs (UK&I), our responsibility is to 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 us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Report on other requirements

Opinions on other prescribed matters

We are required by the Accounts Commission to express an opinion on the following matters.

In our opinion, the auditable part of the Remuneration Report has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

In our opinion, based on the work undertaken in the course of the audit

- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003; and
- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016).

Matters on which we are required to report by exception

We are required by the Accounts Commission to report to you if, in our opinion:

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

We have nothing to report in respect of these matters.

Nick Bennett
For and on behalf of Scott-Moncrieff
Scott-Moncrieff
Exchange Place 3
Semple Street
EDINBURGH
EH3 8BL



Scott-Moncrieff
business advisers and accountants

Edinburgh Integration Joint Board

Annual report on the 2016/17 audit
to the Board and the Accounts Commission

September 2017

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Summary

Annual report and accounts

The Edinburgh Integration Joint Board approved the annual accounts for the year ended 31 March 2017 on 22 September 2017. We reported unqualified opinions on the financial statements and other prescribed matters.

Wider Scope

Financial management

- The IJB has adequate financial management arrangements in place. However, we consider there is scope to strengthen in-year financial reporting arrangements.
- Significant cost pressures needed to be managed across the partnership and one off contributions from NHS Lothian (£2.5m) and City of Edinburgh Council (£1.1m) were required to offset higher than planned spend.

Financial sustainability

- Arrangements are in place for short term financial planning. However, medium or long-term financial plans have not yet been developed.
- There were challenges in the formal approval of the IJB budget, though improvements were noted in the 2017/18 financial planning process.
- Future financial plans should demonstrate strategic consideration of savings.
- An integrated workforce plan is not yet in place.

Governance and transparency

- Appropriate overarching governance arrangements are in place.
- The IJB has set out its vision, values, priorities and plans.
- The IJB has shown a commitment to developing an effective risk management framework.
- Five principles have been agreed to the sharing of information between the scrutiny committees of the IJB and its partners.
- Internal audit provided a disclaimer opinion on the adequacy of the framework of governance, risk management and control during 2016/17.

Value for money

- Arrangements to demonstrate value for money have developed during 2016/17 but further development is still required.
- More regular formal reporting on performance against the strategic plan is needed.
- The joint inspection of services for older people in Edinburgh identified a number of significant weaknesses.
- During 2016/17 Edinburgh regularly had the highest number of delayed discharges of any integration authority in Scotland.

Key facts

- £676.164million funding received from partners.
- £486.291million spent on health services during 2016/17.
- £3.69million net income for the year.
- £189.596million expenditure on social care during the year.

Conclusion

This report concludes our audit for 2016/17. Our work has been performed in accordance with the Audit Scotland Code of Audit Practice, International Standards on Auditing (UK and Ireland) and Ethical Standards.

Scott-Moncrieff
September 2017

1

Introduction

Introduction

Overview

1. This report summarises the findings from our 2016/17 audit of the Edinburgh Integration Joint Board (“the IJB”).
2. We outlined the scope of our audit in the external audit plan, which we presented to the IJB’s Audit and Risk Committee in March 2017. The core elements of our audit work in 2016/17 have been:
 - an audit of the 2016/17 annual accounts;
 - a review of arrangements as they relate to the four dimensions of wider-scope public audit: governance and transparency, financial management, financial sustainability and value for money; and
 - any other work requested by Audit Scotland, for example, providing feedback on the local impact of national performance audits.
3. The IJB is responsible for preparing annual accounts that show a true and fair view and for implementing appropriate internal control systems. The weaknesses and risks identified in this report are only those that have come to our attention during our normal audit work, and may not be all that exist. Communication in this report of matters arising from the audit of the financial statements or of risks or weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.
4. This report contains an action plan with specific recommendations, responsible officers and dates for implementation. Management should assess these recommendations and consider their wider implications before deciding appropriate actions. We give each recommendation a grading to help the IJB assess their significance and prioritise the actions required.
5. We discussed and agreed the content of this report with the Interim Chief Financial Officer.

Independence

6. We are required by International Standards on Auditing to communicate on a timely basis all facts and matters that may have a bearing on our independence.
7. We can confirm that we have complied with the Financial Reporting Council’s Ethical Standard. In our professional judgement, the audit process has been independent and our objectivity has not been compromised. In particular, there have been no relationships between Scott-Moncrieff and IJB members or senior management that may reasonably be thought to bear on our objectivity and independence.

Audit fee

8. The external audit fee agreed at the outset, and reported in our external audit plan, was £23,540. The fee has not changed during the audit process.

Adding value through the audit

9. All of our clients quite rightly demand of us a positive contribution to meeting their ever-changing business needs. Our aim is to add value to the IJB through our external audit work by being constructive and forward looking, by identifying areas of improvement and by recommending and encouraging good practice. In this way, we aim to help the IJB promote improved standards of governance, better management and decision-making and more effective use of resources.
10. We welcome any comments you may have on the quality of our work and this report via: www.surveymonkey.co.uk/r/S2SPZBX.
11. This report is addressed to both the IJB and the Accounts Commission and will be published on Audit Scotland’s website: www.audit-scotland.gov.uk.

2

Annual accounts

Annual accounts

Introduction

12. The IJB's annual accounts are the principal means of accounting for the stewardship of its resources and its performance in the use of those resources. We outline the respective responsibilities of the IJB and the auditor in relation to the financial statements in Appendix 2.
13. In this section, we summarise the issues arising from our audit of the 2016/17 annual report and accounts.

Overall conclusion

Unqualified audit opinions

14. The IJB approved the annual accounts for the year ended 31 March 2017 on 22 September 2017. We reported, within our independent auditor's report:
 - an unqualified opinion on the financial statements; and
 - unqualified opinions on other prescribed matters.

15. We are also satisfied there are no matters that we are required to report by exception.

Administrative processes were in place

16. We received the unaudited annual accounts in line with our agreed audit timetable. However, substantial changes were required to the draft accounts through the audit. Our thanks go to the Interim Chief Financial Officer and supporting staff for their assistance.

Our assessment of risks of material misstatement

17. The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the audit team. We designed our audit procedures relating to these matters in the context of our audit of the annual accounts as a whole, and not to express an opinion on individual accounts or disclosures. We outline three significant risks below, with one further significant risk reported under the financial sustainability section of this report.

1: Annual Accounts

The IJB was established as a body corporate by order of Scottish Ministers on 27 June 2015 under the Public Bodies (Joint Working) (Scotland) Act 2014. It is the responsibility of the Chief Financial Officer, as the appointed "proper officer", to prepare the annual accounts in accordance with relevant legislation and the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the Code). This means:

- maintaining proper accounting records
- preparing annual accounts which give a true and fair view of the state of affairs of the IJB as at 31 March 2017 and its expenditure and income for the period then ended.

The IJB's first set of annual accounts were prepared for the financial year 2015/16. However, the IJB did not assume formal responsibility for directing services until 1 April 2016. As a result, the 2016/17 financial statements are the first to reflect significant incoming and outgoing resources in respect of the IJB's responsibility for directing health and social care services in the region.

The IJB does not maintain its own ledger, instead relying on the financial records of the partner bodies to produce financial monitoring reports through the year and the annual accounts. Given the level of reliance placed by the IJB over the financial records held by the partner bodies it will be imperative that transactions and balances to be reported in the annual accounts are formally confirmed by all three parties on a timely basis.

The [Local Authority Accounts \(Scotland\) Regulations 2014](#) stipulate that unaudited accounts must be submitted to external audit no later than 30 June and be considered by the IJB (or a committee whose remit includes audit or governance functions) by 31 August. The regulations also require the IJB to aim to approve the audited accounts by 30 September. Scottish Government guidance indicates that the IJB is also expected to provide financial and non-financial information to the City of Edinburgh Council and NHS Lothian such that those bodies can also meet their statutory reporting obligations.

There is a risk that the IJB may not have the processes and procedures in place to produce a set of Code compliant annual accounts reflecting the significant incoming and outgoing resources involved in directing health and social care services in the region. The required deadlines may not be adhered to and the required financial and non-financial information may not be made formally agreed with the IJB's partners on a timely basis.



18. We reviewed the IJB's draft annual accounts to ensure they had been prepared in accordance with guidance on accounting for the integration of health and social care released by the Local Authority (Scotland) Accounts Advisory Committee (LASAAC) and the Code.
19. A number of changes were required to the unaudited accounts to ensure they were in accordance with the published LASAAC guidance and the Code. We are happy to say all required adjustments were made and the approved annual accounts are compliant with the Code. Further information on the changes required can be found in the *Audit amendments* section below.
20. We also reviewed the IJB's compliance with the Local Authority Accounts (Scotland) Regulations 2014, in particular with respect to regulations 8 to 10 as they relate to the annual accounts. Our findings are summarised below:

Aspect of the Regulations	Compliant
The Chief Financial Officer must ensure that the annual accounts give a true and fair view of the body's financial position and transactions.	Yes
The Chief Financial Officer must certify and submit the annual accounts to the appointed external auditor no later than 30 June.	Yes
The IJB must publish the unaudited annual accounts on the website of the authority until the date on which the audited annual accounts are published.	Yes
The IJB (or a committee whose remit includes audit or governance) must consider the unaudited annual accounts at a meeting by 31 August.	Yes
The IJB must give public notice of the right of interested persons to inspect and object to its accounts.	Yes
The IJB (or a committee whose remit includes audit or governance) must aim to approve the audited annual accounts for signature no later 30 September.	Yes

2: Revenue Recognition

Under International Standard on Auditing (ISA) 240 - The auditor's responsibilities relating to fraud in an audit of financial statements, there is a presumed risk of fraud in relation to revenue recognition. The presumption is that the IJB could adopt accounting policies or recognise income in a way that materially misstates financial performance.



21. All income recognised in the IJB's annual accounts relates to the agreed contributions from the City of Edinburgh Council and NHS Lothian. We have gained reasonable assurance on the completeness and occurrence of income and we are satisfied that income is fairly stated in the financial statements.

3: Management override

In any organisation, there exists a risk that management have the ability to process transactions or make adjustments to the financial records outside the normal financial control processes. Such issues could lead to a material misstatement in the financial statements. This is treated as a presumed risk area in accordance with ISA 240.



22. We have not identified any indications of management override in the year. We have reviewed the IJB's accounting records and obtained evidence to ensure that all significant transactions were valid and accounted for correctly.

Our application of materiality

23. Materiality is an expression of the relative significance of a matter in the context of the financial statements as a whole. A matter is material if its omission or misstatement would reasonably influence the decisions of an addressee of the auditor's report. The assessment of what is material is a matter of professional judgement over both the amount and the nature of the misstatement.

24. Our initial assessment of materiality for the financial statements was £10million. Our assessment was set with reference to gross income and gross expenditure as we considered those to be the principal considerations for the users of the accounts.

25. We set a level of performance materiality for each area of work which was based on a risk assessment for the area. We have performed audit procedures on all transactions, or groups of transactions, and balances that exceed our performance materiality. This means that we performed a greater level of testing on the areas deemed to be of significant risk of material misstatement.

Area risk assessment	Weighting	Performance materiality
High	40%	£4million
Medium	50%	£5million
Low	70%	£7million

26. We agreed to report any misstatements identified through our audit that fall into one of the following categories:

- All material corrected misstatements.
- Uncorrected misstatements over £200,000.
- Misstatements below £20,000 that we believe warrant reporting on qualitative grounds.

27. We consider our assessment of materiality at the planning stage to have remained appropriate throughout our audit.

Audit amendments

28. Substantial changes were required to the unaudited accounts to ensure they were in accordance with the Code and LASAAC guidance. The following adjustments were made to the draft annual accounts through the audit process:
- The disclosure of performance information within the management commentary.
 - The restatement of pension contributions by the IJB in relation to the Chief Officer
 - The restatement of the Chief Officer's remuneration.
 - Amendments to the Governance Statement to reflect the disclaimer opinion provided by internal audit for 2016/17.
 - The disclosure of the Movement in Reserves Statement as a primary statement.
 - The reclassification of partner funding contributions from service income to "Taxation and non-specific grant income" in line with the Code and LASAAC guidance.
 - Various other minor presentational changes.

IJB representations

29. As is standard practice, we have requested that a signed representation letter, covering a number of issues, be presented to us at the date of signing the annual accounts.

An overview of the scope of our audit

30. We detailed the scope of our audit in our external audit plan. Our plan explained that we follow a risk-based approach to audit planning that reflects our overall assessment of the relevant risks that apply to the IJB. This ensures that our audit focuses on the areas of highest risk.
31. Planning is a continuous process and our audit plan is subject to review during the course of the audit to take account of developments that arise.
32. At the planning stage we identified the significant risks that had the greatest effect on our audit. We then designed audit procedures to mitigate these risks. We base our standard audit approach on performing a review of the key accounting systems in place, substantive tests and detailed analytical review.
33. Tailored audit procedures, including those designed to address significant risks, were completed by the audit fieldwork team and the results were reviewed by the audit manager and audit partner. In performing our work, we have applied the concept of materiality.
34. No additional significant risks, over and above those reported in our external audit plan, were identified during our work in 2016/17.

Qualitative aspects of accounting practices and financial reporting

35. We have considered the qualitative aspects of the financial reporting process, including items that have a significant impact on the relevance, reliability, comparability, understandability and materiality of the information provided by the financial statements. Our findings are summarised below:

Qualitative aspect considered	Audit conclusion
The appropriateness of the accounting policies used.	We have reviewed the significant accounting policies, which are disclosed in the annual accounts, and we consider these appropriate to the IJB.
The timing of the transactions and the period in which they are recorded.	We did not identify any significant transactions where we had concerns over the timing or the period in which they were recognised.
The appropriateness of the accounting estimates and judgements used.	We are satisfied with the appropriateness of the accounting estimates and judgements used in the preparation of the annual accounts.
The potential effect on the financial statements of any uncertainties, including significant risks and related disclosures that are required.	We did not identify any uncertainties, including any significant risk or required disclosures that should be included in the annual accounts.
The extent to which the financial statements have been affected by unusual transactions during the period and the extent that these transactions are separately disclosed.	From our testing performed, we identified no unusual transactions in the period.
Apparent misstatements in the annual report and accounts or material inconsistencies with the financial statements.	There are no misstatement or material inconsistencies with the annual accounts in the Management Commentary.
Any significant financial statements disclosures to bring to your attention.	There is no significant financial statement disclosures that we consider should be brought to your attention. All disclosures made are required by relevant legislation and applicable accounting standards.
Disagreement over any accounting treatment or financial statements disclosure.	There was no disagreement during the course of the audit over any accounting treatment or disclosure.
Difficulties encountered in the audit.	There were no difficulties encountered in the audit. However, a number of changes were required to the unaudited accounts to ensure they were in accordance with the Code and LASAAC guidance.

3

Financial Management

Financial Management

36. Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment is operating effectively. The IJB is responsible for ensuring it conducts its financial affairs in a proper manner.

Overall conclusion

37. The IJB has adequate financial management arrangements in place and reported a £3.69million surplus in 2016/17. Arrangements have continued to develop during 2016/17, however, we consider there to be scope to strengthen financial reporting arrangements.

Financial performance in 2016/17

The IJB reported a small surplus for the year

38. The integration scheme outlines the process for addressing variances in the spending of the IJB. This includes:

- Treatment of forecast over- and under-spends against the Operational Budget.
- Additional payments by the partners to the IJB.
- Underspends.
- Treatment of variations against the amounts set aside for use by the IJB.

39. The IJB reported a surplus of £3.69million (0.5% of income) for the year. The balance carried forward reflects the year-end position on resource transfers in relation to the social care fund (in total, £20.2million was recognised from the social care fund in 2016/17).

40. The IJB reports that the £3.69million year-end reserves balance will support strategic plan investments during 2017/18. The carry forward of these funds is in accordance with the integration scheme and was approved in principle by the IJB in November 2016.

There were significant budget pressures in 2016/17

41. Notwithstanding the year-end position in relation to social care funding, the IJB considers that it has achieved a balanced position for 2016/17. The IJB achieved this against a background of significant cost pressures.

42. The IJB undertook a financial assurance process on the proposed funding contributions for 2016/17. This process identified baseline pressures of £5.8million in the delegated health budget, in effect reflecting required but unidentified savings. Contributions from the City of Edinburgh Council incorporated the need to deliver £15million savings in order to achieve a balanced plan.

Financial performance in 2016/17	Budget £m	Outturn £m	Variance £m
Health services	483.832	486.293	(2.461)
Council services	188.456	189.596	(1.140)
Gross position	672.288	675.889	(3.601)
Non recurring health contributions	-	(2.461)	2.461
Non recurring council contributions	-	(1.140)	1.140
Balance on the social care fund	-	(3.69)	3.69
Reported outturn	-	(3.69)	3.69

43. The table above shows that in spite of the pressures identified the IJB was able to meet a balanced position against budgets. However, that was only due to non-recurring contributions from both partners.
44. The IJB worked in partnership with the City of Edinburgh Council and NHS Lothian during 2016/17 to identify measures to mitigate the funding shortfall reflected at the outset. By the year-end, there was a remaining shortfall of £2.5million on the health budget and a negative position of £1.1million on the social care budget. These shortfalls were met by non-recurring additional contributions from each party, in line with the integration scheme principles.

Financial reporting

Regular financial reporting takes place

45. The City of Edinburgh Council and NHS Lothian are responsible for the operational management of their allocated budgets, in line with the integration scheme. Both parties provide information to enable the IJB to prepare a financial update report that is presented to the full IJB Board at each bi-monthly meeting.
46. The financial update report clearly sets out the year to date budget, actual and variance as well as the year-end forecast variance. Supporting narrative is provided to highlight the expected year-end position. The report covers performance within health budgets, social care budgets and the IJB as a whole.

The form and content of financial reporting should continue to develop

47. The content of the IJB's financial reporting has developed during 2016/17 and continues to develop. To date, we consider the reports have not clearly explained in-year adjustments to forecasts, the cause of these and the responsive action planned to manage the year-end position. We noted examples within 2016/17 reporting where budget lines showed an underspend for the year to date, but forecast an overspend at year-end with no narrative explanation or context provided.

48. It is important that financial update reports include sufficient detail and narrative to support effective scrutiny and financial management. There is a risk that the current form of reporting does not fully reflect the actions undertaken or required in order to achieve the forecast outturn.
49. We consider that the IJB should look to continue to develop financial reporting in order to ensuring that the Board can easily identify areas of poor performance and fully understand any remedial actions undertaken or required.

Management action plan 1

Internal controls

50. We sought and obtained assurances from the external auditor of the City of Edinburgh Council and NHS Lothian regarding the systems of internal control used to produce the transactions and balances recorded in the IJB's annual accounts.
51. We reviewed the approved standing financial instructions and standing orders and consider them adequate for the IJB's purposes.
52. The IJB has adequate systems in place to record, process, summarise and report financial and other relevant data. We have not identified any material weaknesses in the accounting and internal control systems during our audit.
53. The IJB does not hold assets, directly incur expenditure or legally employ staff. All financial transactions of the IJB are processed through the financial systems of the council and health board. All transactions are subject to the controls and scrutiny of the respective partners, including the work performed by internal audit.

Fraud and irregularity

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

4

Financial sustainability

Financial Sustainability

55. Financial sustainability looks forward to the medium and longer term to consider whether the IJB is planning effectively to support the continued delivery of its services and is doing so in the most efficient way.

Significant audit risk

56. As outlined in our audit plan, we considered there to be a significant risk to the wider scope of our audit in relation to financial sustainability:

Financial sustainability

The IJB recognises that it faces a significant financial challenge to deliver better outcomes for its service users in a climate of increasing demographic pressures and limited resources. The IJB is preparing a budget for 2017/18 predicated on the budget proposals being prepared by the City of Edinburgh Council and NHS Lothian. The budget setting process relies on the frameworks in place at the partner bodies, which are not currently aligned, as a result there is a risk that the IJB may not be able to formally agree the 2017/18 budget before the beginning of the financial year. Additionally, the IJB has not yet developed a medium to long term financial strategy or plan that demonstrates the sustainability of the directed services outlined within the Strategic Plan.

Overall Conclusion

57. The IJB has arrangements in place for short term financial planning. However, it has not yet developed medium or long-term financial plans. The IJB, in common with other IJB's, has faced a particular challenge in developing robust medium-term financial plans as the financial planning cycles of all partner bodies have not historically aligned. Additionally, in recent times the partner bodies have only received single-year financial settlements.

Financial planning

58. The Strategic Plan for Health and Social Care in Edinburgh 2016-19 (the strategic plan) was approved by the IJB in March 2016 and sets out the IJB's priorities and vision to 2019. The strategic plan is supported by an annual financial plan which sets out the level of resources delegated by its partners and the resulting IJB budget.

Approval process for the 2016/17 IJB budget

March 2016	Strategic Plan for Health and Social Care in Edinburgh 2016-19 approved by the IJB.
	The City of Edinburgh Council and NHS Lothian make interim or draft offers to the IJB for 2016/17. Financial assurance is undertaken in parallel. However, the IJB receives neither a formal offer from either party nor all the necessary information to complete the due diligence process.
July 2016	The IJB reports it cannot accept the 2016/17 offers at this point.
	An updated financial settlement formally proposed by NHS Lothian. However, the overall health board budget is out of balance by £20m, the IJB's share of which is £5.8m. Due diligence has highlighted a potential risk of between £0.5m and £1m in the offer from the City of Edinburgh Council. The council has established a provision to address any in year impact. This aside, the conditions attached to the social care fund remain the only material outstanding issue.
Sept 2016	Agreement remains outstanding on 2016/17 financial settlements from NHS Lothian and the City of Edinburgh Council.
	The forecast year end position for the IJB shows an overspend of £9.4m. The 2 key drivers being: the share of the health board's total budget gap (£5.8m); and projected slippage in delivery of council savings (£3.5m).

Nov
2016

Delegated 2016/17 budget proposed by the City of Edinburgh Council is accepted.

Decision taken by the IJB to present a proposal to NHS Lothian on the distribution of additional non-recurring resources, following which an updated 2016/17 offer is expected.

It is reported that the health board will underwrite the projected overspend in the health element of the IJB's budgets on the basis that health board can break-even in 2016/17.

Significant challenge to approve the 2016/17 budget

59. In recent years there have been significant challenges in the formal approval of the IJB budget as the budget cycles of the IJB and its partners have not aligned, as shown above

Improvements noted in the 2017/18 budget process

60. In November 2016, the IJB approved interim arrangements for financial planning for 2017/18. The papers presented to the IJB since indicate that this resulted in a more streamlined financial planning process.
61. The City of Edinburgh Council approved its 2017/18 budget in February 2017. NHS Lothian did not formally approve its 2017/18 budget until April 2017. As a result, the IJB approved the 2017/18 financial plan in March 2017 based on indicative proposals from the health board.

62. The 2017/18 IJB budget was principally prepared on an incremental basis, taking cognisance of known cost pressures. Any shortfalls identified resulted in recovery actions and savings plans being identified.
63. The IJB continued to implement their strategic objectives based on the indicative funding level, with only limited movements required following the formal approval of the NHS Lothian budget. The absence of a confirmed budget at the start of 2017/18 resulted in some uncertainty. This uncertainty was managed appropriately, demonstrating an effective working relationship between the IJB and its partners.
64. As part of the financial planning process, the IJB completed a detailed assessment of whether budget proposals from partners represent a fair share of the resources available to them. The IJB deemed the 2017/18 budget proposals from the City of Edinburgh Council and NHS Lothian to be appropriate and fair:

2017/18 IJB Budget	Recurring £m	Non-recurring £m	Total £m
Partner funding	611.681	3.282	614.963
Projected expenditure	632.614	2.844	635.458
Variance	(20.933)	438	(20.495)
Recovery actions identified to date	14.420	-	14.420
Balance to be identified (health services)	(6.513)	438	(6.075)

£14.42million of recovery actions have been identified to support a balanced position in 2017/18

65. As at March 2017, recovery actions to a value of £14.42million had been identified across a range of health and social care areas. The remaining outstanding balance (£6.075million) reflects the IJB's share of the £31million financial plan gap projected by NHS Lothian. The health board has committed to working with the IJB to identify opportunities to bridge this gap.
66. The IJB's achievement of a breakeven position in 2017/18 is wholly dependent on its ability to work effectively with the council and health board to deliver the required savings. An overview of the recovery actions identified is included in the 2017/18 financial plan, however little supporting detail is provided. While responsibility for the actual delivery of the planned savings will fall to the IJB's partners, it is imperative that the IJB can demonstrate it has taken a strategic approach to the identification of appropriate savings options.
67. In order to demonstrate a strategic approach has been adopted to potential areas for savings across the partnership, the IJB should ensure that future financial plans demonstrate sufficient consideration of the identification of potential savings options, including the financial and operational impact they are expected to have in the short, medium and long term. Discussions remain ongoing with NHS Lothian around how the current funding gap of £6.5million will be bridged and there remains a risk that planned efficiencies are not delivered.

Management action plan 2

Further improvement in financial planning expected

68. The IJB expects that further improvements in the financial planning process will result from the 2018/19 process being led by the IJB for the first time.

Medium term financial planning

69. The IJB recognises that the strategic plan and should inform decisions around the prioritisation of resources, new models of service delivery and disinvestment decisions, all of which it expects to be necessary in the medium term. Taking account of this and the continued challenge faced from resource pressures, the IJB requested in March 2017 that partners work with the Chief Officer and Interim Chief Finance Officer to prepare a financial plan for IJB delegated functions over a minimum three-year period.
70. The requirement to carry out medium term financial planning is also reflected within the integration scheme. However, medium or long-term financial plans have not yet been developed.
71. Without a medium term financial plan in place, the IJB cannot currently demonstrate how it will deliver the key priorities identified in their three-year strategic plan within the financial resources that will be available. The IJB should prioritise developing a medium term financial strategy that includes a clear understanding of costs, saving options and expected demand pressures.

Management action plan 3

Workforce planning

72. The City of Edinburgh Council and NHS Lothian each have their own workforce strategies in place. However, the integration scheme requires the IJB to develop an integrated workforce plan for the city.
73. The IJB has not yet developed an integrated workforce plan, and as a result is not meeting the requirements of the integration scheme. Without a documented plan in place the IJB cannot demonstrate that a strategic overview is being taken over the risks the city faces in relation to workforce supply and demand challenges, communication, staff engagement and training needs to support the implementation of the strategic plan.

Management action plan 4

5

Governance & transparency

Governance & transparency

74. Governance and transparency is concerned with the adequacy of governance, leadership and decision-making, and transparent reporting of financial and performance information. The IJB is responsible for ensuring the proper conduct of its affairs, including compliance with relevant guidance, the legality of activities and transactions and for monitoring the adequacy and effectiveness of these arrangements

Overall conclusion

75. The IJB has only been responsible for delivering its functions for one year and the governance framework has continued to develop over that time. We consider the IJB's overarching governance arrangements to be appropriate.

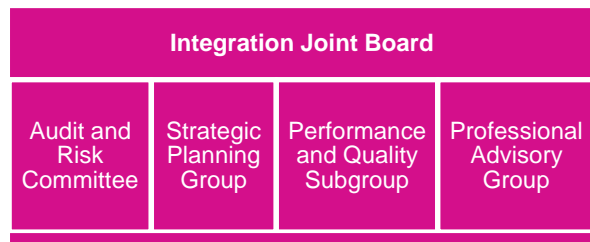
Governance structure

76. The integration scheme between the City of Edinburgh Council and NHS Lothian sets out the key governance arrangements to be put in place by the IJB. In line with the integration scheme, standing orders were approved in July 2015 at the first formal meeting of the IJB.

77. The IJB has been responsible for delivering its health and social care functions in Edinburgh since 1 April 2016. In March 2016 the IJB formally adopted financial regulations. The regulations outline financial roles and governance for the IJB, the framework for financial administration, the IJB's financial responsibilities and delegated authorities.

78. The composition of the IJB is set out in the integration scheme. The Board comprises ten voting members: five non-executive directors from NHS Lothian and five Councillors from the City of Edinburgh Council. Additional non-voting members representing a range of service users and stakeholders were also appointed to meet the statutory requirements set out in the integration scheme and to provide more varied knowledge and experience to the Board.

79. To support its work the board has appointed four sub-groups:



80. Each sub group has a remit and membership approved by the IJB. As part of the developing governance arrangements in 2016/17, each sub group reviewed their format, focus and effectiveness within 2016/17. Improvements were clearly documented within minutes, reported to the Board and are due to be implemented in 2017/18.

The IJB meets in public

81. IJB meetings are held in public with publication of papers, location and timing in advance through the City of Edinburgh Council's website. Minutes of sub-group meetings are published as part of the IJB papers

Board membership

82. The integration scheme sets out the agreed arrangements for appointing the IJB Chair and Vice Chair. The right to appoint the Chair and Vice Chair alternates between the City of Edinburgh Council and NHS Lothian. When one partner has the authority to appoint the Chair, the other has authority to appoint the Vice-Chair. The term of office for each appointment is two years. NHS Lothian appointed the IJB's first Chair in May 2015.

83. Due to changes in the membership of the City of Edinburgh Council (through the May 2017 local authority elections) and NHS Lothian (through the standard Scottish Government board appointments process), the membership of the IJB changed both during 2016/17 and after the year-end.

84. Two NHS Lothian appointees left the IJB during the year, including the IJB Chair. Further nominees from the health board directly replaced them. In May 2017, at the end of the local government term, all five local authority representatives automatically resigned from the IJB. One member was subsequently reappointed (now IJB Chair) and four new members were appointed to represent the City of Edinburgh Council.
85. In line with the integration scheme provisions, the Chair of the IJB was due to rotate to a local authority representative in May 2017. In practice, the new Chair was appointed in June 2017, following the local authority elections. The role of Vice Chair rotated to a health board representative at that time.
86. Such changes will be relatively commonplace for the IJB due to the nature of the partnership and the provisions of the integration scheme and will bring an additional layer of challenge to ensuring effective governance on an on-going basis.
90. More latterly, the focus of the IJB has been on ensuring that risk management is embedded comprehensively and consistently throughout the integrated service, and informs the risk management systems of all partners.
91. In February 2017, the IJB management team met to develop the IJB's risk register further with support from external advisers. At that time, it was agreed to capture the risks, responsibilities and ownerships from across the partnership in one document, rather than hold separate registers within each partner.
92. All of the partnership's key risks were reviewed with some amendments and additions made in order to generate a consolidated list. To help identify and clarify responsibilities, the register records where responsibilities sit within the partnership for each risk across four aspects:
- primary planning;
 - secondary planning;
 - primary delivery; and
 - secondary delivery.

Purpose and vision

87. The IJB's vision, values, priorities and plans are set out in the strategic plan. The plan shows what success would look like for the IJB and sets out the IJB's priorities for the next three years and takes in to account the priorities outlined in the Scottish Government's 2020 Vision for Health and Social Care and the strategic priorities of the Edinburgh Community Planning Partnership.
88. The strategic plan sets out a range of actions the partnership will take in the coming years and seeks to provide a basis for measuring how well they are doing and whether the IJB's priorities and national outcomes are achieved. The plan, while set for a three-year period, is reviewed annually with the most recent review in March 2017.
93. The resulting risk register, reported to the Audit and Risk Committee in June 2017, documented 49 risks across the IJB, the City of Edinburgh Council, NHS Lothian and the Edinburgh Health and Social Care Partnership. Each risk has an attributed risk owner and the register provides an outline of mitigating actions in place.
94. The register identifies 18 risks for which primary planning responsibility lies with the IJB. Of those 18 risks, six are assessed as having high inherent risk.
95. The Audit and Risk Sub-Committee provide oversight of the six high risks, with the remaining 12 risks being monitored by the executive Quality Improvement Clinical Governance and Risk Management Group, chaired by the Chief Strategy and Performance Officer.

Risk Management

89. The integration scheme required the IJB to establish a shared risk management strategy with its partners within the first year. Since its first meeting in July 2015, the IJB has shown a commitment to developing an effective risk management framework.
96. The IJB recognises that further and ongoing development of the framework will be required. The Chief Strategy and Performance Officer and the Interim Chief Finance Officer have been delegated the responsibility for:

- ensuring all relevant risks are captured;
- refining the register; and
- embedding ongoing review, scrutiny and updates.

Internal Audit

- 97.** The City of Edinburgh Council internal audit team provides the IJB's internal audit service and the Chief Auditor of City of Edinburgh Council has been appointed as Chief Internal Auditor for the IJB.
- 98.** To avoid duplication of effort and to ensure an efficient audit process we have taken cognisance of the work of internal audit throughout our audit. While we have not placed formal reliance on the work of internal audit in 2016/17 for our financial statements audit, we have taken account of internal audit's work in respect of our wider scope responsibilities. We are grateful to the internal audit team for their assistance during the course of our work.

- 99.** The appointed external auditor to the City of Edinburgh Council has reviewed the service provided council's internal audit team. For 2016/17, the appointed auditor found the internal audit service complied with Public Sector Internal Audit Standards.

Principle based approach to the internal audit across the partnership

- 100.** The IJB recognised early in the process of setting up the Audit and Risk Committee that it would be beneficial to share of information between the scrutiny committees of the IJB, NHS Lothian and the City of Edinburgh Council.
- 101.** NHS Lothian took the lead in preparing a set of principles to govern the relationships between the three scrutiny committees (as well as those of the other regional partnership to which the health board is party). Representatives of the IJB provided input to the drafting process.
- 102.** In June 2017, the five key principles were presented to the audit and risk committee:

Five key principles for sharing information between the partnership's scrutiny committees



- 103.** The NHS Lothian Audit & Risk committee approved the principles in April 2017. The IJB proposes that these same principles will govern the relationship with the City of Edinburgh Council's Governance, Risk and Best Value Committee, subject to that committee's approval.

Internal audit plan and resource

- 104.** The internal audit plan for 2016/17 was approved in principle by the Audit and Risk Committee in June 2016. The plan identified eight high and six medium auditable risks upon which assurance could be sought.

- 105.** The Audit and Risk Committee, and internal audit, considered that assurance should be gained on all high-risk areas on an annual basis, with medium risk areas covered on a rolling 3-year basis. At the time of the plan's approval, the Audit and Risk Committee noted the expected level of internal audit resource would not allow the IJB to gain any assurance over the medium risks identified in the audit plan and requested that officers explore the possible options for obtaining additional Internal audit resource.
- 106.** Following an internal audit update in November 2016 the Chair of the Audit and Risk Committee wrote to the IJB Chief Officer to highlight the committee's concerns with regard to the internal audit resource available. As of June 2017, a formal response from the Chief Officer was outstanding.

Disclaimer internal audit opinion

- 107.** Given the resource concerns noted above, and the findings in the year, internal audit were unable to complete sufficient reviews and gain sufficient evidence to be able to conclude on the adequacy of the framework of Governance, Risk Management and Control. As a result, internal audit provided a "disclaimer opinion":

"As a consequence of the limited of assurance obtained ... we consider that we have been unable to gather sufficient evidence to conclude on the adequacy of the framework of Governance, Risk Management and Control of the EIJB and issue a final 'Disclaimer' opinion"

"The internal audit work performed during the year has identified significant weaknesses in the framework of governance, risk management and controls surrounding the EIJB management information & integration processes, and in the delivery of social care within the City. There were also instances during the year of non-compliance with existing controls. If not addressed, these weaknesses and instances of non-compliance will put the achievement of organisational objectives at risk."

The governance statement

- 108.** The governance statement discloses internal audit's disclaimer opinion and other areas of weakness during the year, such as the significant challenges the partnership faces from the level of delayed discharges and the areas of concern raised by the joint inspection of services for older people. Subject to the concerns disclosed, the IJB considered that reasonable assurance could be placed on the effectiveness and adequacy of the systems of governance.
- 109.** We are satisfied that the governance statement within the annual accounts is consistent with the financial statements and that report has been prepared in accordance with the Delivering Good Governance in Local Government: Framework 2016.

Standards of conduct

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

6

Value for money

Value for money

112. Value for money is concerned with using resources effectively and continually improving services. IJBs need to establish effective arrangements for scrutinising performance, monitoring progress towards their strategic objectives, and holding partners to account.

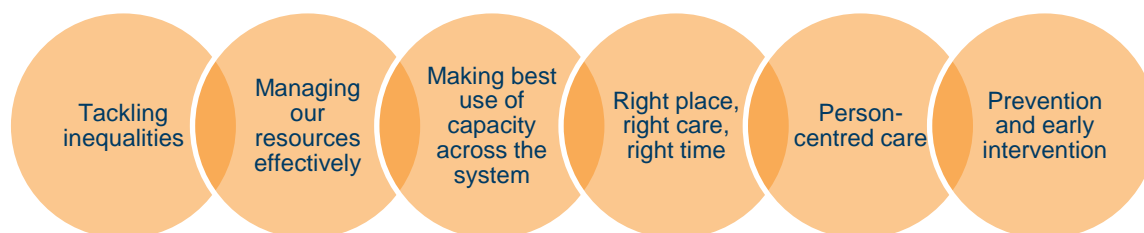
Overall conclusion

113. Arrangements to demonstrate value for money have continued to develop during 2016/17, the first 'live' year for the IJB. Further development in this area is still required and the IJB faces significant challenges from delayed discharges and the weaknesses identified in the inspection of services for older people in Edinburgh.

Strategic planning

114. The IJB approved the Edinburgh Health and Social Care Strategic Plan 2016-19 in March 2016. The strategic plan identifies six key priorities, 12 areas of focus and a 44-point action plan. The strategic plan also sets out a range of national and local indicators that the IJB will monitor performance against. National indicators were prescribed by the Scottish Government and local indicators were selected from the suites of measures collected by the City of Edinburgh Council and NHS Lothian.

Key priorities set out in the Edinburgh Health and Social Care Strategic Plan 2016-19



Directions

115. The IJB has an obligation to issue directions to the City of Edinburgh Council and NHS Lothian in respect of each delegated function. Directions are the means by which the IJB ensures the partner bodies implement the priorities set out in the strategic plan. In line with legislation, the first directions were issued in March 2016.
116. Directions can be issued at any time and once issued have no expiry date. Scottish Government guidance states that directions should set out:
- a clear framework for the operational delivery of the delegated functions;
 - which delegated function each direction relates to;
 - detailed information on the financial resources available for carrying out the functions that are the subject of the directions.
117. The IJB recognises that the first set of directions were relatively high level. It reported those directions were intended to notify the City of Edinburgh Council and NHS Lothian the areas where the IJB wanted to see change and to instruct the two organisations to support the IJB Chief Officer to develop more detailed plans in those areas.
118. The Edinburgh IJB delayed issuing new directions during 2016/17 to allow any recommendations from the joint inspection of services for older people in Edinburgh to be considered (see further discussion on the inspection below). In August 2017 a new set of 21 directions were set out, focusing on the four areas shown below.

Four areas of focus within the 2017/18 Directions

Embedding locality model so that the provision of assessment, treatment and support in the community is the default position, reducing hospital admissions, supporting timely discharge and promoting independence.

Responding to national and local requirements such as the Health and Social Care Delivery Plan, new legislation and the recommendations from the Joint Inspection of Services for Older People.

Shifting the balance of care by increasing the range and capacity of community based services.

Enabling transformation through improved use of ICT, developing the workforce and developing a three-year sustainable financial strategy.

119. The IJB reports that a detailed delivery plan, developed in partnership with the City of Edinburgh Council and NHS Lothian, will support each direction. Progress monitoring is planned to take place through the IJB's Strategic Planning Group and be reported to the full IJB.

- the governance processes in place were not sufficiently mature to support the vision of seamlessly supporting the sharing of data between the IJB and its partners; and
- Existing data management procedures lack robustness.

120. Internal audit reviewed a sample of the directions issued by the IJB in March 2016, to ensure conformed with:

- legislative requirements;
- good practice, as advised by the Scottish Government; and
- the IJB's strategic plan.

Internal audit also considered the arrangements in place to manage and report on progress to ensure that the requirements of the directions are applied in practice.

123. A management action plan has been put in place in response to the two high and two medium risk recommendations raised in the report.

Performance management

121. Internal audit identified one high-risk finding: The Directions for 2016-17 and 2017-18 contained limited SMART objectives, few of the directions state timescales for implementation and the majority of objectives do not state related KPIs. In response, management has agreed to ensure that the related delivery plans include SMART performance measures and that the performance measures relating to each direction are updated.

124. Per the integration scheme, the IJB is responsible for implementing a comprehensive performance management system that allows for transparent reporting and appraises achievement against the strategic plan.

125. Performance management arrangements have developed over the course of 2016/17, principally based around the proposed indicator set described in strategic plan 2016-19.

126. While the IJB has set out the range of national and local indicators within the strategic plan, it is not clear how each measure relates to the plan's six key priorities. Because of this, it may be difficult for the IJB to demonstrate how successful it has been in delivering progress against the plan. It is a statutory requirement for the IJB to report against both the national outcomes and its own strategic priorities. To enable that to take place the IJB should ensure that sufficient performance measures are clearly attributed to each strategic priority.

Data Integration & Sharing

122. During 2016/17 internal audit reviewed the IJB's approach and plans for integration of the City of Edinburgh Council's systems with NHS Lothian's and the current security provisions in place relating to day-to-day data integration & sharing activities. Internal audit found that:

Management action plan 5

Performance and Quality Subgroup

127. The IJB's Performance and Quality Subgroup met for the first time in April 2016, following workshops held in February 2016 to develop the group's role, remit and membership. The groups remit includes the delegated responsibilities to:
- provide assurance to the Integration Joint Board that the whole system is operating effectively to deliver the strategic plan;
 - assess the impact and effectiveness of the strategic plan; and
 - assess performance and quality from a strategic perspective.
128. Since its inception, the subgroup has progressed with developing the IJB's performance framework. The subgroup chose to adopt a "rubrics approach", where levels of performance are assessed against clear criteria and standards (e.g. excellent, acceptable or poor).
129. The rubrics approach was selected as the subgroup considered it best addressed what it saw as the limitations of earlier approaches to performance, which lacked effectiveness and impact, relying heavily on scorecards with little perceived relevance to current pressures and priorities and failing to generate effective action. So far, the approach has been trialled for five of the 44 strategic objectives.

In-year reporting on performance

130. The Performance and Quality Subgroup met a number of times during 2016/17 reporting to the IJB on the progress being made in the development of the performance management framework. While it is inevitable that the performance management framework will continue to develop in these early stages of the IJB, there has been limited reporting to the Board on actual performance against the strategic plan to date.
131. Internal audit assessed the design and operating effectiveness of the IJB's controls relating to management information during 2016/17.

132. In March 2017, internal audit reported one high-risk recommendation recognising that while the performance management framework is being developed regular performance reporting to the IJB and its subgroups has been limited to financial updates and statutory delayed discharge reporting.
133. We consider that more regular formal reporting to the Board on performance against the strategic plan will be required to enable the IJB to fulfil its role as strategic planning body. While performance may be assessed and scrutinised in detail by the Performance and Quality Subgroup, we would expect reports to be presented to the IJB at regular intervals through the year. Such reports should enable the IJB to effectively address areas of poor performance in a timely manner.

Management action plan 5

Delayed discharges

134. While there has been limited reporting on the general performance against the strategic plan during 2016/17, the IJB has received regular reporting in relation to delayed discharges.
135. The IJB recognised during 2016/17 that the levels of delayed discharges in the city present a particular risk to the partnership in providing the right care at the right time. To reflect the importance and urgency of the need to reduce the number and length of delayed discharges the IJB received regular updates on performance in this area.
136. In January 2016, The IJB reported 122 delayed discharges. In response to the challenges faced in the area, a 'flow workshop' was held in March 2016. The workshop identified a range of work streams to address the issue, targeted at key pressure points across the care system. Each work stream has been led jointly by a senior officer from both the Health and Social Care Partnership and the acute hospital sites. The work streams were overseen by a Patient Flow Programme Board and covered:
- admission avoidance;
 - rehabilitation and recovery;
 - supporting discharge; and
 - mental health.

- 137.** Between January 2016 and April 2016, the rate of delayed discharge fell to 67. However thereafter it increased month on month, reaching 215 in January 2017. A change in national reporting methods in July 2016 meant that direct comparisons were not possible between figures before and after that time. However, over that time Edinburgh regularly had the highest number of delayed discharges of any integration authority in Scotland.
- 138.** By May 2017 delayed discharges had fallen to 168. The IJB reports that detailed performance reports are now available on a locality basis, which has allowed performance targets to be set and monitored more locally. A 'star chamber' now meets weekly where locality and hub managers are held to account for performance and any issues having a negative impact can be escalated immediately.
- 139.** The IJB continues to recognise the importance and urgency of the need to reduce the number and length of delayed discharges and continues to receive regular updates on performance against whole system delays.

Annual performance reporting

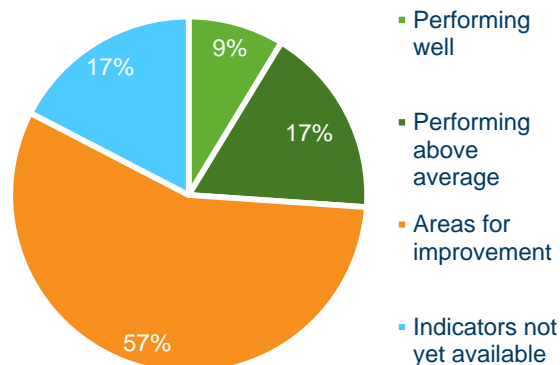
- 140.** All IJBs are required to produce an annual performance report that appraises achievement against both the nine National Health and Wellbeing Outcomes and the key priorities identified within their strategic plan. The IJB has produced an annual performance report covering:
- Delivery of the nine National Health and Wellbeing Outcomes and related key priorities of the Integration Joint board;
 - Finance and best value
 - Moving to a locality based model of planning and delivering services
 - Inspection of services
 - A review of the EIJB strategic commissioning plan.

- 141.** The 2016/17 annual performance report focuses on the nine national outcomes and utilises the national and local indicators to attempt to demonstrate progress to date. The report gives narrative on the national indicators attributed to each national outcome, as well as the related local indicators that the IJB has chosen to monitor.
- 142.** The performance report compares the IJB's performance against the national Indicators to the Scottish average and that of the IJB's peer group. Performance on local indicators is reported without reference to benchmarks. While the performance against indicators is reported, success has not been defined for any of the national or local measures. As a result, it is not clear how the performance information should be interpreted.
- 143.** As part of the development of the performance management framework, and in line with the work being undertaken by the Performance and Quality Subgroup, the IJB should ensure it adequately defines and communicates what it considers would be good performance against each performance measure.

Management action plan 5

- 144.** Although it is not outwardly clear how the reported performance information should be interpreted, the IJB has set out within the annual performance report the national indicators it considers to be performing well against and those requiring improvement, as shown below:

IJB assessed performance against the 23 national indicators



Inspection of services

145. The annual performance report also includes commentary on the joint inspection of services for older people in Edinburgh carried out by the Care Inspectorate and Health Improvement Scotland between August and December 2016.
146. The inspection was focused around the nine quality indicators and identified a number of areas of weakness, as shown below. Seventeen specific recommendations for improvement were raised. All have been accepted by the IJB.
147. The partnership viewed the inspection as a helpful process that confirmed the need to continue to drive forward improvements identified by the IJB itself since its inception.
148. The IJB has published a detailed improvement plan in response to the recommendations raised by the joint inspection. Progress against the plan is monitored by an Improvement Board and the IJB's Performance and Quality Sub-Group oversees delivery of the improvement plan on behalf of the IJB.

Findings from the joint inspection of services for older people in Edinburgh

Quality indicator	Evaluation	Evaluation criteria
Key Performance Outcomes	Weak	<p>Excellent – outstanding, sector leading</p> <p>Very good – major strengths</p> <p>Good – important strengths with some areas for improvement</p> <p>Adequate – strengths just outweigh weaknesses</p> <p>Weak – important weaknesses</p> <p>Unsatisfactory – major weaknesses</p>
Getting Help at the Right Time	Weak	
Impact on Staff	Adequate	
Impact on the community	Adequate	
Delivery of key processes	Unsatisfactory	
Strategic planning and plans to improve services	Weak	
Management and support of staff	Adequate	
Partnership working	Adequate	
Leadership and direction	Weak	

7

Appendices

Appendix 1: Management action plan

Our action plan details the control weaknesses and opportunities for improvement that we have identified during our audit. The action plan details the officer responsible for implementing the recommendation and an implementation date. The IJB should assess the recommendation for wider implications before approving the action plan.

It should be noted that the weaknesses identified in this report are only those that have come to our attention during the course of our normal audit work and may not be all that exist. The audit cannot be expected to detect all errors, weaknesses or opportunities for improvement in management arrangements. Communication in this report of matters arising from the audit of the annual accounts or of risks or weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.

Action plan grading structure

To assist the IJB in assessing the significance of the issues raised and prioritising the action required to address them, the recommendations have been rated. The rating structure is summarised as follows:

Grade 5	Very high risk exposure – major concerns requiring Board attention
Grade 4	High risk exposure – material observations requiring senior management attention
Grade 3	Moderate risk exposure – significant observations requiring management attention
Grade 2	Limited risk exposure – minor observations requiring management attention
Grade 1	Efficiency / housekeeping point

Recommendations raised in this report

No.	Issue & recommendation	Management comments
1.	<p>Financial reporting</p> <p>The content of the IJB's financial reporting has developed during 2016/17 and continues to develop. We noted examples within 2016/17 reporting where budget lines showed an underspend for the year to date, but forecast an overspend at year-end with no narrative explanation or context provided. .</p> <p>There is a risk that the current form of reporting does not fully reflect the actions undertaken or required in order to achieve the forecast outturn.</p> <p>The IJB should look to continue to develop financial reporting in order to ensure that the Board can easily identify areas of poor performance and fully understand any remedial actions undertaken or required.</p>	<p>Whilst recognising that the financial reporting to the IJB could and should continue to develop this needs to be in line with the IJB's responsibilities and information requirements.</p> <p>When resources have been delegated via directions by the IJB, the City of Edinburgh Council (CEC) and NHS Lothian (NHSL) apply their established systems of financial governance to the delegated functions and resources. Accordingly, budget monitoring of IJB delegated functions is undertaken by finance teams within CEC and NHSL. This arrangement reflects the IJB's role as a strategic planning body which does not directly deliver services, employ staff or hold cash resources. However, it is important that the IJB has oversight of the in year budget position as this highlights any issues that need to be accounted for when planning the future delivery of health and social care services.</p> <p>Due Date: March 2018</p> <p>Action owner: Chief Finance Officer</p>
	<p>Rating</p>	
	<p>Grade 3</p>	
	<p>Para</p>	
	<p>49</p>	
No.	Issue & recommendation	Management comments
2.	<p>Savings plans</p> <p>The IJB's achievement of a breakeven position in 2017/18 is wholly dependent on its ability to work effectively with the council and health board to deliver the required savings.</p> <p>Discussions remain ongoing with NHS Lothian around how the current funding gap of £6.5million will be bridged and there remains a risk that planned efficiencies are not delivered. While responsibility for the actual delivery of the planned savings will fall to the IJB's partners, it is imperative that the IJB can demonstrate it has taken a strategic approach is taken to the identification of appropriate savings options.</p> <p>The IJB should ensure that future financial plans demonstrate sufficient consideration of the identification of potential savings options, including the financial and operational impact they are expected to have in the short, medium and long term. In the short term, the IJB should confirm how the current funding gap of £6.5million will be bridged.</p>	<p>Accepted. However it should be noted that the IJB's ability to confirm how the current NHS Lothian funding gap will be bridged is partly reliant on the overall NHS Lothian financial position.</p> <p>Due Date: March 2018</p> <p>Action owner: Chief Officer</p>
	<p>Rating</p>	
	<p>Grade 4</p>	
	<p>Para</p>	
	<p>67</p>	

No.	Issue & recommendation	Management comments
3.	<p>Medium term financial planning</p> <p>The IJB requested in March 2017 that partners work with the Chief Officer and Interim Chief Finance Officer to prepare a financial plan for IJB delegated functions over a minimum three-year period. The requirement to carry out medium term financial planning is also reflected within the integration scheme. However, medium or long-term financial plans have not yet been developed.</p> <p>Without a medium term financial plan in place, the IJB cannot currently demonstrate how it will deliver the key priorities identified in their three-year strategic plan within the financial resources that will be available.</p> <p>The IJB should prioritise developing a medium term financial strategy that includes a clear understanding of costs, saving options and expected demand pressures.</p>	<p>An initial high-level financial plan will be presented to the IJB in September. This will be refined in the following months.</p> <p>Due Date: December 2017</p> <p>Action owner: Chief Finance Officer</p>
Rating		
Grade 4		
Para		
71		

No.	Issue & recommendation	Management comments
4.	<p>Workforce planning</p> <p>The integration scheme requires the IJB to develop an integrated workforce plan for the city.</p> <p>The IJB has not yet developed an integrated workforce plan, and as a result is not meeting the requirements of the integration scheme. Without a documented plan in place, the IJB cannot demonstrate that a strategic overview is being taken over the risks the city faces in relation to workforce supply and demand challenges, communication, staff engagement and training needs to support the implementation of the strategic plan.</p> <p>The IJB should develop an integrated workforce plan for the city.</p>	<p>This is captured in the 2016/17 directions issued to CEC and NHS Lothian. Direction 19 requires:</p> <p><i>"the City of Edinburgh Council and NHS Lothian are directed to work with the Edinburgh Health and Social Care Partnership to:</i></p> <p><i>a. produce and implement a workforce development strategy that supports the delivery of the strategic plan; taking account of the National Health and Social Care Workforce Plan;</i></p> <p><i>b. ensure that any business cases developed in relation to the strategic plan clearly set out any ICT implications."</i></p> <p>Due Date: Timescale for production of strategy to be agreed and set out in delivery plan. Performance measure to be agreed in terms of impact.</p> <p>Action owner: Chief Nurse</p>
Rating		
Grade 4		
Para		
73		

No.	Issue & recommendation	Management comments
5.	<p>Performance management arrangements</p>	
Rating	<p>a. Performance management framework</p>	
Grade 3	<p>The IJB is responsible for implementing a comprehensive performance management system that allows for transparent reporting and appraises achievement against the strategic plan. While the IJB has set out the range of national and local indicators within the strategic plan, it is not clear how each measure relates to the plan's six key priorities. To enable the IJB to report progress against both the national outcomes and its own strategic priorities it should ensure sufficient performance measures are clearly attributed to each strategic priority.</p>	<p>5a. The IJB is in the process of establishing a performance framework based on a hierarchy of performance indicators from operational to strategic levels. This will be agreed through the Performance and Quality Sub Group of the IJB.</p>
Para		<p>Due Date: December 2017</p>
126, 133, 143		
	<p>b. In-year reporting on performance</p>	<p>5b. Whilst the IJB has received regular reports on aspects of performance (eg delayed discharges) and a 6 monthly update from the Performance and Quality Sub Group, it is acknowledged that a more comprehensive approach is required. Following the production of the annual performance report for 2016/17 it has been agreed that the IJB will receive a half yearly update on performance in line with the framework outlined above. Any significant concerns about performance will be reported to the IJB by exception.</p>
	<p>There has been limited reporting to the Board on actual performance against the strategic plan to date. Without regular formal of performance against the strategic plan, the IJB may be unable to demonstrate that it is fulfilling its role as strategic planning body. While performance may be assessed and scrutinised in detail by the Performance and Quality Subgroup, we would expect reports to be presented to the IJB at regular intervals through the year. Such reports should enable the IJB to address areas of poor performance in a timely manner.</p>	<p>Due Date: First update on performance reported to the IJB in February 2018.</p>
	<p>c. Annual performance reporting</p>	
	<p>The 2016/17 annual performance report focuses on the nine national outcomes and utilises the national and local indicators to attempt to demonstrate progress to date. While the performance against indicators is reported, success has not been defined for any of the national or local measures. As a result, it is not clear at this stage how the performance information should be interpreted. As part of the continual development of the performance management framework, the IJB should ensure it adequately defines and communicates what it considers would be good performance against each performance measure.</p>	<p>5c. 2016/17 will act as the baseline year for the IJB. Therefore opportunities to demonstrate improvements in performance in a meaningful way were limited to either comparisons with the rest of Scotland or to performance prior to the establishment of the IJB.</p> <p>The performance report for 2017/18 will incorporate an assessment of performance against targets set by the Performance and Quality Sub Group of the IJB.</p> <p>Due Date: 2017/18 performance report to be published by end of July 2018.</p> <p>Action owner: Chief Officer.</p>

Appendix 2: Respective responsibilities of the IJB and the Auditor

Responsibility for the preparation of the annual report and accounts

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

The IJB is also required 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.

The Chief Finance Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

- selecting suitable accounting policies and applying them consistently;
- making judgements and estimates that are reasonable and prudent;
- complying with the Code;
- keeping proper accounting records which are up to date; and
- taking reasonable steps to ensure the propriety and regularity of the finances of the Integration Joint Board

Auditor responsibilities

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable legal requirements and ISAs (UK&I) as required by the Code of Audit Practice approved by the Accounts Commission. Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

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

- the financial statements give a true and fair view in accordance with applicable law and the 2016/17 Code of the state of affairs of the body as at 31 March 2017 and of its surplus on the provision of services for the year then ended;
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2016/17 Code;
- the financial statements have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003;
- the auditable part of the Remuneration Report has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014;
- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003; and
- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016).

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

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

Wider scope of audit

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

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



Scott-Moncrieff
business advisers and accountants

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Appendix 3 – Letter of Representation

DATE TO BE INSERTED

Scott-Moncrieff
Exchange Place 3
Semple Street
Edinburgh
EH3 8BL

Dear Sirs

Edinburgh Integration Joint Board

This representation letter is provided in connection with your audit of the annual accounts of Edinburgh Integration Joint Board (the IJB) for the year ended 31 March 2017 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with 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 2016/17 (the 2016/17 Code).

I can confirm to you, in respect of the financial statements of the IJB for the year ended 31 March 2017, the following:

Annual accounts and accounting records

1. I have fulfilled my responsibilities for preparing financial statements which give a true and fair view in accordance with the 2016/17 Code and for making accurate representations to you.
2. I have provided you with:
 - access to all information of which I am aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - additional information that you have requested from me for the purpose of the audit; and
 - unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
3. All transactions have been recorded in the accounting records and are reflected in the financial statements.
4. Except as disclosed in the financial statements, the results for the year were not materially affected by:
 - any change in accounting policies;
 - transactions of a type not usually undertaken by the IJB;
 - circumstances of an exceptional or non-recurrent nature; or
 - charges or credits relating to prior periods.

5. I have reviewed going concern considerations and am satisfied that it is appropriate for the financial statements to have been drawn up on the going concern basis. In reaching this opinion I have taken into account all relevant matters of which I am aware and have considered a future period of at least one year from the date on which the financial statements were approved.
6. I confirm the financial statements are free of material misstatements, including omissions.

Fraud

7. I acknowledge as Interim Chief Finance Officer my responsibilities for the design and implementation of internal control in order to prevent and detect fraud and to prevent and detect error.
8. In my opinion, the risks that the financial statements may be materially misstated as a result of fraud are low. Measures have been put in place by management to reduce the risk of fraud.
9. I have disclosed to you all information in relation to fraud or suspected fraud that I am aware of and that affects the IJB and involves:
 - management
 - employees who have significant roles in internal control
 - others where the fraud could have a material effect on the financial statements.
10. I am not aware of any allegations of fraud or suspected fraud with a potential effect on the financial statements which have been communicated to me by employees, former employees, partner bodies, regulators or other third parties.

Compliance with laws and regulation, and contractual agreements

11. I am not aware of any instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
12. The IJB has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance.

Accounting estimates and judgements

13. In my opinion, the significant assumptions that have been used in the financial statements are reasonable.
14. In my opinion the significant assumptions used by the IJB in making accounting estimates are reasonable.
15. I do not consider that the remuneration of the Chief Finance Officer is required to be disclosed within the remuneration report under the requirements of the 2016/17 Code and The Local Authority Accounts (Scotland) Regulations 2014 (SSI 2014/200) Schedule (definitions section).

Related parties

16. I have disclosed to you the identity of the IJB's related parties and all related party relationships and transactions of which I am aware.

17. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards as adopted by the European Union and as interpreted and adapted by the 2016/17 Code.
18. In particular, I am not aware of any elected member, connected person, or officer with a disclosable interest in a transaction with the IJB at any time during the year other than as indicated in the financial statements.

Assets and liabilities

19. I have disclosed to you all known actual or possible litigation or claims whose effects should be considered when preparing the financial statements and that they have been accounted for and disclosed in accordance with International Financial Reporting Standards as adopted by the European Union and as interpreted and adapted by the 2016/17 Code.
20. I am not aware of any IJB plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
21. The IJB has no plans to abandon activities.
22. I have recorded or disclosed, as appropriate, all liabilities, both actual and contingent, and all guarantees that I have given to third parties.

Subsequent events

23. All events subsequent to the date of the financial statements and for which the 2016/17 Code requires adjustment or disclosure have been adjusted or disclosed. Should any material events occur which may necessitate revision of the figures included in the financial statements or inclusion in the notes thereto, I will advise you accordingly.

I confirm that the above representations are made on the basis of enquiries of members and officers with relevant knowledge and experience (and, where appropriate, of inspection of supporting documentation) sufficient to satisfy myself that I can properly make each of the above representations to you.

Yours faithfully

Moira Pringle

Interim Chief Finance Officer

On _____ (date)