

# Governance, Risk and Best Value Committee

2.00pm, Monday, 24 October 2016

## External & Internal Audit arrangements for the Edinburgh Integration Joint Board

Item number	7.3
Report number	
Executive/routine	
Wards	All

### Executive Summary

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The Edinburgh Integration Joint Board (EIJB) is a joint board consisting of members appointed by the NHS Lothian and the City of Edinburgh Council. The EIJB is underwritten by statute (The Public Bodies (Joint Working) (Scotland) Act 2014) and is responsible for the direction of adult Health & Social Care provision in the city, both in the clinical and community environments.

As a Scottish local government public body, the EIJB is required by the Accounts Commission to undergo an external audit and also to maintain an Internal Audit function. This report summarises both the governance arrangements and audit service provision available to the EIJB.

### Links

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Coalition Pledges	PO30
Council Priorities	CO25
Single Outcome Agreement	

## External & Internal Audit arrangements for the Edinburgh Integration Joint Board

### 1. Recommendations

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- 1.1 It is recommended that the Committee notes this report.

### 2. Background

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- 2.1 Edinburgh Integration Joint Board (EIJB) is a joint board consisting of members appointed by NHS Lothian and the City of Edinburgh Council. The EIJB is underwritten by statute (The Public Bodies (Joint Working) (Scotland) Act 2014) and is responsible for the direction of adult Health & Social Care provision in the City, both in the clinical and community environments. The EIJB took over responsibility for these services on 1 April 2016.
- 2.2 As a Scottish local government public body, the EIJB is required by the Accounts Commission to undergo an external audit and also to maintain an Internal Audit function. The external audit for 2015/16 was undertaken by an Audit Scotland team. The external audit for 2016/17 and the four subsequent years will be undertaken by Scott Moncrieff on behalf of Audit Scotland. The Internal Audit function is maintained with support from both the Council's Internal Audit function and NHS Lothian's Internal Audit function.
- 2.3 On 26 May 2016, the Governance, Risk & Best Value Committee requested a report setting out the arrangements for the EIJB's audit functions once they became established.

### 3. Main report

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#### Audit and Risk Committee

- 3.1 The Audit & Risk Committee of the EIJB provides governance for the EIJB's External and Internal Audit arrangements. In addition to this, the Committee is responsible for scrutinising:
- 3.1.1 the Risk Strategy and register;
  - 3.1.2 the anti-bribery and corruption arrangements; and
  - 3.1.3 the annual accounts of the EIJB.

- 3.2 The Committee, which met for the first time on 29 April 2016, meets quarterly in private. It consists of two NHS Lothian appointed members of the EIJB, two City of Edinburgh Council appointed members of the EIJB and two non-voting members of the EIJB. The Committee is now established with terms of reference in place and its operating processes agreed. It has commenced scrutinising items from both Internal & External audits in line with its remit.
- 3.3 The Chair is appointed by the EIJB from the two non-voting members and this role is currently filled by Angus McCann who is independent of both NHS Lothian and the Council.
- 3.4 In order to facilitate knowledge sharing and best practice, the Chair of the EIJB is planning to attend meetings periodically with his counterparts from the other Lothian IJBs (West Lothian IJB, Mid-Lothian IJB & East Lothian IJB) and NHS Lothian.

### **External Audit**

- 3.5 Under the Public Bodies (Joint Working)(Scotland) Act 2014, the Accounts Commission is responsible for appointing the external auditors of the EIJB, and this is facilitated by Audit Scotland. An in-house Audit Scotland team was appointed for the 2015/16 financial year. The external audit opinion on the financial statements for 2015/16 was issued on 16 September 2016. To meet the requirements of the external auditing standards, Audit Scotland issued both an audit plan prior to audit work commencing and an annual audit report including "ISA260" towards the end of the audit, which highlighted the results of the audit work performed. Both these documents were subject to scrutiny by the EIJB Audit & Risk Committee and a copy of the annual audit report is included as Appendix 1.
- 3.6 The external audit for 2016/17 and the four subsequent years will be undertaken by Scott Moncrieff on behalf of the Accounts Commission, subsequent to Audit Scotland's latest round of tendering. Scott Moncrieff will also be the external audit providers for both of the EIJB's partner organisations, the City of Edinburgh Council and NHS Lothian. Scott Moncrieff have yet to prepare their audit plan for 2016/17 but once they have done so, this plan will be subject to scrutiny by the Audit & Risk Committee.

### **Internal Audit resource**

- 3.7 Internal Audit resources are drawn from the Internal Audit functions of the Council and NHS Lothian. The Chief Internal Auditor of the Council has been appointed on a two year tenure as the Chief Internal Auditor of the EIJB and is responsible for ensuring that that a Public Sector Internal Auditing Standards (PSIAS) compliant Internal Audit service is provided to the EIJB.
- 3.8 The 2016/17 Council Internal Audit plan earmarked the provision of three individual internal audits (each with a planned duration of five weeks) for the EIJB. It is expected that this will result in Council Internal Auditors performing testing in both the Council & NHS environments. All three audits will be drawn down by the EIJB.

- 3.9 NHS Lothian has set aside 12 weeks of capacity to be split across the four Integration Joint Boards that NHS Lothian is party to. Discussions are ongoing between the CIAs of the four 'Lothian' IJBs and the CIA of NHS Lothian over the best way to utilise this capacity in the most efficient and effective manner for all concerned.
- 3.10 These discussions are facilitated by the regular meeting (every six to eight weeks at present) of the CIAs of the four 'Lothian' IJBs and the CIA of NHS Lothian. These meetings also provide a forum for the sharing of best practice and lessons learned in connection with internal audit procedures for Integration Joint Boards.
- 3.11 The EIJB Audit & Risk Committee also benefits from a quarterly referral of relevant Internal Audit reports from both the Council GRBV Committee and NHS Lothian's Audit & Risk Committee.
- 3.12 The provision of Internal Audit services to the EIJB opens up both the EIJB and the Council to operational & legal risk. In order to address these risks, the Council's Internal Audit function, in conjunction with the legal team, is in the process of drawing up a Service Level Agreement (SLA) which will specify the roles and responsibilities of both sides. It is anticipated that a mirror-image SLA will also be put in place between the EIJB and NHS Lothian.

**Internal Audit Plan & Capacity**

- 3.13 A risk based Internal Audit plan was drawn up by the Chief Internal Auditor of the EIJB and was scrutinised by the EIJB Audit & Risk Committee. Similar to the Council's Internal Audit plan, the EIJB's is risk based and leveraged from the risk register. Reflecting the unique circumstances of the EIJB, a different risk methodology to that used for the Council was developed. This process identified four 'High' risk items where assurance would be expected to be sought on an annual basis and five 'medium' risk items where assurance would be expected to be sought on a rotational (three year) basis.
- 3.14 At the time of drafting the Internal Audit Plan, the Chief Internal Auditor of the EIJB anticipated having a capacity of four internal audits available to the EIJB for 2016/17 (the three Council internal audits noted above plus one undertaken by NHS Lothian). As a consequence the EIJB audit plan currently consists of four internal audits.

Description		Internal Audit Team	Q1	Q2	Q3	Q4
<u>1</u>	<u>Management Information processes</u> Review the controls and processes in place surrounding the compilation of management information for the Joint Board.	CEC		✓		

Description		Internal Audit Team	Q1	Q2	Q3	Q4
<u>2</u>	<u>Compliance with the Joint Board's Directives</u> Review the processes and controls in place to assess and ensure compliance by CEC & NHS with the directives.	NHS			✓	
<u>3</u>	<u>ICT Governance &amp; infrastructure planning</u> Review the governance procedures in place surrounding integration of the ICT environment and infrastructure.	CEC			✓	
<u>4</u>	<u>Workforce planning</u> Review the processes and procedures in place to ensure that the work force has the necessary skills, knowledge and capacity to deliver against the Joint Board's strategic outcomes.	CEC				✓

\*Initially proposed timing – may be subject to change.

For a copy of the full EIJB Internal Audit plan, see Appendix 2.

- 3.15 The EIJB Audit & Risk Committee has expressed concern over the lack of capacity to undertake internal audits on any of the five 'medium' risks identified during the planning process. As a consequence of this, on 2 September 2016 it challenged the Chief Officer of the EIJB to see if additional internal audit resource could be secured, allowing assurance to commence on some of the 'medium' risk areas.
- 3.16 The Chief Officer in conjunction with the Chief Financial Officer are currently seeking to establish whether additional Internal Audit resource can be made available to the Chief Internal Auditor of the EIJB, to allow the Internal Audit program to be extended to encompass some of these risks.

#### 4. Measures of success

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- 4.1 The provision of robust and independent external and internal audit arrangements for the Edinburgh Integration Joint Board.

#### 5. Financial impact

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- 5.1 Not applicable.

## 6. Risk, policy, compliance and governance impact

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- 6.1 The internal & external audit functions as the 3<sup>rd</sup> & 4<sup>th</sup> lines of defence, respectively, are key components of the control environment and framework for the EIJB. The performance of ineffective or insufficient external or internal audit work could have a delirious impact on the EIJB's control environment and framework.

## 7. Equalities impact

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- 7.1 Not applicable.

## 8. Sustainability impact

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- 8.1 Not applicable.

## 9. Consultation and engagement

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- 9.1 Not applicable.

## 10. Background reading/external references

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- 10.1 None.

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## 11. Links

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<b>Coalition Pledges</b>	PO30 – Continue to maintain a sound financial position including long – term financial planning.
<b>Council Priorities</b>	CO25 – The Council has efficient and effective services that deliver on objectives.
<b>Single Outcome Agreement</b>	
<b>Appendices</b>	Appendix 1 – Audit Scotland 'ISA 260' report for the EIJB for the year ended 31 March 2016. Appendix 2 – EIJB Internal Audit Plan for 2016/17.



# Edinburgh Integration Joint Board

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

September 2016

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

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

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

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# Key messages

## Audit of financial statements

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

## Financial management & sustainability

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

## Governance & transparency

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

## Best Value

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

## Outlook

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

# Introduction

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

# Audit of the 2015/16 financial statements

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

## Submission of financial statements for audit

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

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

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

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

## Materiality

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

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

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

## Evaluation of misstatements

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

## Significant findings from the audit

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

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

## Future accounting and auditing developments

### Audit appointment from 2016/17

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

## Code of Audit Practice

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

# Financial management and sustainability

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

## Financial management

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

## Financial performance 2015/16

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

## Financial management arrangements

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



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

## Conclusion on financial management

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

## Financial sustainability

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

## Financial planning

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

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

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

Source: IJB Board papers July 2016

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

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

**Action point 1**

## Conclusion on financial sustainability

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

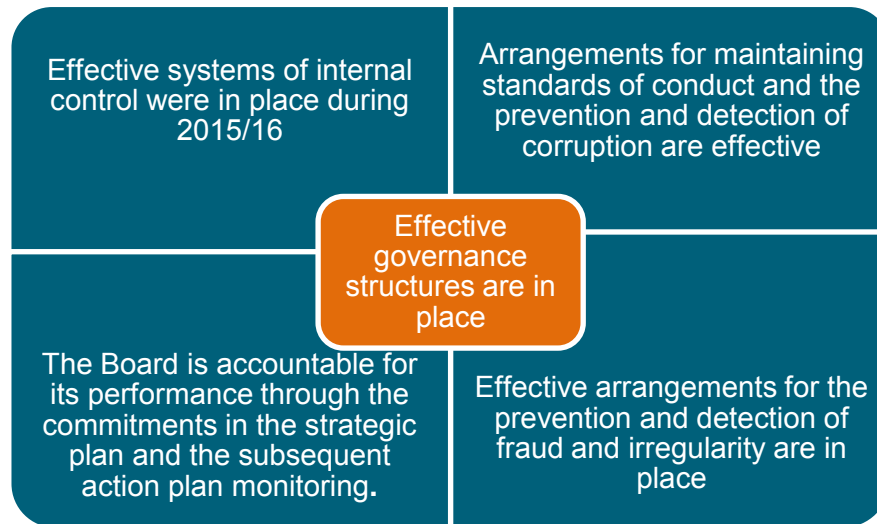
## Outlook

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

51. Strategic plans, while setting out the broad direction, will need to be clear regarding the IJB's priorities and the financing and staff that will be available over the longer term to match these priorities. It is important that they provide detail on the level of resources required in each key area and how they will shift resources towards preventative and community based care.

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

# Governance and transparency



- 53. Good governance is vital to ensure that public bodies perform effectively. This can be a particular challenge in partnerships, with board members drawn from a wide range of backgrounds.
- 54. The integration scheme between City of Edinburgh Council and NHS Lothian sets out the key governance arrangements. It also sets out the requirement to identify and collate a core set of indicators and measures which relate to integrated functions to enable the reporting of performance targets and improvement measures.

- 55. The IJB is responsible for establishing arrangements for ensuring the proper conduct of the affairs of Edinburgh Integration Joint Board and for monitoring the adequacy of these arrangements.
- 56. The IJB comprises a wide range of service users and partners including five councillors nominated by City of Edinburgh Council and five non-executive directors nominated by NHS Lothian.
- 57. The IJB is supported by a Chief Officer who provides overall strategic and operational advice to the Integration Joint Board, and is directly accountable to the IJB for all of its responsibilities. The Chief Officer is also accountable to both the Chief Executive of City of Edinburgh Council and the Chief Executive of NHS Lothian. The Chief Officer also provides regular reports to both the Council and the NHS Board.
- 58. The IJB is responsible for the strategic planning of health and social care services in Edinburgh, and is supported by the Audit and Risk Committee.
- 59. The services are delivered through the Edinburgh Health and Social Care Partnership. The operational structure of the Partnership focuses on the delivery of most services on a locality basis across 4 geographic boundaries, which take account of existing neighbourhood partnerships within the local authority area.
- 60. The IJB met on a regular basis throughout the year, and the Audit and Risk Committee has established a quarterly cycle of meetings since its inception in April 2016. We review Board minutes and Audit and Risk Committee minutes to ensure they are fulfilling their

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

## Internal control

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

## Internal audit

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

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

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

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

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

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

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

## Transparency

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

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

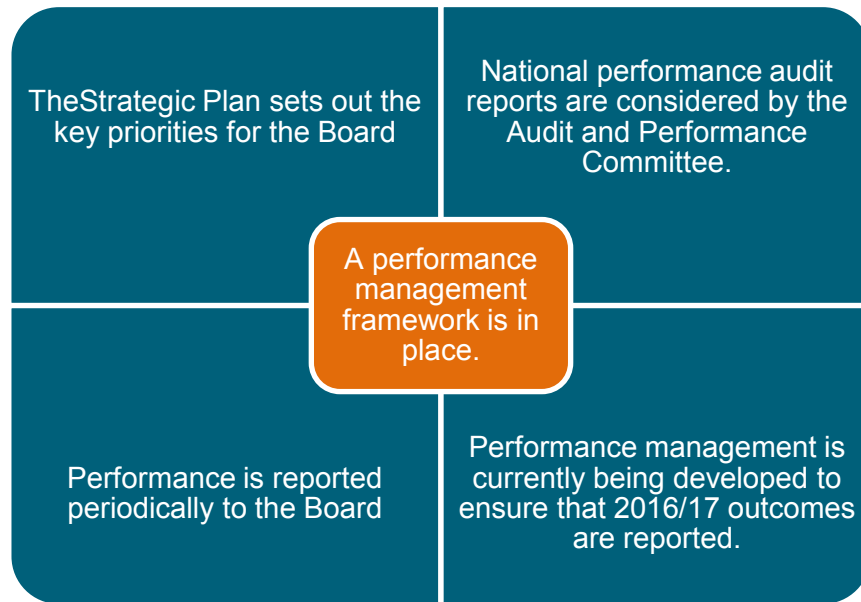
through the council website. Where papers include confidential information these can be withheld or redacted as appropriate.

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

## Outlook

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

# Best Value



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

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

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

## Arrangements for securing Best Value

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



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

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

## Performance management

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

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

## Outlook

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

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

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

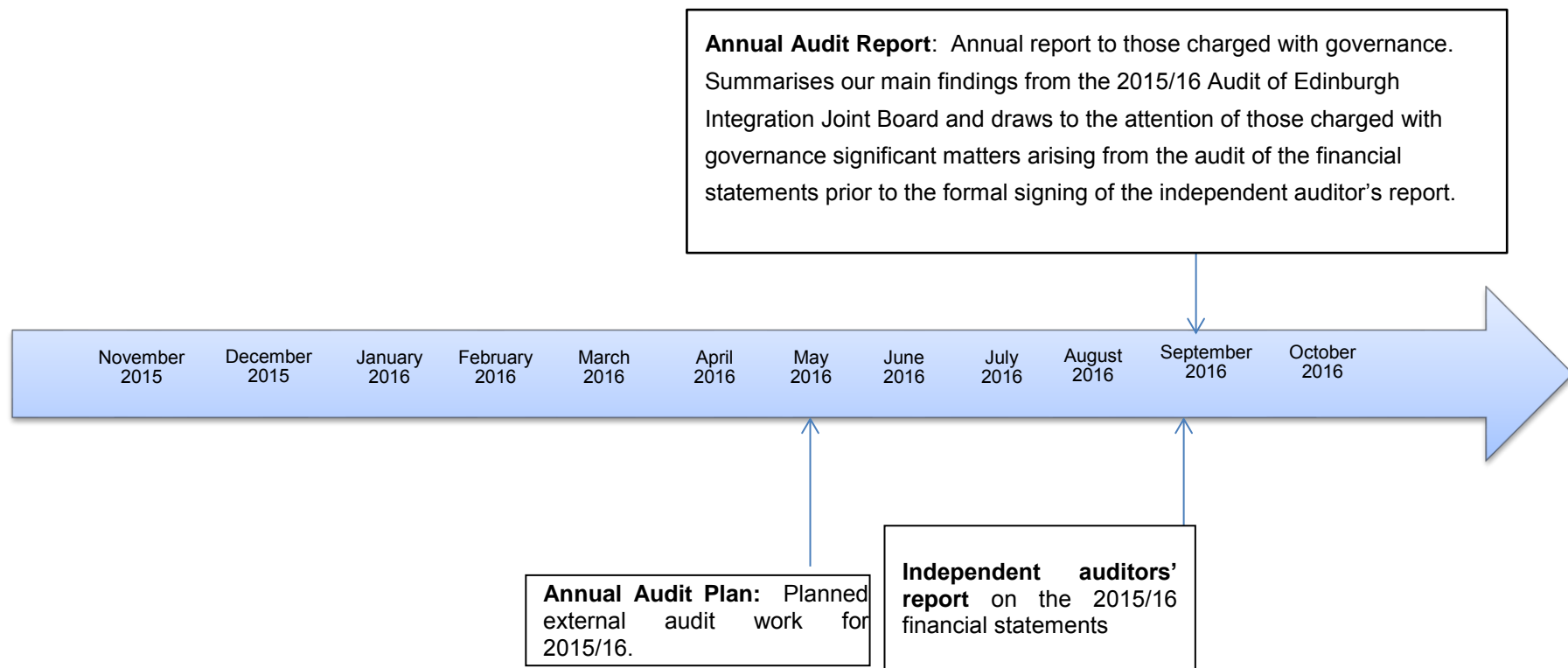
# Appendix I: Significant audit risks

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

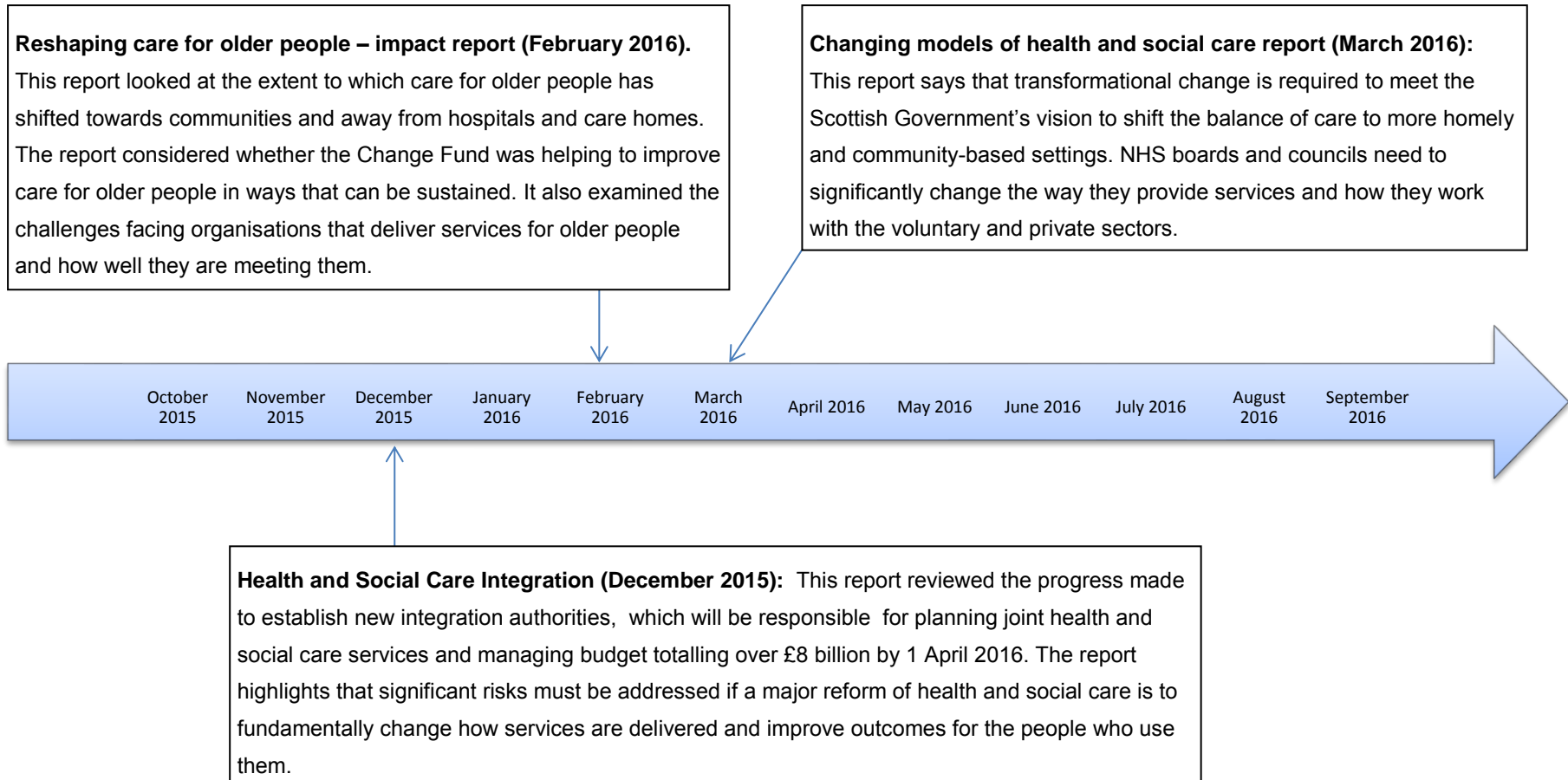
Audit Risk	Assurance procedure	Results and conclusions
<b>Risk of material misstatement in the financial statements</b>		
<p><b>Financial statements</b></p> <p>The financial statements for the IJB have to be prepared for the first time in 2015/16 for the period from July 2015. The financial statements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

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

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



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



# Appendix IV: Action plan

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

# **The Edinburgh Integration Joint Board**

## **Internal Audit Risk Assessment and Plan 2016/17**



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# 1. Introduction and Approach

## Introduction

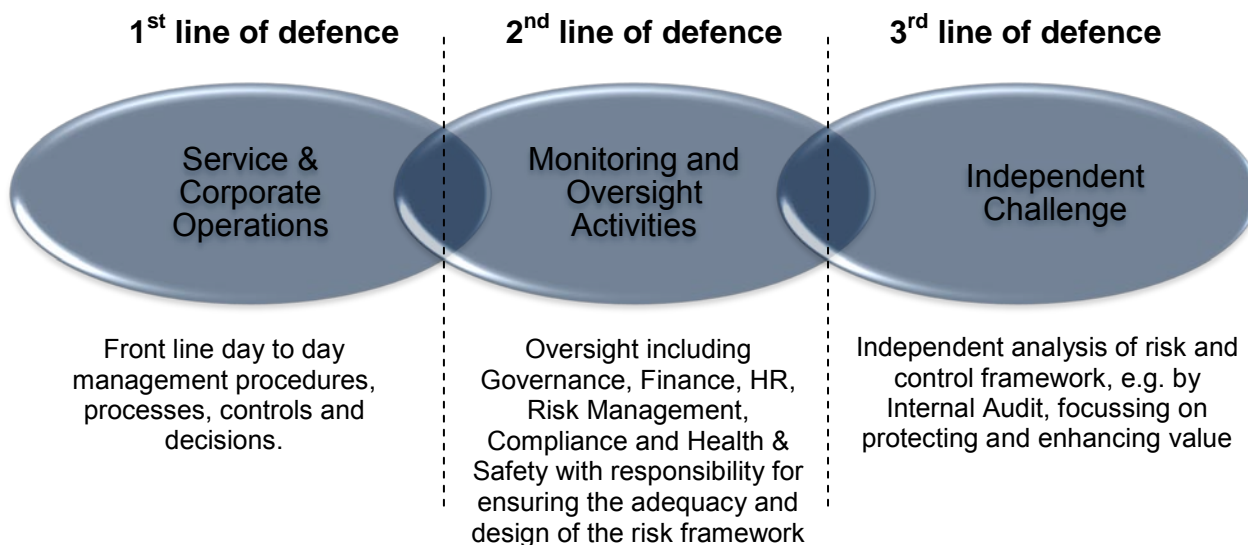
This document sets out the risk assessment and the 2016-17 internal audit plan for The Edinburgh Integration Joint Board (Joint Board).

## Approach

The internal audit service will be delivered in accordance with the Internal Audit Charter. A summary of our approach to undertaking the risk assessment and preparing the internal audit plan is set out below. The internal audit plan is driven by The Joint Board's organisational objectives and priorities, and the risks that may prevent The Joint Board from meeting those objectives.



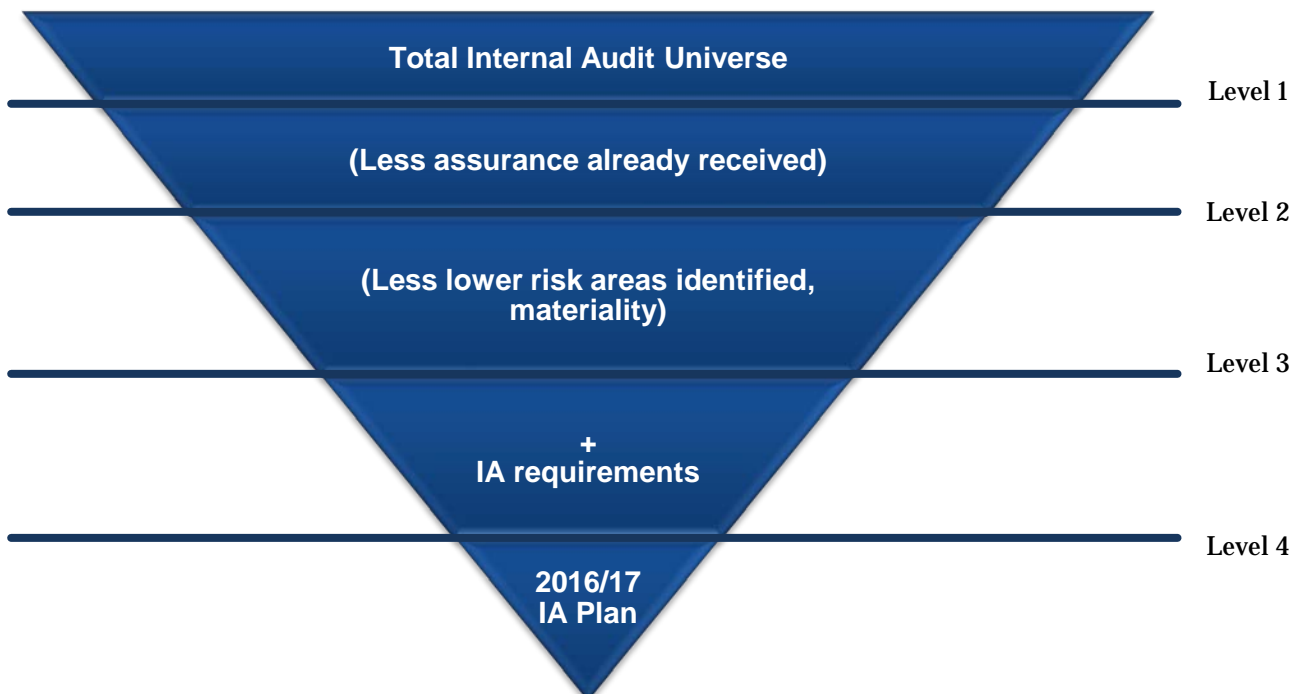
This approach takes into account the role of Internal Audit, as one of the Integration Joint Board's assurance providers from the 3rd line of defence:



### *Basis of our plan*

The level of available resources for the internal audit service for 1 April 2016 to 31 March 2017 is 4 reviews and therefore the plan does not purport to address all key risks identified across the audit universe as part of the risk assessment process. Accordingly, the level of internal audit activity represents a deployment of limited internal audit resources.

Taking into account the above, the plan is drafted as follows:



As set out in Public Sector Internal Audit Standards, the focus of internal audit's strategy and programme is planned around a risk-based approach. This underpins its value.

The annual Internal Audit Plan is based on a risk assessment of the audit universe in the organisation (operational, financial and other) and is primarily based on the following:

- The Joint Board's current Risk Register;
- Regular liaison meetings with the Chief Risk Officer, the Chief Officer, the Financial Director and other senior management;
- Discussions with the members of the Audit Committee; and
- Requirements of PSIAS (Governance, Risk Management, Internal Control).

## *Basis of our annual internal audit conclusion*

Internal audit work will be performed in accordance with methodology aligned to Public Sector Internal Audit Standards (PSIAS). As a result, our work and deliverables are not designed or intended to comply with any other auditing standards.

Our annual internal audit opinion will be based on and limited to the internal audits we have completed over the year and the control objectives agreed for each individual internal audit. The agreed control objectives will be reported within our final individual internal audit reports.

In developing our internal audit risk assessment and plan we have taken into account the requirement to produce an annual internal audit opinion by determining the level of internal audit coverage over the audit universe and key risks. Our current expected resource levels give us the capacity to undertake reviews of all the High Risk areas. We would typically expect to review High Risk areas annually. We do not currently anticipate having the capacity to undertake any reviews solely applicable to the medium risk areas that we would anticipate reviewing on a rolling 3 year basis. We will have to consider the implications of this capacity restraint when we form our opinion for 2016/17.

## *Other sources of assurance*

In developing our internal audit risk assessment and plan we have taken into account other sources of assurance and have considered the extent to which reliance can be placed upon these other sources. A summary of other sources is given below.

The other sources of assurance for Integration Joint Board are as follows:

- The activities of the City of Edinburgh Council (CEC) & the NHS Lothian (NHS) Internal Audit teams;
- External inspections such as those undertaken by the Care Inspectorate and Audit Scotland;
- External audit; and
- Information Commissioner reviews and inspections.

# 2. Audit Planning Process

## Risk assessment results

Each risk has been assessed for whether it is auditable, whether other assurance is available and then categorised as a High, Medium or Low risk.

Inherent rank (residual rank)	Category	Risk	Auditable risk	Sufficient other assurance available?	Rating (H/M/L)	Additional Assurance required for 2016/17	Assurance requirement	Review planned for 2016/17	Other Assurance/Notes
1 (1)	Financial	A lack of a sustainable delegated resource (budget and financial model) increases the risk that the Joint Board doesn't meet budgets and fails to generate the required level of savings and efficiencies.	YES	YES	H	NO	N/A	N/A	Assurance gained from: NHS IA: Budget Management review scheduled. CEC IA: Budget review completed and savings realisation review scheduled.
2 (2)	Strategic	The NHS and CEC are not able to deliver on the directions flowing from the Strategic Plan within the associated directed resource.	YES	NO	H	YES	●	YES	
3 (3)	Operations - others	There is a risk that the Joint Board does not meet its statutory performance targets (e.g. the 4 hour A&E waiting time target or 12 week for planned treatment) resulting in reputational damage and/or financial penalties.	YES	YES	H	NO	N/A	N/A	NHS IA: Performance target and monitoring review scheduled.
4 (4)	Financial	There is a risk that CEC and NHS do not fully and appropriately implement the savings inherent in the directed resource model resulting in non-delivery of Strategic Plan.	YES	YES	H	NO	N/A	N/A	Assurance gained from: NHS IA: Budget Management review scheduled. CEC IA: Budget review completed and savings realisation review scheduled.
5 (18)	Strategic	The design and operating effectiveness of the professional administrative and technical services does not meet the requirements of the partnership to support the delivery of the strategic outcomes.	NO	N/A	N/A	N/A	N/A	N/A	Risk not currently auditable as no SLA/agreements in place.

Inherent rank (residual rank)	Category	Risk	Auditable risk	Sufficient other assurance available?	Rating (H/M/L)	Additional Assurance required for 2016/17	Assurance requirement	Review planned for 2016/17	Other Assurance/Notes
6 (24)	Operations - Information and IT	There is a risk of inefficiencies as the NHS and CEC operate on different systems (e.g. case management, HR and finance systems) which are not integrated meaning it is difficult to get complete and accurate management information.	YES	N/A	H	YES	●	YES	
7 (7)	Financial	Lack of clarity around delegated resources, savings and assumptions leads to unsustainable financial plan and associated risk to delivery of strategic plan.	YES	YES	H	NO	N/A	N/A	Assurance gained from: NHS IA: Budget Management review scheduled. CEC IA: Budget review completed and savings realisation review scheduled.
8 (25)	Strategic	There is a risk that legislation is interpreted differently by the 3 parties (CEC, NHS and the Joint Board) leading to disruption of delivery and directions.	NO	N/A	N/A	N/A	N/A	N/A	Risk not auditable.
9 (9)	Operations - People	There is a risk that reductions in staff remove key skills and experience of the H&SCP workforce meaning the organisational model to deliver critical services is not optimised resulting in inefficient service delivery and budget overspend.	YES	NO	H	YES	●	YES	Some Assurance obtained from the budget & savings reviews to be undertaken by the NHS IA & CEC IA teams.
10 (5)	Strategic	Separate governance arrangements and approaches to information governance and ICT provision between the parties create turbulence, inefficiencies and stagnation, non-compliance and prohibit effective integrated working.	YES	NO	H	YES	●	YES	

Inherent rank (residual rank)	Category	Risk	Auditable risk	Sufficient other assurance available?	Rating (H/M/L)	Additional Assurance required for 2016/17	Assurance requirement	Review planned for 2016/17	Other Assurance/Notes
11 (8)	Strategic	There is a risk that senior management are not able to commit sufficient time to manage the strategic direction of the Joint Board and instead are focused on operational issues.	NO	N/A	N/A	N/A	N/A	N/A	Risk not auditable.
12 (6)	Financial	There is a risk that the NHS and/or CEC have a financial catastrophe which means the parties must renegotiate the budget for the delegated functions.	NO	N/A	N/A	N/A	N/A	N/A	Risk not auditable.
13 (14)	Strategic	There is a risk that the statutory duties of the Joint Board as set out in the 2014 Act are unmanageable and the decisions made by the Joint Board are secondary to those of NHS Lothian and CEC meaning the Joint Board has limited authority to influence its' collective outcomes.	NO	N/A	N/A	N/A	N/A	N/A	Risk not auditable.
14 (23)	Strategic	There is a risk that the corporate capital asset planning / arrangements are not sufficiently responsive to enable to delivery of the Strategic Plan.	YES	NO	M	NO	●	NO	
16 (10)	Strategic	There is a risk that the Joint Board lacks the knowledge, experience and capacity to deliver against the strategic outcomes of the Joint Board.	YES	NO	M	YES	●	YES	

Inherent rank (residual rank)	Category	Risk	Auditable risk	Sufficient other assurance available?	Rating (H/M/L)	Additional Assurance required for 2016/17	Assurance requirement	Review planned for 2016/17	Other Assurance/Notes
18 (29)	Operations - People	The governance structure of the Joint Board and its partners' means there is a risk of conflicts of interest between the needs of the Joint Board and individuals place of employment. This could be a barrier to effective decision making which results in inefficiencies in the delivery of services.	NO	N/A	N/A	N/A	N/A	N/A	Risk not auditable.
19 (26)	Operations - People	There is a risk that the cultural identity of the parent organisation restricts the ability of the Joint Board to align its staff such that the Joint Board does not operate in an efficient way to deliver its' strategic outcomes.	NO	N/A	N/A	N/A	N/A	N/A	Risk not auditable.
29 (38)	Operations - Information and IT	There is a risk that differences between the IT policies of CEC and NHS are not aligned meaning there are conflicts for users operating on both platforms and a risk that users do not comply with all policies.	YES	N/A	M	NO	●	YES	
30 (31)	Strategic	There is a risk that the Joint Board does not have robust risk and assurance structures in place leaving it less resilient to issues as they arise.	YES	NO	M	NO	●	NO	
31 (34)	Operations - others	Failure to meet H&S legal and regulatory requirements, particularly for jointly delivered services, leads to avoidable employee or 3rd party injury or ill health and/or regulatory fines and liability claims.	YES	NO	M	NO	●	NO	



Inherent rank (residual rank)	Category	Risk	Auditable risk	Sufficient other assurance available?	Rating (H/M/L)	Additional Assurance required for 2016/17	Assurance requirement	Review planned for 2016/17	Other Assurance/Notes
32 (32)	Hazard	Different and/or inconsistent policies (e.g. for business continuity and health and safety) between the NHS and CEC particularly in co-locations could result in conflicting responses to an incident resulting in delays to service deliveries.	YES	NO	M	NO	●	NO	
33 (35)	Strategic	There is a risk that the design of the operating model(s) of the Joint Board are not agreed with support from Elected Members and Trade Unions meaning the strategic direction of the Joint Board cannot be applied.	NO	N/A	N/A	N/A	N/A	N/A	Risk not auditable.
35 (37)	Operations - Information and IT	There is a risk that the changes in incremental operating elements of the Joint Board are not considered resulting in unforeseen outages and disruption to service delivery.	YES	N/A	M	NO	●	YES	
39 (39)	Operations - others	There is a risk that the Joint Board does not meet the reinforced staff governance standards following the NHS Reform (Scotland) Act 2004.	YES	NO	M	NO	●	NO	

#### Key to frequency of audit work

Assurance Requirement Rating	Frequency
●	Annual
●	Every three years
●	No further work

The audit requirement rating drives the frequency of internal audit work for each auditable risk.

# 3. Annual internal audit plan

## Internal Audit Capacity

The Integrated Joint Board has no indigenous internal audit capacity and is reliant upon its two partners (CEC & NHS) to provide internal audit services. For 2015/16 CEC has confirmed an intention to provide 3 internal audits for the Joint Board’s Audit & Risk Committee to direct. The NHS has indicated that it will provide one internal audit but this has yet to be formally confirmed. This audit plan is based upon the assumption that the NHS will provide one internal audit.

This level of capacity gives the audit plan the ability to provide assurance on all of the ‘High’ rated auditable risks within the audit universe where other assurance is not already available for 2016/17 but it does not provide any capacity to audit any ‘medium’ rated risks that have not already been covered within the 4 planned audits. There are 5 risks in this category.

It should also be noted that the Other Assurance available to the Joint Board, which in the main is derived from the activities of the CEC & NHS Internal Audit teams will not necessarily be available in future years.

## Annual plan and indicative timeline

The internal audit plan has been split out as shown below. Each proposed review for 2016/17 is included in the table below and has been cross referenced to the corresponding Risk Register risks.

Description	Internal Audit Team	Timeline				Link to Inherent Risk
		Q1	Q2	Q3	Q4	
1 <u>Management Information processes</u> Review the controls and processes in place surrounding the compilation of management information for the Joint Board.	CEC		✓			9 & 16
2 <u>Compliance with the Joint Board’s Directives</u> Review the processes and controls in place to assess and ensure compliance by CEC & NHS with the directives.	NHS			✓		2
3 <u>ICT Governance &amp; infrastructure planning</u> Review the governance procedures in place surrounding integration of the ICT environment and infrastructure.	CEC			✓		6, 10, 29 & 35
4 <u>Workforce planning</u> Review the processes and procedures in place to ensure that the work force has the necessary skills, knowledge and capacity to deliver against the Joint Board’s strategic outcomes.	CEC				✓	9 & 16

\*Initially proposed timing – may be subject to change.

It should be noted that all of these reviews will involve audit teams working across both CEC & NHSL and seeking the co-operation of both legacy NHS & legacy CEC staff members. This will require co-operation and understanding on all sides to ensure that cultural and expectation gaps are managed.

# Appendix 1: Risk scoring methodology

## Determination of Risk Ratings

We determine inherent risk as a function of the estimated **impact** and **likelihood** as set out in the tables below.

<i>Impact rating</i>	<i>Assessment rationale</i>
5	Critical impact on operational performance; or Critical monetary or financial statement impact; or Critical breach in laws and regulations that could result in material fines or consequences; or Critical impact on reputation/brand which could threaten future viability.
4	Major impact on operational performance; or Major monetary or financial statement impact; or Major breach in laws and regulations resulting in significant fines and consequences; or Major impact on reputation or brand.
3	Moderate impact on operational performance; or Moderate monetary or financial statement impact; or Moderate breach in laws and regulations with moderate consequences; or Moderate impact on reputation.
2	Minor impact on operational performance; or Minor monetary or financial statement impact; or Minor breach in laws and regulations with limited consequences; or Minor impact on reputation.
1	Insignificant impact on operational performance; or Insignificant monetary or financial statement impact; or Insignificant breach in laws and regulations with little consequence; or Insignificant impact on reputation.

<i>Likelihood rating</i>	<i>Assessment rationale</i>
5	Has occurred or probable in the near future
4	Possible in the next 12 months
3	Possible in the medium term (2-5 years)
2	Possible in the longer term (5-10 years)
1	Unlikely in the foreseeable future

The risk rating included in the assurance map in appendix 2 has been determined by the rounded inherent impact and likelihood scores of the individual risks within the risk register. An inherent risk score of 16 or more based on the rounded inherent impact and likelihood scores has been assessed as higher risk with medium risk scores assessed between 4 and 16.

# Appendix 2: Detailed Risk & Assurance Map

Inherent rank (residual rank)	Ranking (swing)	Category	Risk	Inherent risk score	Mitigating actions	Residual risk score	Future actions to be completed	Score swing	Risk rating (H/M/L)	Assurance available?	Other Assurance/Notes
1 (1)	8	Financial	A lack of a sustainable delegated resource (budget and financial model) increases the risk that the IJB doesn't meet budgets and fails to generate the required level of savings and efficiencies.	17.6	<ul style="list-style-type: none"> <li>• Robust financial reporting &amp; forecasting</li> <li>• Management team ownership of savings and driving delivery</li> <li>• CFO in place</li> <li>• All bodies existing finance models</li> <li>• Financial regulations (parties and IJB)</li> </ul>	14.4	None identified	3.2	H	YES	Assurance gained from: NHS IA: Budget Management review scheduled CEC IA: Budget review completed and savings realisation review scheduled
2 (2)	22	Strategic	The NHS and Council are not able to deliver on the directions flowing from the Strategic Plan within the associated directed resource	15.9	<ul style="list-style-type: none"> <li>• Quarterly partnership interface group (finance and risk matters)</li> <li>• Monthly Strategic Interface Group (representatives from NHSL and IJB)</li> </ul>	14.0	None identified	1.9	H	NO	
3 (3)	18	Operations - others	There is a risk that the IJB does not meet its statutory performance targets (e.g. the 4 hour A&E waiting time target or 12 week for planned treatment) resulting in reputational damage and/or financial penalties.	15.2	<ul style="list-style-type: none"> <li>• Joint Board quality and performance sub group</li> <li>• Agreed performance framework</li> <li>• Management information</li> </ul>	13.0	<ul style="list-style-type: none"> <li>• Clarity on reporting framework</li> </ul>	2.2	H	YES	NHS IA: Performance target and monitoring review scheduled
4 (4)	12	Financial	There is a risk that the CEC and NHS do not fully and appropriately implement the savings inherent in the directed resource model resulting in non-delivery of Strategic Plan.	14.8	<ul style="list-style-type: none"> <li>• Management team ownership of savings and driving delivery</li> <li>• CFO in place</li> <li>• All bodies existing finance models - Financial regulations (parties and IJB)</li> </ul>	12.2	<ul style="list-style-type: none"> <li>• star chambers to hold managers accountable for delivery of savings</li> </ul>	2.6	H	YES	Assurance gained from: NHS IA: Budget Management review scheduled CEC IA: Budget review completed and savings realisation review scheduled
5 (18)	4	Strategic	The design and operating effectiveness of the professional administrative and technical services does not meet the requirements of the partnership to support the delivery of the strategic outcomes.	14.1	<ul style="list-style-type: none"> <li>• Reliant on the Integration Managers coordination</li> <li>• Involvement of Chief Officer and management team</li> </ul>	9.2	<ul style="list-style-type: none"> <li>• Outcome based SLAs</li> <li>• Chief Officer / Chief Finance Officer review and negotiate</li> </ul>	4.8	H	NO	

Inherent rank (residual rank)	Ranking (swing)	Category	Risk	Inherent risk score	Mitigating actions	Residual risk score	Future actions to be completed	Score swing	Risk rating (H/M/L)	Assurance available?	Other Assurance/Notes
6 (24)	1	Operations - Information and IT	There is a risk of inefficiencies as the NHS and Council operate on different systems (e.g. case management, HR and finance systems) which are not integrated meaning it is difficult to get complete and accurate management information.	14.0	<ul style="list-style-type: none"> <li>• ICT tactical solutions</li> <li>• Staff work arounds in short term</li> </ul>	8.1	<ul style="list-style-type: none"> <li>• Decisions on information governance ICT delivery plan</li> </ul>	5.9	H	NO	
7 (7)	14	Financial	Lack of clarity around delegated resources, savings and assumptions leads to unsustainable financial plan and associated risk to delivery of strategic plan	13.7	<ul style="list-style-type: none"> <li>• Management team ownership of savings and driving delivery</li> <li>• CFO in place</li> <li>• All bodies existing finance models</li> <li>• Financial regulations (parties and IJB)</li> <li>• Due diligence process</li> </ul>	11.2	None identified	2.5	H	YES	Assurance gained from: NHS IA: Budget Management review scheduled CEC IA: Budget review completed and savings realisation review scheduled
8 (25)	2	Strategic	There is a risk that legislation is interpreted differently by the 3 parties (CEC, NHS and IJB) leading to disruption of delivery and directions.	13.7	<ul style="list-style-type: none"> <li>• Ongoing negotiation and discussion between the parties</li> <li>• Tripartite agreement in place</li> </ul>	7.8	<ul style="list-style-type: none"> <li>• Independent legal advice for the IJB</li> </ul>	5.8	H	NO	
9 (9)	13	Operations - People	There is a risk that reductions in staff remove key skills and experience of the H&SCP workforce meaning the organisational model to deliver critical services is not optimised resulting in inefficient service delivery and budget overspend.	13.3	<ul style="list-style-type: none"> <li>• interim management team and temporary reporting lines in place</li> <li>• Integrated partnership structure agreed and out to consultation</li> </ul>	10.9	<ul style="list-style-type: none"> <li>• process to appoint to structure agreed and plan in place to progress following</li> </ul>	2.5	H	NO	Some assurance obtained from the budget & savings reviews to be undertaken by the NHS IA & CEC IA teams.
10 (5)	32	Strategic	Separate governance arrangements and approaches to information governance and ICT provision between the parties create turbulence, inefficiencies and stagnation, non-compliance and prohibit effective integrated working.	13.0	<ul style="list-style-type: none"> <li>• Leadership &amp; direction from the Joint Board (development session 15/4)</li> </ul>	11.9	<ul style="list-style-type: none"> <li>• Decision on information governance options</li> <li>• Form joint committee with representatives from NHSL &amp; CEC to develop IT strategy</li> </ul>	1.1	H	NO	

Inherent rank (residual rank)	Ranking (swing)	Category	Risk	Inherent risk score	Mitigating actions	Residual risk score	Future actions to be completed	Score swing	Risk rating (H/M/L)	Assurance available?	Other Assurance/Notes
11 (8)	20	Strategic	There is a risk that senior management are not able to commit sufficient time to manage the strategic direction of the IJB and instead are focused on operational issues.	12.9	<ul style="list-style-type: none"> <li>regular senior management team meetings chaired by CO to ensure shared agenda</li> <li>challenge from IJB re pace of change</li> <li>work has started to pull together threads in strategic plan (eg incorporating all mental health planned actions into one overarching strategy)</li> </ul>	10.9	<ul style="list-style-type: none"> <li>structure fully implemented including filling vacant posts</li> <li>Clarity on remit of the executive team</li> <li>Agenda planning for executive team</li> </ul>	2.1	M	NO	
12 (6)	31	Financial	There is a risk that the NHS and/or CEC have a financial catastrophe which means the parties must renegotiate the budget for the delegated functions.	12.8	<ul style="list-style-type: none"> <li>Tripartite agreement drafted</li> <li>ongoing dialogue with CEC and NHSL</li> <li>CEC reserves</li> <li>Scottish Government</li> </ul>	11.7	<ul style="list-style-type: none"> <li>Tripartite agreement signed</li> <li>Information sharing</li> </ul>	1.1	M	NO	
13 (14)	10	Strategic	There is a risk that the statutory duties of the IJB as set out in the 2014 Act are unmanageable and the decisions made by the IJB Board are secondary to those of NHS Lothian and the Council meaning the IJB Board has limited authority to influence its' collective outcomes.	12.5	<ul style="list-style-type: none"> <li>Ongoing negotiation</li> <li>Tripartite agreement</li> </ul>	9.6	<ul style="list-style-type: none"> <li>Independent legal advice for the IJB</li> </ul>	3.0	M	NO	
14 (23)	9	Strategic	There is a risk that the corporate capital asset planning / arrangements are not sufficiently responsive to enable to delivery of the Strategic Plan	11.6	<ul style="list-style-type: none"> <li>Staff in former CHP work on capital/property</li> </ul>	8.4	<ul style="list-style-type: none"> <li>Asset management strategy to be developed</li> </ul>	3.2	M	NO	
16 (10)	33	Strategic	There is a risk that the IJB lacks the knowledge, experience and capacity to deliver against the strategic outcomes of the IJB.	11.2	<ul style="list-style-type: none"> <li>interim management team in place</li> <li>Strong visible leadership from the CO</li> </ul>	10.4	<ul style="list-style-type: none"> <li>Implementation of structure and filling of roles with individuals with appropriate skills</li> <li>Training programme to be developed where appropriate</li> <li>Robust change management plan for service reviews</li> </ul>	0.8	M	NO	

Inherent rank (residual rank)	Ranking (swing)	Category	Risk	Inherent risk score	Mitigating actions	Residual risk score	Future actions to be completed	Score swing	Risk rating (H/M/L)	Assurance available?	Other Assurance/Notes
18 (29)	6	Operations - People	The governance structure of the IJB and its partners' means there is a risk of conflicts of interest between the needs of the IJB and individuals place of employment. This could be a barrier to effective decision making which results in inefficiencies in the delivery of services.	10.9	<ul style="list-style-type: none"> <li>• Integrated executive team in place</li> </ul>	7.3	<ul style="list-style-type: none"> <li>• Clarity on clinical and social care governance arrangements</li> <li>• Clarity on staff and professional governance arrangements</li> </ul>	3.6	M	NO	
19 (26)	7	Operations - People	There is a risk that the cultural identity of the parent organisation restricts the ability of the IJB to align its staff such that the IJB does not operate in an efficient way to deliver its' strategic outcomes.	10.9	<ul style="list-style-type: none"> <li>• Staff communication plan in place/developed</li> </ul>	7.5	<ul style="list-style-type: none"> <li>• IJB communication and engagement plan to cover staff engagement required</li> </ul>	3.3	M	NO	
29 (38)	5	Operations - Information and IT	There is a risk that differences between the IT policies of the Council and NHS are not aligned meaning there are conflicts for users operating on both platforms and a risk that users do not comply with all policies.	9.5	<ul style="list-style-type: none"> <li>• ICT champion in place</li> <li>• Joint boards development session held in May</li> </ul>	5.3	<ul style="list-style-type: none"> <li>• Decisions on information governance</li> <li>• ICT delivery plan agreed and resourced by NHS and Council</li> </ul>	4.3	M	NO	
30 (31)	17	Strategic	There is a risk that the IJB does not have robust risk and assurance structures in place leaving it less resilient to issues as they arise.	9.2	<ul style="list-style-type: none"> <li>• PwC support of risk development</li> <li>• Paper on risk management strategy</li> </ul>	7.0	<ul style="list-style-type: none"> <li>• Need permanent central partnership risk officer</li> </ul>	2.2	M	NO	
31 (34)	11	Operations - others	Failure to meet H&S legal and regulatory requirements, particularly for jointly delivered services, leads to avoidable employee or 3rd party injury or ill health and/or regulatory fines and liability claims.	9.2	<ul style="list-style-type: none"> <li>• Insurance for Council</li> <li>• CNORIS scheme for NHS</li> </ul>	6.4	<ul style="list-style-type: none"> <li>• Need a decision for clinical negligence for the council</li> </ul>	2.7	M	NO	
32 (32)	15	Hazard	Different and/or inconsistent policies (e.g. for business continuity and health and safety) between the NHS and the Council particularly in co-locations could result in conflicting responses to an incident resulting in delays to service deliveries.	9.1	<ul style="list-style-type: none"> <li>• Continue working to existing policies</li> </ul>	6.7	None identified	2.4	M	NO	

Inherent rank (residual rank)	Ranking (swing)	Category	Risk	Inherent risk score	Mitigating actions	Residual risk score	Future actions to be completed	Score swing	Risk rating (H/M/L)	Assurance available?	Other Assurance/Notes
33 (35)	19	Strategic	There is a risk that the design of the operating model(s) of the IJB are not agreed with support from Elected Members and Trade Unions meaning the strategic direction of the IJB cannot be applied.	8.6	• Ongoing consultation and negotiation	6.4	• Engagement and change plan	2.2	M	NO	
35 (37)	16	Operations - Information and IT	There is a risk that the changes in incremental operating elements of the IJB are not considered resulting in unforeseen outages and disruption to service delivery.	8.1	• ICT champion in place • Joint boards development session held in May	5.8	• Decisions on information governance ICT delivery plan agreed and resourced by NHS and Council	2.4	M	NO	
39 (39)	3	Operations - others	There is a risk that the IJB does not meet the reinforced staff governance standards following the NHS Reform (Scotland) Act 2004.	7.3	• Embedded in statute and compliance mandatory • strong relations with staff side representatives through regular meetings/partnership groups and good communications • CEC/NHSL shared HR protocol in place	2.3	None identified	5.0	M	NO	