

REPORT

Edinburgh Integration Joint Board Audited Annual Accounts for 2020/21

Edinburgh Integration Joint Board

26 October 2021

Executive Summary

This paper presents the audited 2020/21 annual accounts for the Edinburgh Integration Joint Board.

Recommendations

The board is asked to:

1. note the 'amber' rated Internal Audit opinion for the year ended 31st March 2021;
2. approve and adopt the annual accounts for 2020/21;
3. delegate authority to the Chief Finance Officer to resolve and amend any minor textual issues in the annual report up to the date of sign off with Audit Scotland;
4. authorise the designated signatories (Chair, Chief Officer and Chief Finance Officer) to sign the annual report & accounts on behalf of the Board; and
5. authorise the Chief Finance Officer to sign the representation letter to the auditors, on behalf of the Board.

Directions

| | | |
|---|--|---|
| Direction to City of Edinburgh Council, NHS Lothian or both organisations | No direction required | ✓ |
| | Issue a direction to City of Edinburgh Council | |
| | Issue a direction to NHS Lothian | |
| | Issue a direction to City of Edinburgh Council & NHS Lothian | |

Report Circulation

1. The unaudited annual accounts were considered by the Audit and Assurance Committee on 11th June 2021.
2. Audited annual accounts along with the external audit annual report and the internal audit annual opinion were considered by the same committee on 1st October 2021.

Main Report

Background

3. Integration Joint Boards (IJBs) are required to produce annual accounts. As the appointed “proper officer”, it is the responsibility of the Chief Financial Officer, to prepare the financial statements in accordance with relevant legislation and the Code of Practice on Local Authority Accounting in the United Kingdom.
4. Draft financial statements were presented to the Audit and Assurance Committee (AAC) on 11th June 2021. Following this, these were subject to audit scrutiny over the summer months with the final, audited accounts presented to AAC on 1st October 2021. A small number of minor presentational amendments suggested by AAC have been actioned.

Audit and completion

5. Over the summer months the draft financial statements were considered by the appointed external auditors, Azets Audit Services Limited. At the time the accounts were considered by AAC, the audit testing was incomplete. As such,

the committee noted that the external audit opinion was subject to satisfactory completion of testing.

6. This work has concluded and the auditors 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.
7. The financial statements for the IJB for 2020/21 are attached as appendix 1 to this report.
8. The proposed Annual Audit Report from Azets is attached at appendix 2. It should be noted that, 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 Chief Finance Officer up to the date the accounts are signed by the auditors.

Representation letter

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

Internal audit opinion

10. The Chief Internal Auditor has produced an internal audit annual opinion 2020/21 for the IJB based on activity undertaken for the financial year ended 31st March 2021. This was presented to and discussed by the Audit and Assurance Committee on 20th August 2021 and is included as appendix 4 to this report.
11. Internal Audit (IA) considers that some improvement is required to the IJB control environment and governance and risk management frameworks and is

reporting an 'amber' rated opinion with an assessment towards the top of this category. This outcome is aligned with the 2019/20 IA opinion.

12. This opinion is based on the outcomes of the three audits completed as part of the 2020/21 IA annual plan and the status of open IJB IA findings as at 31st March 2021; and is also informed by the outcomes of relevant Partnership audits performed by the City of Edinburgh Council and NHS Lothian, and the status of any open and overdue Partnership IA findings. It states:

“Whilst some control weaknesses were identified, in the design and/or effectiveness of the control environment and/or governance and risk management frameworks, they provide reasonable assurance that risks are being managed, and the EIJB’s objectives should be achieved.”

Implications for Edinburgh Integration Joint Board

Financial

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

Legal/risk implications

14. There are no specific implications arising from this report.

Equality and integrated impact assessment

15. There are no specific implications arising from this report.

Environment and sustainability impacts

16. There are no specific implications arising from this report.

Quality of care

17. There are no specific implications arising from this report.

Consultation

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

Report Author

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Appendices

| | |
|------------|---|
| Appendix 1 | Edinburgh Integration Joint Board Annual Accounts 2020/21 |
| Appendix 2 | 2020/21 Annual Audit Report to the Board and the Accounts Commission for Scotland |
| Appendix 3 | Letter of representation |
| Appendix 4 | Internal Audit annual opinion 2020/21 |

Edinburgh Integration Joint Board

Annual Accounts 2020/21

Edinburgh Integration Joint Board - Annual Accounts 2020/21

The Annual Accounts of Edinburgh Integration Joint Board for the year ended 31 March 2021, 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 2020/21 and Service Reporting Code of Practice.

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MANAGEMENT COMMENTARY

Introduction

This commentary provides an overview of progress against the objectives and strategy of the Edinburgh Integration Joint Board (EIJB). It considers our financial performance for the year ended 31st March 2021 and gives an indication of the issues and risks which may impact upon our finances in the future.

Role and remit

Edinburgh Integration Joint Board

EIJB was established as a body corporate by order of Scottish Ministers in June 2015 under the Public Bodies (Joint Working) (Scotland) Act 2014. This legislation brought together the planning and operational oversight for a range of NHS and Local Authority services under the EIJB as a statutory public body, with the intent to improve overall health and wellbeing through the delivery of efficient and effective health and social care services.

Integration Authorities were established to transform health and care in response to the challenges faced across the system. This transformation is happening against a backdrop of sustained real terms reductions in funding, coupled with a demand for health and social care services which is projected to increase significantly and at a faster rate than the wider economy.

One of the key levers available to the EIJB to support transformation is that NHS and Local Authority budgets are no longer separate. We can move resources between the partners in order to deliver new models of care and ensure the health and care system for Edinburgh is high quality, sustainable and effective.

The board meets bi monthly and has 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 also sit on the Board as advisory members.

Delegated services

We are responsible for planning the future direction of, and overseeing the operational delivery of, integrated health and social care services for the citizens of Edinburgh. These services are delegated to EIJB from our partners, the City of Edinburgh Council and NHS Lothian. They are largely delivered by the Edinburgh Health and Social Care Partnership (the Partnership), although some are managed by NHS Lothian on our behalf. These are referred to as “hosted” or “set aside” services. The full range of delegated services is set out in the table below:

| Adult social care | Community health | Hospital-based services |
|---|--|--|
| <ul style="list-style-type: none"> • Assessment and care management including occupational therapy • Residential care • Extra-care housing and sheltered housing • Intermediate care • Supported housing – learning disability • Rehabilitation – mental health • Day services • Local area coordination • Care at home services • Reablement • Rapid response • Telecare • Respite services • Quality assurance and contracts • Sensory impairment services • Drugs and alcohol services | <ul style="list-style-type: none"> • District nursing • Services relating to an addiction • Services provided by allied health professionals (AHPs) • Community dental services • Primary medical services (GP)* • General dental services* • Ophthalmic services* • Pharmaceutical services* • Out-of-hours primary medical services • Community geriatric medicine • Palliative care • Mental health services • Continence services • Kidney dialysis • Prison health care service • Public health services <p>* includes responsibility for those aged under 18</p> | <ul style="list-style-type: none"> • A&E • General medicine • Geriatric medicine • Rehabilitation medicine • Respiratory medicine • Psychiatry of learning disability • Palliative care • Hospital services provided by GPs • Mental health services provided in a hospital with exception of forensic mental health services • Services relating to an addiction or dependence on any substance |

Strategic Plan

Over the past five years, the EIJB has established itself as a board and developed its ambitions and priorities for change and improvement in the services delegated to it by its partner organisations. Throughout this period, we have made steady progress, but face testing times ahead. 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. The rate of growth is higher in some age groups than others. Whilst this expansion 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 work with our partners to reduce health and social inequalities.

In August 2019 we agreed our strategic plan for 2019-2022. The plan defines our vision for the future of health and social care in Edinburgh, explains how we intend to transition towards this and highlights the resources and enablers we must manage to achieve our objectives. There remains much to do, but together we can create the conditions to deliver a sustainable health and social care model for the citizens of Edinburgh.

We are now engaged in the next planning cycle, remaining focussed on four key areas: redefining the Edinburgh Pact, embracing the three conversations approach, adopting the principle of home first and

advancing our transformation programme. The current strategic plan can be found [here](#) and our strategic framework is captured in the schematic below



Our intent, as encapsulated in the strategic plan, is to further develop integration to deliver a sustainable and trusted health and social care system for Edinburgh. We seek to shrink bureaucracy, reduce waiting lists, improve choice and assist people to remain at home for as long as they can under the principle of home first. Working closely with our partners including housing providers and the voluntary and independent sectors, we seek to optimise all available resources in the community and to support and enhance our locality framework and redefine the Edinburgh health and social care offer.

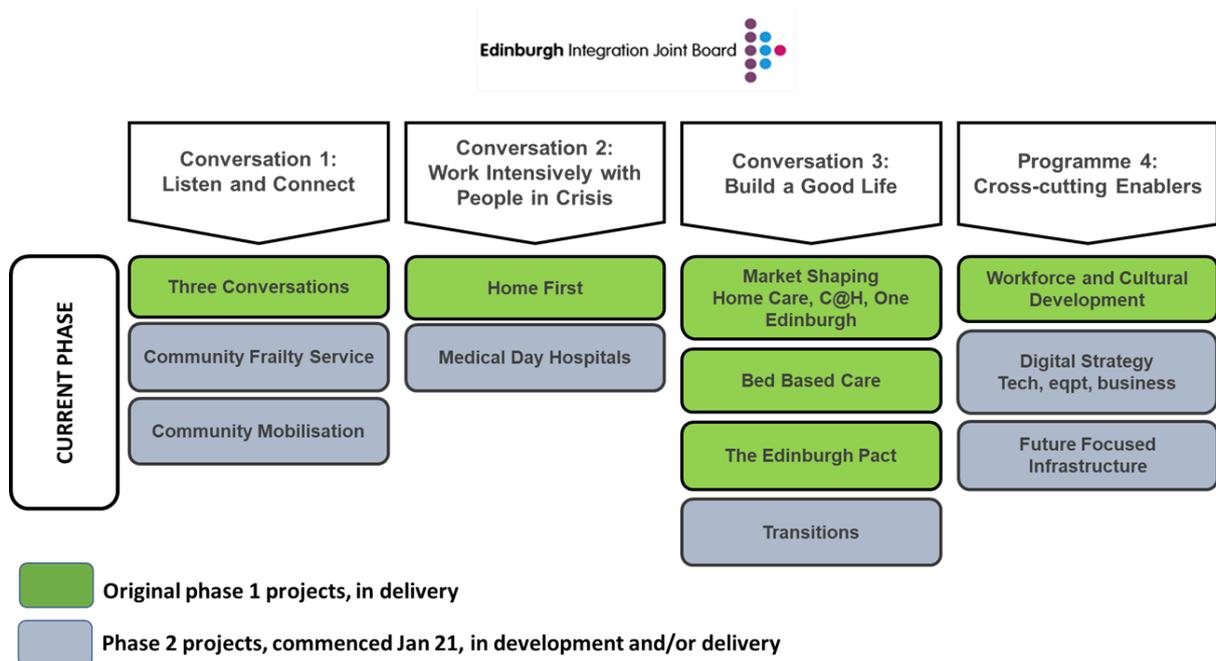
We will strive to support carers and our workforce and seek to grow a culture of collaboration, maximising capacity, driving out inefficiencies and enshrining continuous improvement. We will seek to better align and integrate our planning and commissioning process, financial planning, market facilitation approach and ways of working. We will make best use of existing and emerging technology and the three conversations approach will be introduced across the city to advance our strategic priorities. Delivering these vital changes will take time and will need positive leadership and drive at all levels.

We have six strategic priorities which are critical to our success in implementing the changes envisaged through integration. They will shape our thinking and guide decision making as we navigate through an increasingly challenging strategic environment. These six strategic priorities are:



Transformation programme

To deliver the vision set out in the strategic plan, we designed a comprehensive programme of redesign and transformation, working in tandem with other core strategies such as Carers, Thrive Edinburgh (mental health) and the Primary Care Improvement Plan. Our transformation programme remains a key element of our strategy, and is a wide-ranging and ambitious programme of change and innovation which aims to deliver high quality and sustainable health and social care services for our citizens. A dedicated programme delivery team was recruited to drive the programme, which launched formally in February 2020. As illustrated in the diagram below, the programme has been structured around the 3 Conversations model, with 3 main programmes of work aligned to conversation stages and a further element delivering cross-cutting, enabling change.



Our transformation programme has continued to make good progress, despite additional challenges presented by the COVID-19 pandemic. The **3 Conversations** approach is rolling out widely across our locality teams, with positive impacts both in terms of much quicker response times and our ability to support people towards good outcomes without the need for formal, paid-for services. The **home first** project is helping to avoid the need for hospital admission and supporting people to get home as quickly as possible once it is safe for them to do

so. We aim to embed the home first ethos, with a dedicated staff team, into our business as usual service by the end of 2021.

Significant work has been completed to develop an overarching, strategic **bed based care strategy**. Phase 1 of the strategy was presented to the EIJB in June 2021 and focussed on the innovative redesign of models of care in intermediate care, care homes and hospital based continuing complex care (HBCCC). The bed based care strategy will provide the framework for the implementation of person-centred, high-quality bed-based services which maximise capacity, manage demand and provide quality outcomes for individuals in the right place and at the right time.

We have completed an extensive engagement exercise to develop our **Edinburgh wellbeing pact** and are now moving towards the first stages of practical enactment of the pact through the delivery of our community mobilisation plan. The plan, which was approved by the EIJB in April 2021, will see the development of more collaborative, partnership approaches to supporting community sector organisations, including the roll-out of community-based approaches to commissioning to replace traditional grants programmes.

We have also made good progress with our **home based care** transformation, working closely with independent sector providers in the development of a “One Edinburgh” approach to care at home services, which will focus on quality outcomes and creating additional capacity. The new contract is expected to be in place by March 2022. In parallel, we are transforming our models of internal home care, supported by the development of a business case for a new, fit-for-purpose scheduling tool to enable more efficient deployment of our workforce.

Elements of the strategic programme have been affected by the COVID-19 pandemic and the lessons learned have been folded into individual projects. Over the next stage of the strategic planning cycle, our priorities and planned actions will be refined and adjusted where necessary and any identified gaps will be closed. The projects within the transformation programme will transition to join the core strategic programme to coincide with the publication of the next 3-year strategic plan for 2022-2025 in March 2022 and allowing us to continue to drive performance and quality improvement across all delegated services.

Operational overview

Annual performance report

We will publish our fifth annual performance report at the end of October 2021 which will provide a review of the progress made during 2020/21. The year has been shaped by the response to the new coronavirus (COVID-19) and resulting global pandemic. The subsequent restrictions have had a significant impact on operational service delivery. Services have had to adapt, with many having to change their focus to meet emerging frontline needs and continue to deliver services to our most vulnerable citizens within a rapidly-changing landscape.

The Annual Performance Report for 2020/21 outlines our progress over the last year against our strategic plan 2019-22 and the ways that services responded to the pandemic. As in previous years, we detail our performance against the six strategic priorities in our strategic plan and against the national health and wellbeing outcomes and associated indicators.

We compare favourably to the Scottish average in 11 out of 19 of the national indicators and are closing the gap in others. We have positive trends in the majority of the indicators we can compare across the life of the partnership. However, our performance against almost all the national indicators in 2020/21 has been affected by the covid-19 pandemic. While this makes it difficult to directly compare our performance against previous years, the changes seen in Edinburgh figures this year broadly reflect national trends.

The rate of emergency admissions and bed days dropped in Edinburgh in 2020, in line with the national drop in people attending hospital. Readmissions continued at a higher rate than the Scottish average and we are continuing work to better understand our performance in this area. The downward trend in the rate of days

people over 75 spend in hospital when they are ready to be discharged continued. Between 2019/20 and 2020/21, this figure decreased by 51% in Edinburgh compared to a 37% decrease in the figure for Scotland. This likely builds on the success of our Home First model, which was accelerated during the pandemic.

Despite the disruption this year, we continue to deliver on our transformation programme. This included redefining the Edinburgh offer, embracing the three conversations approach, and adopting the principle of home first. These pieces of work have become more crucial considering the impact the pandemic had on our services and the lives of individuals across Edinburgh.

COVID-19 impact and response

The last 12 months have been extremely challenging for our citizens, staff and partners. We have had to respond swiftly to protect and find new ways of delivering services to our most vulnerable citizens within a rapidly-changing landscape. Colleagues across health and social care have risen to the challenge presented by COVID-19, showing a great deal of flexibility and inventiveness in altering service delivery arrangements and stepping up the use of IT and other technologies to maintain support to the people of Edinburgh. Barriers between health and social care are being dismantled as teams work in a more integrated way, accelerating the wider adoption of ways of working that were in place before the pandemic. COVID-19 also presented an opportunity to build on and further enhance our community connections. This will support the continuing development of strong, sustainable and supportive communities for the future.

Turning to the Partnership's response, throughout the year the Partnership sought to innovate and improve services within the restrictions in place. While many services were disrupted by COVID-19, new and adapted ways of working allowed quality support to continue to be provided. This included making more use of telephone and online methods of connecting with people in need of support, from outbound wellbeing calls to online classes. Digital technology and the redeployment of staff also allowed us to work in new ways that provided greater flexibility to service delivery.

Examples of innovation include online support to prevent falls in care homes, and livestreaming Fit for Health and physiotherapy classes to support people to stay physically active during the pandemic. NearMe and similar technology used by GPs and other services to allow them to attend virtually in people's homes. ATEC24 (Assistive Technology Enabled Care 24) initiated an outbound calling service to check on individuals' wellbeing, provide companionship and offer advice and support on coping with lockdown. Similar calls were made to those with a dementia diagnosis who were living in their own homes with no formal service involvement.

To protect staff and service users, the Partnership had to make the very difficult decision to pause some services, including day centres and respite care, with many other services disrupted or offering reduced delivery. In May 2020, a Route Map Project Board was established to support implementation of the Scottish Government's Route Map through and out of the COVID-19 crisis. While this work was paused as restrictions returned later in 2020, this Project Board was restarted in early 2021 to support the remobilisation of services into 2021/22.

While this was a difficult year for health and social care workers, our people remained committed and flexible throughout this crisis, with many staff being temporarily redeployed to support our response to COVID-19. A Care Home Support team was developed, initially using redeployed staff, to help care homes comply with increased safety measures in place to keep residents and staff safe as well as the additional reporting and testing regimes. While services were shut due to pandemic restrictions, the Southeast Mobility and Rehabilitation Technology (SMART) team, hosted by the Partnership, shifted their attention to the creation and distribution of personal protective equipment (PPE) and other support to frontline services. 8.4 million items were issued across the southeast of Scotland. The team also utilised their resources to manufacture over 34,000 face shields (visors), producing 1,875 on their busiest day. This incredible flexibility was representative of many teams during the pandemic.

The impact of the pandemic on our finances is covered in the financial performance section below.

Financial Overview

Annual Accounts

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.

2020/21 Financial Plan

Each year we produce a financial plan which sets out how we ensure our limited resources are targeted to maximise the contribution to our objectives in the year ahead. For 2020/21 our financial plan (agreed by the board in July 2020) assumed funding from our partners totalling £685m and estimated costs for the year at £707m, giving an initial gap of £22m. To mitigate this, we agreed a savings and recovery programme of £16m and further mitigating actions totalling £6m to balance the plan.

In August 2020 the board agreed to implement the nationally mandated 3.3% uplift to contracts to support providers to pay the living wage. This recognised of the work all health and social care staff make towards keeping vulnerable people in our city safe. Although this decision added a further financial challenge the board recognised that it was required to ensure providers were enabled to maintain a fair working regime to suitably recompense workers for the key roles they are undertaking, and to support our strategic intent to build and maintain a high quality, skilled and sustainable health and social care workforce.

Regular updates on the financial position were provided to the Performance and Delivery Committee as well as to the EIJB itself. Included in these regular updates were details of the financial impact of the pandemic and progress with the savings and recovery programme.

Financial Performance

EIJB's financial performance for the year is presented in the comprehensive income and expenditure statement, which can be seen on page 29. The balance sheet (page 30) sets out the liabilities and assets at 31st March 2021.

Financial performance is disclosed in the annual accounts on a different basis from that used to report the ongoing financial performance monthly to the board. The latter considers actual costs against budget and the former captures income and expenditure.

For the year, we are reporting a surplus of £22.2m in the annual accounts, largely as a result of the additional funding made available by the Scottish Government. All funding received during the year but not yet spent has been transferred to reserves, bringing our total reserves to £25.4m. The vast majority of these reserves is 'ring fenced' for specific purposes, with the balance of £1.0m being held in general reserve and the diagram below sets out the categorisation of these funds.

| | |
|--|--|
| <p>Funding received in 2020/21 for COVID pressures (£11.6m)</p> | <ul style="list-style-type: none"> • a share of £100m provided nationally to support ongoing COVID costs, including new ways of working and additional capacity • funding received in 2020/21 to meet costs in 2021/22 |
| <p>Community living change fund (£1.9m)</p> | <ul style="list-style-type: none"> • Edinburgh's share of £20m provided to facilitate discharge from hospital of people with complex needs |
| <p>Funding for specific initiatives (£4.9m)</p> | <ul style="list-style-type: none"> • Action 15 • Primary Care improvement funding • Drug and alcohol monies |
| <p>Other balances (£5.9m)</p> | <ul style="list-style-type: none"> • includes: • balance of transformation funding previously agreed by the EIJB • unscheduled care monies which would historically been carried forward by SG on behalf of NHS Lothian |
| <p>The surplus for the year (£1.0m)</p> | <ul style="list-style-type: none"> • surplus against the delegated budget |

Key

- Earmarked reserves**
- General reserves**

This is the second year in a row in which we have achieved financial balance without additional support from our partners at the City of Edinburgh Council and NHS Lothian. Whilst there is no doubt that the pandemic made interpreting financial information more difficult, this nonetheless demonstrates the sustained improvements in financial planning and performance. Overall, we incurred costs of £850m during the year, £40.5m as a direct result of COVID-19.

The pandemic clearly had an impact on our finances, and this was closely monitored during the year. NHS Lothian submitted regular information to Scottish Government through the Local Mobilisation Plan (LMP). These returns were the main route for confirming the additional cost and funding required in supporting the COVID-19 response. Through this process the financial consequences of the pandemic were funded in full by the Scottish Government. Detailed below are some of the initiatives and responses funded as a direct consequence of the pandemic:

- **Sustainability payments** - since the beginning of lockdown the Health and Social Care Partnership has been supporting local social care providers by ensuring that reasonable additional costs are

met through the National Principles for Sustainability and Remobilisation Payments to Social Care Providers. COSLA, Scottish Government and key partners regularly review the principles and evolving COVID situation to ensure that they are fit for purpose and service providers are supported to deliver a sustainable service;

- **Additional capacity** - we introduced a 'safehaven' model as a short-term approach to deal with the exceptional circumstances and to relieve the strain on acute medical services. Normal assessment processes for meeting long-term care were replaced with a brief assessment led by a home first team member and, if appropriate, the person found a residential care placement until the emergency situation has passed. The 'safehaven principle' was also applied for those whose normal caring arrangements had been compromised, for example, by the primary carer becoming unwell;
- **COVID assessment hub** - in April 2020 we set up COVID-19 assessment hubs as part of NHS Lothian's regional strategy for the management of patients needing assessment for possible coronavirus infection. Mobile testing units were also set up to identify positive cases and break chains of transmission;
- **Vaccination programme** – the Partnership is proud to be playing its part in the biggest vaccination programme the country has ever seen, to help protect the population from COVID-19. Our dedicated clinical and administrative team develop, manage and deliver the Edinburgh, offering vaccinations in line with the Joint Committee of Vaccination and Immunisation (JCVI) prioritisation programme. We acknowledge the support to the vaccination programme provided by Partnership staff, City of Edinburgh Council staff, volunteers and partners and their role in maintaining safe and effective vaccine service provision;
- **Health and social care staff bonus payment** - one off thank you payments to health and social care staff to recognise their extraordinary services in this toughest of years. Payments were also made to staff working in for external providers in adult social care services; and
- **Slippage in the delivery of savings** – recognising that the workforce was focused on continuity of service during the pandemic, the savings and recovery programme agreed as part of the financial plan was not delivered in full.

We received funding of £43.4m to meet the net additional costs of the pandemic and spent £40.5m (£29m on services ran by the Council and £11.5m on those provided by NHS Lothian). Reflecting the fact that COVID-19 related costs will span across financial years, the Scottish Government has confirmed that any associated funding allocations which have not been fully used in 2020/21 should be carried forward to 2021/22. Accordingly we have transferred the balance of £2.9m to an earmarked reserve.

As described above the comprehensive income and expenditure statement is recording a surplus of £22.2m. Comparing the actual costs for the year to the delegated budget gives a much lower surplus of £1.0m. The impact of the pandemic on expenditure levels has meant that the underlying variances to budget are more difficult to interpret than in previous years. Despite this it is clear that the financial pressures facing us have not materially changed, these include:

- **Externally purchased services** where demographic factors continue to drive demand for these services, this is also evidenced in the continuing growth in direct payments and individual service funds. Although we have seen significant growth of 9% during 2020/21 this was largely in line with assumptions. In the main, the increased costs can be attributed to spot purchasing, predominantly care at home, care and support, residential services and direct payments;
- **Medicines** prescribed by General Practitioners cost £79m in 2019/20. This is an area where, although Edinburgh has one of the lowest costs per head of population, we see costs rising year on year as volumes increase and costs fluctuate. Although normally presenting an in year pressure, a combination of financial plan and COVID funding resulted in a slight in year underspend;
- Costs for **equipment** supplied from our community store which supports people to live independently at home also continue to rise in line with demand; and

Our in year surplus of £1.0m has been transferred to a general reserve. It is clearly extremely positive that, for the second year in a row, we have not had to rely on additional financial support from our partners. However, the continued reliance on one off measures to achieve financial balance remains a concern. As a board we face a number of significant and long standing financial pressures and a baseline gap in our financial plan which we struggle to address on a recurring basis. Our integration and sustainability work (which is discussed in the following section) begins to set out what a path to financial sustainability could look like and this will be further developed in the coming financial year.

Financial Framework 2021-2024

We continue to face unprecedented challenges to the sustainability of our health and care system; an ageing population; an increase in the number of people living with long term condition; a reduction in the working age population which compounds the challenge in workforce supply and fundamentally resource availability cannot continue to match levels of demand. These challenges are enduring and the recent Independent Review of Adult Social care recognises that adult social care support in Scotland requires greater investment.

In the case of Edinburgh this is evidenced by the structural deficit which the IJB inherited from partners (particularly for social care services). Since its inception the EIJB has routinely faced an underlying budget gap of between £10m and £15m which we are unable to bridge on a sustainable basis. In spite of these challenges overall financial performance has improved in recent years. For the last 2 years we have achieved our in year financial targets without additional support from partners. However, these recent successes are underpinned by material levels of non recurring solutions with the factors outlined above directly impacting our ability to set a budget which is balanced on a recurring basis.

In October 2019 the EIJB considered the draft financial outlook for 2020-23 which set out the projected financial gap for the 3 year period. This recognised that both our funding partner organisations face significant financial constraints and would require sizeable savings programmes to balance their budgets. This was updated in December 2020 when the financial framework for 2021 to 2024 was shared with the board. At this point we also introduced our Integration and Sustainability Framework, developed in response to the longer term financial challenges facing us. This new approach recognises that, to address sustainability in the longer term and avoid the need to relentlessly develop savings programmes that lead to inefficient 'salami slicing', there is an acknowledged requirement to evolve our thinking and approach. This premise underpins the Integration and Sustainability Framework, which considers how the EIJB directs the totality of its resources in a manner which best serves the people of Edinburgh.

Our current approach to financial planning focuses firstly on quantifying the in year shortfall between projected income and expenditure. Subsequently we identify, and then deliver, savings and recovery schemes to address the gap. Each year, developing savings proposals which will have limited impact on performance, quality and outcomes becomes more difficult. Our agreed transformation programme sets out ambitious and clear actions that aim to develop and deliver tailored solutions to make sure that people get the services that are right for them. However, even with this programme and the innovations seen more broadly within the organisation, it will not realise efficiencies sufficient to address the financial challenges that will be faced in the next 3-5 years. In this context we introduced the concept of a Integration and Sustainability Framework, aligned to/ underpinned by the EIJBs Strategic Plan, which looks at how we work with our staff and the people of Edinburgh to shape and reimagine, the delivery of services within communities within the funding available.

Risk

We continued to develop our risk register and the framework to manage, mitigate and identify risk. As a key part of our governance process, the risk register examines the risks that impact the EIJB's ability to deliver its strategic plan. The Audit and Assurance Committee oversee the risk management arrangements; including receipt, review and scrutiny of reports on strategic risks and escalation of any issues that require to be brought to the board's attention.

The risk register sets out the cornerstones of a comprehensive risk process that identifies and assesses risks, and also clearly associates their owners and controls to manage them. Thirteen risks are captured under 3 headings: strategic planning and commissioning; issuing of directions; and management and role of the IJB. A summary extract of the register at 31st March 2021 is included overleaf:

| ID | Risk | Rating |
|-----------|---|--------|
| 1. | Strategic Planning and Commissioning | |
| 1.1 | Failure to deliver EIJB strategic objectives leading to a requirement to revise the strategic plan. | High |
| 1.2 | Failure to influence decision-making over services that are not managed by the EHSCP leading to the inability to review service delivery and drive strategy. | High |
| 1.3 | Failure to deliver delegated services within available budgets leading to a requirement to revise the strategic plan. | High |
| 1.4 | Insufficient asset planning arrangements leading to failure or delays in delivering the strategic plan. | High |
| 2. | Issuing of Directions | |
| 2.1 | Failure of NHS Lothian and The City of Edinburgh Council to deliver directions leading to services not aligned to strategic intentions. | High |
| 2.2 | Failure to deliver EIJB directions leading to a mismatch between workforce requirements and availability. | High |
| 3. | Management and Role of the EIJB | |
| 3.1 | Inability to operate effectively as a separate entity leading to a failure to deliver the benefits of integration. | Medium |
| 3.2 | Failure to make best use of the expertise, experience and creativity of its partners leading to a negative impact on the delivery of the strategic outcomes and poor relationships. | Medium |
| 3.3 | EIJB infrastructure lacks the professional, administrative and technical infrastructure to operate effectively leading to failures in governance, scrutiny and performance arrangements. | High |
| 3.4 | Insufficient or poor-quality assurance from assurance providers to support effective delivery of their scrutiny responsibilities. | Medium |
| 3.5 | Non-compliance with applicable legislative and regulatory requirements leading to legal breaches, fines and/or prosecution. | Low |
| 3.6 | Officers with operational responsibilities are being asked to scrutinise performance in areas where they are not totally independent leading to inadequate oversight of delegated EIJB functions. | Low |
| 3.7 | Insufficient or poor-quality assurance from assurance providers to support effective delivery of their scrutiny responsibilities. | Low |

During the year we developed a new tool to help enhance and simplify the risk management process. We have taken steps to ensure that we are identifying a wider range of potential threats preventing us from achieving the IJB's strategic objectives and directly relating their impact to the IJB and also in terms of

outcomes for the people of Edinburgh. This new approach helps us better understand how the IJB is exposed to those risks and what controls we need to have in place to mitigate the risks. This has been achieved by introducing a new 'risk profile card' format was for risks scored as 'very high', 'high' or 'medium', which:

- identifies the risk, states the objective (what the IJB is trying to achieve) and the source of that objective (key document or relevant legislation);
- names a risk owner who is responsible for actions;
- explains how the risk would happen and the potential outcomes;
- illustrates the historic and current risk score and how it relates on the risk assessment matrix;
- provides a recent update on risk management activities; • identifies what we are currently doing to reduce the risk; and
- summarises the planned actions to reduce the risk score.

This systematic risk management approach has been endorsed by both the Audit and Assurance Committee and the board itself and will support the more dynamic nature of the new risk register style.

Conclusion

Throughout the public sector finances are under more pressure than ever before and the impacts of the wider economy and ongoing impact of the pandemic bring further uncertainty. It is therefore crucial that we focus on early intervention, prevention and recovery if we are to work within the total annual budget. Moving into 2021/22, we are working to proactively address the funding challenges presented while, at the same time, improving outcomes for the residents of Edinburgh.

We are facing the twin challenges of: increasing demand for services; and a climate of constrained financial resources. In this context, the development and implementation of a strategic approach to financial planning over the next 3–5 years is essential to support the sustainability of health and social care delivery in Edinburgh.

Judith Proctor
Chief Officer
26th October 2021

Ricky Henderson
Chair
26th October 2021

Moir Pringle
Chief Finance Officer
26th October 2021

STATEMENT OF RESPONSIBILITIES

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENTS OF ACCOUNT

Responsibilities of the Edinburgh Integration Joint Board

The Edinburgh Integration Joint Board is required:

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

I confirm that these Annual Accounts were approved for signature by the Edinburgh Integration Joint Board on 26th October 2021.

Ricky Henderson
Chair of the Edinburgh Integration Joint Board
26th October 2021

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 2020.

Moira Pringle
Chief Finance Officer
26th October 2021

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 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 3.

The voting members of the EIJB are appointed by the respective partner bodies (NHS Lothian and City of Edinburgh Council). The voting members from NHS Lothian and City of Edinburgh Council in the period April 2020 to March 2021 were:

| | | | |
|-------------------|-----|---------------------------|-----|
| M. Ash | NHS | R. Aldridge | CEC |
| M. Hill | NHS | P. Duggart | CEC |
| A. McCann (Chair) | NHS | G. Gordon | CEC |
| P. Murray | NHS | R. Henderson (Vice Chair) | CEC |
| R. Williams | NHS | M. Main | CEC |

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

| | | | |
|------------------------|-----|----------------------|-----|
| A. McCann (Vice Chair) | NHS | R. Henderson (Chair) | CEC |
| Siddharthan Chandran | NHS | R. Aldridge | CEC |
| M. Hill | NHS | P. Duggart | CEC |
| P. Murray | NHS | G. Gordon | CEC |
| R. Williams | NHS | M. Main | CEC |

NHS Non-Executive Director A. McCann was in receipt of additional remuneration in 2020/21 relating to his duties for the EIJB as Chair of £8,842 (£6,991 part-year 2019/20). Councillor Henderson was in receipt of additional remuneration in 2020/21 in relation to his duties for the EIJB as Vice-Chair of £15,626 (£15,289 2019/20). No allowances were paid to other voting members during the year.

The remuneration and pension benefits received by all voting members in 2020/21 are disclosed in the remuneration reports of their respective employer. Voting members can, through their parent bodies, reclaim any expenses. In the year to 31 March 2021, no expense claims were made in relation to work on the EIJB.

Remuneration Paid to Senior Officers

| | Year to 31/03/2021 | | | Year to 31/03/2020 |
|--|--|------------------------------|----------------------------|------------------------------|
| | Salary, fees and allowances (£) | Total remuneration (£) | Full Year Effect (£) | Total remuneration (£) |
| J Proctor, EIJB Chief Officer | 161,247 | 161,247 | 161,247 | 156,550 |
| M Pringle, EIJB Chief Finance Officer | 89,799 | 89,799 | 89,799 | 88,132 |

Pension benefits

Pension benefits for the Chief Officer and Chair of the EIJB are provided through the Local Government Pension Scheme (LGPS). Pension benefits for the Chief Finance Officer are provided through the NHS New Pension Scheme (Scotland) 2015.

Local Government Pension Scheme

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 2020/21 were as follows:

| <u>Whole Time Pay</u> | <u>Contribution rate</u> |
|--|--------------------------|
| On earnings up to and including £22,300 (2019/20 £21,800) | 5.50% |
| On earnings above £22,300 and up to £27,300 (2019/20 £21,800 to £26,700) | 7.25% |
| On earnings above £27,300 and up to £37,400 (2019/20 £26,700 to £36,600) | 8.50% |
| On earnings above £37,400 and up to £49,900 (2019/20 £36,600 to £48,800) | 9.50% |
| On earnings above £49,900 (2019/20 £48,800) | 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.

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.

NHS Pension Scheme (Scotland) 2015

The NHS Board participates in the NHS Superannuation Scheme (Scotland). The scheme is an unfunded statutory public service pension scheme with benefits underwritten by the UK Government. The scheme is financed by payments from employers and from those current employees who are members of the scheme and paying contributions at progressively higher marginal rates based on pensionable pay, as specified in the regulations. The rate of employer contributions is set with reference to a funding valuation undertaken by the scheme actuary. The last four-yearly valuation was undertaken as at 31 March 2016. This valuation informed an employer contribution rate from 1 April 2019 of 20.9% of pensionable pay and an anticipated yield of 9.6% employees' contributions. The NHS board has no liability for other employer's obligations to the multi-employer scheme. In 20 19/20 members paid tiered contribution rates ranging from 5.2% to 14.7% of pensionable earnings.

For NHS employees, the NHS Superannuation Scheme became a career average pay scheme from 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.

Accrued Benefits

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

The pension entitlements of senior officers and current voting members for the period to 31 March 2020 are shown in the table below, together with the employer contribution made to the employee's pension during the year. Where accrued pension benefits are not shown in the table below, this indicates the employee has been a member of the pension scheme for less than 2 years.

| | Employer In-Year Contribution | | | Accrued Pension Benefits | |
|--|----------------------------------|------------------------------|----------|---------------------------|--|
| | For year to 31/03/21 £ | For year to 31/03/20 £ | | As at 31/03/21 £000 | Difference from 31/03/20 £000 |
| J Proctor, EIJB Chief Officer | 36,764 | 35,238 | Pension | 6 | 6 |
| | | | Lump Sum | 0 | 0 |
| M Pringle, EIJB Chief Finance Officer | 18,768 | 18,420 | Pension | 30 | 2 |
| | | | Lump Sum | 61 | 1 |
| R Henderson, Chair (to 26/06/2019), Vice Chair (from 27/06/19) | 7,633 | 7,305 | Pension | 8 | 1 |
| | | | Lump Sum | 2 | 0 |

The current Chair of the EIJB and the Vice Chair to 26/06/19 are not members of the Local Government Pension Scheme or the NHS Pension scheme; therefore, no pension benefits are disclosed.

Edinburgh Integration Joint Board - Annual Accounts 2020/21

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

Judith Proctor
Chief Officer
26th October 2021

Ricky Henderson
Chair
26th October 2021

ANNUAL GOVERNANCE STATEMENT

Scope of Responsibility

The Edinburgh Integration Joint Board (EIJB) is responsible for ensuring that its business is conducted in accordance with the law and appropriate standards, 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 include robust internal controls, including the management of risk.

The Edinburgh Health and Social Care Partnership is the partnership between the City of Edinburgh Council and NHS Lothian which delivers the services that the EIJB directs. Although the partnership will be referenced in the statement, only the EIJB's arrangements will be analysed.

2020/21 has been an unprecedented year for the EIJB, responding to the COVID-19 pandemic and the impact that has had on service delivery, resources and impact on the citizens of Edinburgh. The EIJB responded quickly, recognising that initially it was important to allow resources to be concentrated on the front line, dealing with the immediate impact of the pandemic. It did though continue to improve upon its governance, recognising that the pandemic should not mean that robust controls were not maintained or improved. Progress was slowed on general governance improvements during 2020/21 but there has still been significant progress and as the pandemic hopefully recedes, it is expected that these will be in over the next financial year.

Governance Framework

The governance framework comprises the systems, 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, allow increased scrutiny and monitoring and the focus and capability to provide the EIJB with the necessary assurance.

These governance arrangements comply with the key elements set out in CIPFA's 'Delivering Good Governance Framework'.

Board and Committee Structures

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 appointed both to comply with statutory requirements and to provide more varied experience and knowledge to the Board. The chair of the Board rotates every two years between NHS Lothian and the City of Edinburgh Council.

Following an independent review of governance by the Good Governance Institute (GGI), that concluded the EIJB needed to take action to strengthen its governance, the EIJB agreed to implement the recommendations of the GGI, including a major overhaul of its committees and sub-groups. This aimed to improve clarity on lines of accountability and reporting with a view to streamlining reporting arrangements. In June 2019 revised committees were established as follows:

- **Audit and Assurance** – Monitors, reviews and reports to the Board on the suitability and efficacy of the Partnership's provision for governance, risk management and internal control.

- **Clinical and Care Governance** – Monitors, reviews and reports to the Board on the quality of care to the local population, specifically in relation to patient safety, clinical effectiveness and patient experience.
- **Futures** – Provides and evaluates the strategic focus of the Partnership over a ten-year period.
- **Performance and Delivery** – Provides advice and assurance to the Board on the effectiveness of the operational and financial performance of the Partnership.
- **Strategic Planning Group** – Monitors, reviews and reports to the Board on the strategy, plans and delivery of the Partnership's services.

Internal Controls

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, a Standards Officer and a Data Protection Officer.

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 include rules on the notice of meetings and how voting and debate should be conducted.

The EIJB has a rolling actions log which helps the groups monitor the implementation of decisions.

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

The Audit and Assurance Committee are responsible for oversight of the risk management arrangements and considers the risk register quarterly. This is in turn referred to the EIJB Board twice a year.

A communications plan was agreed in February 2019 which aimed to communicate the role of the EIJB, improve public access to the Board, increase stakeholder engagement and support the ongoing development of EIJB members through an induction and development programme.

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

A financial plan is in place which focuses on the impacts of the financial settlements and outlines inherent risks. A new plan is submitted annually.

Insurance against legal liability for neglect, error or omission by any employee in the performance of their duties in relation to work on the IJB is arranged through CNORIS (NHS Lothian's self-insurance scheme). This is reviewed on an annual basis.

A Savings Governance Board meets monthly and oversees financial savings and is chaired by the Chief Officer. It monitors progress against targets and identifies appropriate remedial action.

The Edinburgh Integration Joint Board (EIJB) has information governance responsibilities in relation to strategic planning and delegated functions which it determines and directs with its partners. To achieve appropriate governance in this area, a memorandum of understanding (MOU) has been agreed between the EIJB, NHS Lothian and the City of Edinburgh Council that ensures responsibilities are clearly set out and understood. A pan-Lothian information sharing protocol has also been put in place.

In November 2019 the EIJB agreed a Business Classification Scheme and its Records Retention Rules.

In August 2019, in line with the recommendations contained in the Ministerial Strategic Group's 'Review of Progress with Integration of Health and Social Care' the EIJB agreed a reserves policy. This policy aims to ensure that reserves are identified for a purpose and held against planned expenditure, with timescales or held as a general contingency in the event of an emergency.

In April 2021 the EIJB adopted a complaints handling procedure based on the model complaints handling procedure designed by the Scottish Public Services Ombudsman.

In April 2021 the EIJB agreed a protocol for responding to consultations with those with a significant impact being approved by the Board.

Review of Effectiveness

The EIJB has responsibility for reviewing the effectiveness of its governance arrangements, including internal controls. The underpinning arrangements are subject to continuous improvement and review.

The impact of the pandemic has been significant with major changes to the Board's governance. On 14 April 2020 the EIJB agreed to suspend all Board and Committee meetings until 30 June 2020 (with the exception of the budget meeting on 28 April 2020) and to delegate authority to the Chief Officer to take all urgent decisions until the end of the Covid-19 emergency. It took this decision due to the significant additional pressure on staff resource in providing essential front-line services alongside the impact the virus had put on staffing levels. Subsequently there was a need to prioritise front-line service, so resource was not available to effectively support the Board and its committees. On 21 July 2020 the EIJB met again and agreed to resume its committees from the end of that month. Steps were taken to ensure that business was limited to the most significant items. Agendas were streamlined, with the agenda planning process tailored to ensure that the administration of the Board and its committees was as efficient as possible whilst enabling oversight and scrutiny.

As a result of the pandemic, NHS Boards were asked to co-ordinate their submission of mobilisation plans designed to create capacity and space within hospitals. The whole system mobilisation plan subsequently submitted by NHS Lothian was approved in principle by the City of Edinburgh Council and Chair and Vice Chair of the EIJB. It set out the actions to be taken to ensure capacity to reduce delays and free up acute beds as well as develop capacity in the community to care for people while managing a predicted depletion of the workforce. This mobilisation plan was considered by the EIJB on 14 April 2020.

This review of effectiveness is informed by:

- The Chief Officer's annual assurance attestation for the EIJB and the Health and Social Care Partnership;
- Officer management activities;
- The Chief Internal Auditor's annual report and internal audit reports;
- Reports from the Council's external auditor; and

- Reports by external, statutory inspection agencies.

The evidence of effectiveness from these sources includes:

- The review of the EIJB's governance arrangements to address weaknesses in scrutiny of performance and clarify the relationship between committees.
- An EIJB induction in place for all new voting and non-voting members.
- Standing Orders that are reviewed annually in a report to the EIJB, to ensure they are up to date and relevant.
- A performance report that is considered monthly by Health and Social Care Partnership management. Performance on local indicators that is reported regularly to the Board and its committees and an annual performance report that is also considered by the Board.
- The Annual Performance Report that was presented to the EIJB in August 2020 as per legislative requirements, though the scope of this report was affected by the pandemic.
- Regular financial monitoring reports that 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 savings plans.
- The EIJB in March 2021 agreed a budget with a deficit of £9.3m. It was noted that further updates would be received throughout the next financial year and although significant funding had been received by the Scottish Government close monitoring would be essential.
- The Accounts Commission's Best Value Assurance Report into the City of Edinburgh Council in November 2020 concluded that the EIJB although making considerable progress on short term financial planning had yet to develop a medium or long term financial plan. A financial framework for a three year period is being developed but is too early to identify its effectiveness.
- The financial plan for 2020/21 focussed on the potential consequences of Covid-19, the assumptions in the savings and recovery programme and the identification of other proposals to meet the deficit. The consequences of the pandemic were significant and close monitoring of these costs was taken throughout the year. The confirmation later in the financial year that the Scottish Government would cover all additional costs related to the pandemic provided assurance in the EIJB's funding.
- The Savings and Recovery Programme made progress in all areas. Recognising the pressures caused by the pandemic, the slippage was funded through support from the Scottish Government.
- In November 2019, the EIJB updated its resilience and business continuity arrangements. Sub-groups were created on severe weather, city centre events, EU exit, Reset Centre Planning and other significant disruptions. The aim was to share risk and business continuity expertise from across the Partnership, the Council, NHS Lothian and other key partners. The groups also held risk workshops to plan how service disruption would be minimised. Although a flu pandemic was not one of the groups, the work done to update business continuity arrangements put the service and the EIJB in a better place to respond when the Covid-19 outbreak occurred.
- A quarterly Internal Audit update detailing Internal Audit activity on behalf of the EIJB is submitted to the Audit and Assurance Committee.
- The EIJB Internal Audit Charter that was approved by the EIJB Audit and Assurance Committee in June 2021 states that Internal Audit will remain free from interference from anyone within the EIJB in relation to audit selection, scope, procedures, frequency, timing, and report content. The charter is based on Public Sector Internal Audit Standards and details the responsibilities of both management and internal audit to support delivery of EIJB audit assurance.
- The Chief Internal Auditor in August 2021 reported an 'amber' rated opinion with an assessment towards the top of this category. This outcome is aligned with the 2019/20 IA opinion.

- The EIJB developed a new tool in September 2020 to enhance and simplify the risk management process, introducing a risk profile card for the most significant risks. The aim was to better understand how the EIJB is exposed to those risks and the controls necessary to mitigate them. This new approach results in a more detailed and comprehensive risk register and it is expected that this will support a more dynamic approach.
- The Chief Officer put in place an internal audit assurance oversight group in response to the high number of overdue internal audit findings highlighted in the previous year's statement. This group was successful in reducing the number of overdue actions, with the Chief Internal Auditor observing an improving trend but it was recognised that work was necessary to continue to improve this situation further. Scrutiny is carried out at the Audit and Assurance Committee on internal audit actions.
- The transformation programme launched in February 2020 and was established with a comprehensive governance structure which included four programme boards feeding into an overall portfolio board. The development and delivery of the programme was significantly impacted by the pandemic with many of the programme boards suspended before they met. Work did continue on some aspects of the project and a 'lessons learned' exercise was launched in April 2020 which informed a review of the programme. The programme is due to end in March 2022 and it will transition to the Strategic Core Programme which is a medium change programme designed to deliver sustainable and high quality health and social care. The effectiveness of the transformation programme was adversely affected by the pandemic but there has been progress in this period and a realisation that further change was required.
- External Audit had previously highlighted that there was a risk that the lack of professional, administrative and technical support provided by the Council and NHS Lothian may lead to failures in governance, scrutiny and performance. It is still recommended that the level of support is formalised in the Integration Scheme.
- The Best Value Assurance Report concluded that the EIJB was addressing governance issues in line with the review carried out by the Good Governance Institute.
- In December 2020 the EIJB agreed an approach for an overarching Board assurance framework. The EIJB agreed that each of its committees should review their effectiveness, with the Audit and Assurance Committee having oversight of the process. Each committee would produce an annual report which would include feedback from committee members. This process has not been established long and a 'light touch' approach was taken for 2020-21. As a result, it is too early to review the Framework's effectiveness but this approach produces a robust foundation to enable self-improvement and ensure a more efficient and effective committee structure beneath the EIJB.

Last Year's Actions

| Issue | Responsible Party | Status |
|---|-------------------------|---|
| 1 Creation of Governance Handbook to support the EIJB and its members | Chief Officer | delayed to June 2021 |
| 2 Review of Directions Policy | Chief Officer | completed |
| 3 Risk mitigation activities, as instructed by Audit and Risk Committee | Chief Financial Officer | ongoing – risk register mitigations reviewed and amended as required |
| 4 Review of Transformation Programme in light of COVID19 developments | Chief Officer | completed |
| 5 Development of an integrated performance framework | Chief Officer | ongoing – the performance architecture is in place less the measures against EIJB priorities - completion estimated as Nov 2021 |
| 6 Review of Integration Scheme | Chief Officer | delayed due to the pandemic – work progressing on draft scheme |
| 7 Development of stakeholder engagement approach with GGI | Chief Officer | completed |
| 8 Risk appetite exercise | Chief Financial Officer | ongoing – audit and assurance led risk workshop held with EIJB in Dec 2020 |

Further Improvement – Action Plan

| Issue | Responsible Party | Reporting Date |
|--|------------------------|-----------------------------|
| 1 Workforce Strategy | Chief Officer | December 2021 |
| 2 Review of Integration Scheme | Chief Officer | October 2021 |
| 3 Creation of Governance Handbook to support the EIJB and its members | Chief Officer | June 2021 (now complete) |
| 4 Principles to govern the relationship between the Council, NHS Lothian and IJB respective audit committees | Chief Internal Auditor | December 2021 |

Certification

As evidenced above the EIJB has made considerable progress in improving its governance structures, creating a comprehensive committee structure, reviewing its consultation, communications and risk arrangements and starting the process for a more robust assurance framework. Many of the weaknesses identified in the EIJB's governance have been addressed. The EIJB has moved quickly to restart its improvement plans whilst still in full response to the Covid pandemic. The Covid-19 pandemic did though impact on the EIJB's improvements and although progress was made, it is understandable that some scheduled improvements have been delayed a further year. It is expected that in a further year many of the governance improvements will have bedded in and their effectiveness judged. The EIJB continues to face considerable financial challenges and annually struggles to deliver a balanced budget. Work is ongoing to address this but the challenges are set to remain and long term financial sustainability will remain ambitious.

Judith Proctor
Chief Officer
26th October 2021

Ricky Henderson
Chair
26th October 2021

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 2021**

| 2019/20 | | | 2020/21 | | |
|-------------------------------------|---|-------------|---------------------------------------|------------------------------|-------------------------------------|
| Net Expenditure £000 | | Note | Gross expenditure £000 | Gross income £000 | Net Expenditure £000 |
| | Health Services | 8 | | | |
| 276,427 | Core services | | 327,922 | 0 | 327,922 |
| 87,894 | Hosted services | | 106,129 | 0 | 106,129 |
| 55,502 | Non-cash limited | | 62,856 | 0 | 62,856 |
| 100,776 | Set aside services | | 100,754 | 0 | 100,754 |
| <hr/> 520,599 | | | <hr/> 597,661 | 0 | <hr/> 597,661 |
| | Social Care Services | 8 | | | |
| 151,814 | External purchasing | | 164,867 | 0 | 164,867 |
| 30,722 | Care at home | | 28,498 | 0 | 28,498 |
| 15,675 | Day services | | 14,161 | 0 | 14,161 |
| 18,074 | Residential care | | 19,801 | 0 | 19,801 |
| 14,904 | Social work assessment and care management | | 14,662 | 0 | 14,662 |
| 484 | Corporate services | | 438 | 0 | 438 |
| 9,376 | Other | | 9,571 | 0 | 9,571 |
| <hr/> 241,049 | | | <hr/> 251,998 | 0 | <hr/> 251,998 |
| 384 | Corporate services | 3 | 395 | 0 | 395 |
| <hr/> 762,032 | Cost of services | | <hr/> 850,054 | 0 | <hr/> 850,054 |
| -755,504 | Taxation and non-specific grant income and expenditure | 2 | 0 | (872,298) | (872,298) |
| <hr/> 6,528 | (Surplus)/Deficit on provision of services | | <hr/> 850,054 | (872,298) | <hr/> (22,244) |

BALANCE SHEET

The Balance Sheet shows the value, as at 31 March 2021, of the assets and liabilities recognised by the Board. The net assets of the Board are matched by the reserves held.

| BALANCE SHEET AS AT 31 MARCH 2021 | | | |
|--|----------------------------|--------------|-------------------|
| 31/03/2020 | | Notes | 31/03/2021 |
| £000 | | | £000 |
| | Current assets | | |
| 3,186 | Short term debtors | 4 | 25,440 |
| | Current liabilities | | |
| -20 | Short term creditors | 5 | -30 |
| 3,166 | Net assets | | 25,410 |
| -3,166 | Usable reserves | MIRS | -25,410 |
| -3,166 | Total reserves | | -25,410 |

The unaudited Annual Accounts were authorised for issue by the Chief Finance Officer on 11th June 2020.

Moira Pringle
Chief Finance Officer
 26th October 2021

MOVEMENT IN RESERVES

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

| | 31/03/2021 | 31/03/2020 |
|---|-------------------|-------------------|
| | £000 | £000 |
| Usable reserves – General Fund brought forward | -3,166 | -9,694 |
| Deficit/(surplus) on the provision of services | -22,244 | 6,528 |
| Total comprehensive income and expenditure | -25,410 | -3,166 |
| Balance, as at 31 March, carried forward | -25,410 | -3,166 |

NOTES TO ACCOUNTS

1. ACCOUNTING POLICIES

1.1 General Principles

The Annual Accounts for the year ended 31 March 2021 have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (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 her 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 Chief Financial Officer is regarded as an employee of the EIJB, although her contract of employment is with NHS Lothian. NHS Lothian participates in the NHS Superannuation Scheme (Scotland) which is a

defined benefit statutory public service pension scheme, with benefits underwritten by the UK Government.

The remuneration report presents the pension entitlement attributable to the posts of the EIJB Chief Officer, Chief Financial Officer and Vice Chair of the EIJB although the EIJB has no formal ongoing pension liability. On this basis, there is no pension liability reflected on the EIJB balance sheet for these posts.

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

The Integration Joint Board is permitted to set aside future amounts of reserves for future policy purposes. These reserves normally comprise: funds which are set aside for specific purposes; and funds which are not earmarked for specific purposes but are set aside to deal with unexpected events or emergencies. They are created by appropriating amounts out of revenue balances. 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.

The EIJB has one usable reserve, the General Fund which can be used to mitigate financial consequences of risks and other events impacting on the Boards resources.

The Board's reserves policy was approved on 20 August 2019. Reserves will be reviewed through the annual budget process and the level and utilisation of reserves will be formally approved by the EIJB.

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.

1.11 Assumptions made about the future and other major sources of estimation uncertainty

The cost of services provided by NHS Lothian is based on the NHS Lothian Director of Finance's assessment of the split of costs between the four Integration Authorities in the NHS Lothian area. This assessment is underpinned by a financial model which is reviewed at least annually and supported by the four Chief Finance Officers. As such this is an area of key judgement and estimation uncertainty within these annual accounts.

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. The income received from the two parties was as follows:

| | 31/03/2021 | 31/03/2020 |
|---------------------------|-------------------|-------------------|
| | £000 | £000 |
| NHS Lothian | -621,834 | -543,499 |
| City of Edinburgh Council | -250,027 | -211,521 |
| Total | -871,861 | -755,020 |

Expenditure relating to the two parties was as follows;

| | 31/03/2021 | 31/03/2020 |
|---------------------------|-------------------|-------------------|
| | £000 | £000 |
| NHS Lothian | 597,839 | 520,772 |
| City of Edinburgh Council | 251,744 | 240,744 |
| Total | 849,583 | 761,516 |

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

3. CORPORATE EXPENDITURE

| | 31/03/2021 | 31/03/2020 |
|--------------|-------------------|-------------------|
| | £000 | £000 |
| Staff costs | 362 | 353 |
| Other fees | 3 | 3 |
| Audit fees | 30 | 28 |
| Total | 395 | 384 |

Staff costs relate to the Chief Officer, Chief Finance Officer, EIJB Chair and Vice-Chair.

EIJB is in receipt of support services from NHS Lothian and City of Edinburgh Council, both organisations have agreed to provide support services, without an onward recovery. Support services to a value of £0.727m (£0.734m 2019/20) have been provided.

4. SHORT TERM DEBTORS

| | 31/03/2021 | 31/03/2020 |
|-------------------------|-------------------|-------------------|
| | £000 | £000 |
| Other Local Authorities | 25,440 | 3,186 |
| Total | 25,440 | 3,186 |

5. SHORT TERM CREDITORS

| | 31/03/2021 | 31/03/2020 |
|--------------|-------------------|-------------------|
| | £000 | £000 |
| Other bodies | -30 | -20 |
| Total | -30 | -20 |

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 EIJB from its partner agencies is analysed over the following services:

| | 2020/21 Actual Expenditure £000 | 2019/20 Actual Expenditure £000 |
|---|--|--|
| SERVICES PROVIDED BY NHS Lothian | | |
| Core services | | |
| Community hospitals | 12,699 | 12,364 |
| District nursing | 11,750 | 11,130 |
| General medical services | 90,106 | 84,024 |
| Prescribing | 79,071 | 81,690 |
| Resource transfer | 90,571 | 43,655 |
| Primary care services | 12,385 | 10,271 |
| Other core services | 31,340 | 33,293 |
| Total core services | 327,922 | 276,427 |
| Hosted services | | |
| Mental health, substance misuse and learning disabilities | 46,710 | 43,796 |
| Other hosted services | 59,419 | 44,098 |
| Total hosted services | 106,129 | 87,894 |
| Non- Cash Limited | | |
| Dental | 32,412 | 29,135 |
| Ophthalmology | 9,720 | 9,700 |
| Pharmacy | 20,724 | 16,667 |
| Total Non-Cash Limited | 62,856 | 55,502 |
| Set aside services | | |
| General medicine | 26,103 | 27,767 |
| Geriatric medicine | 16,234 | 14,375 |
| Junior medical | 3,460 | 15,171 |
| Other set aside services | 54,957 | 43,463 |
| Total set aside services | 100,754 | 100,776 |
| TOTAL SERVICES PROVIDED BY NHS Lothian | 597,661 | 520,599 |
| SERVICES PROVIDED BY CITY OF EDINBURGH COUNCIL | | |
| External purchasing | 164,867 | 151,814 |
| Care at home | 28,498 | 30,722 |
| Day services | 14,161 | 15,675 |
| Residential care | 19,801 | 18,074 |
| Social work assessment & care management | 14,662 | 14,904 |
| Other services provided by City of Edinburgh Council | 10,009 | 9,860 |
| TOTAL SERVICES PROVIDED BY CITY OF EDINBURGH COUNCIL | 251,998 | 241,049 |
| Corporate expenditure | 395 | 384 |
| TOTAL ALL SERVICES | 850,054 | 762,032 |

9. FUNDING ANALYSIS

The expenditure and funding analysis shows how annual expenditure is used and funded from resources 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

Reporting 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 2021 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Comprehensive Income and Expenditure Statement, Balance Sheet, Movement in Reserves Statement 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 2020/21 (the 2020/21 Code).

In our opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2020/21 Code of the state of affairs of the body as at 31 March 2021 and of its income and expenditure 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 2020/21 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 for opinion

We conducted our audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. 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 were appointed by the Accounts Commission on 31 May 2016. The period of total uninterrupted appointment is five years. 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 Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the body. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern basis of accounting

We have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the body's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

Risks of material misstatement

We report in a separate Annual Audit Report, available from the Audit Scotland website, the most significant assessed risks of material misstatement that we identified and our judgements thereon.

Responsibilities of the Chief Financial Officer and Edinburgh Integration Joint Board for the financial statements

As explained more fully in the Statement of Responsibilities, the Chief Financial 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 Financial 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 financial statements, the Chief Financial Officer is responsible for assessing the body's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

The Edinburgh Integration Joint Board is responsible for overseeing the financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain 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) 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- obtaining an understanding of the applicable legal and regulatory framework and how the body is complying with that framework;
- identifying which laws and regulations are significant in the context of the body;
- assessing the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which our procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the body's controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Reporting on other requirements

Opinion prescribed by the Accounts Commission on the audited part of the Remuneration Report

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

Statutory other information

The Chief Financial Officer is responsible for the statutory other information in the annual accounts. The statutory other information comprises the Management Commentary, Annual Governance Statement, Statement of Responsibilities and the unaudited part of the Remuneration Report.

Our responsibility is to read all the statutory other information and, in doing so, consider whether the statutory other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this statutory other information, we are required to report that fact. We have nothing to report in this regard.

Our opinion on the financial statements does not cover the statutory other information and we do not express any form of assurance conclusion thereon except on the Management Commentary and Annual Governance Statement to the extent explicitly stated in the following opinions prescribed by the Accounts Commission.

Opinions prescribed by the Accounts Commission on Management Commentary and Annual Governance Statement

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 audited 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.

We have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

In addition to our responsibilities for the annual accounts, our conclusions on the wider scope responsibilities specified in the Code of Audit Practice, including those in respect of Best Value, are set out in our Annual Audit Report.

Use of our report

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, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Nick Bennett, (for and on behalf of Azets Audit Services)
Exchange Place 3
Semple Street
Edinburgh
EH3 8BL
Date:



Edinburgh Integration Joint Board

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

October 2021



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Key messages

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

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

Financial statements audit

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

Wider scope audit

Auditor judgement



Financial Sustainability

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

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

Auditor judgement



Financial Management

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

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

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

Auditor judgement



Governance & Transparency

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

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

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

Auditor judgement



Value for Money

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

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

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

Definition

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



Introduction



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



Scope

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

Exhibit 1: Audit dimensions within the Code of Audit Practice



Responsibilities

3. The IJB is responsible for preparing an annual report and accounts which show a true and fair view and for implementing appropriate internal control systems. The weaknesses or risks identified in this report are only those that have come to our attention during our normal audit work and may not be all that exist. Communication in this report of matters arising from the audit or of risks or weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.
4. We would like to thank all members of the IJB’s management and staff from the Partnership, Council and NHS Lothian for their co-operation and assistance during our audit.

Auditor independence

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

Openness and transparency

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

Adding value through the audit

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

Feedback

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

Financial statements audit

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

Overall conclusion

11. The annual accounts are due to be considered by the Board on 26 October 2021. We intend to report unqualified opinions within our independent auditor’s report.
12. We received the unaudited annual accounts and supporting papers of a reasonable standard, in line with our agreed audit timetable. Our thanks go to staff at the IJB, Council and NHS Lothian for their assistance with our work.
13. The annual report and accounts will be submitted to the Scottish Government and Controller of Audit by the 31 October 2021 deadline.

Our audit opinion

| Opinion | Basis for opinion | Conclusions |
|--|--|---|
| Financial statements | <p>We conduct our audit in accordance with applicable law and International Standards on Auditing.</p> <p>Our findings / conclusion to inform our opinion are set out in this section of our annual report.</p> | We intend to issue an unqualified audit opinion. |
| Going concern basis of accounting | <p>In the public sector when assessing whether the going concern basis of accounting is appropriate, the anticipated provision of the services is more relevant to the assessment than the continued existence of a particular public body.</p> <p>We assess whether there are plans to discontinue or privatise the IJB’s functions.</p> <p>Our wider scope audit work considers the financial sustainability of the IJB.</p> | <p>We reviewed the financial forecasts for 2021/22. Our understanding of the legislative framework and activities undertaken provides us with sufficient assurance that the IJB will continue to operate for at least 12 months from the signing date.</p> <p>Our audit opinion is unqualified in this respect.</p> |
| Opinions prescribed by the Accounts Commission on: | We read all the financial and non-financial information in the annual report and accounts to identify material inconsistencies with the | The statutory other information contains no material misstatements or inconsistencies with the financial statements. |

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

An overview of the scope of our audit

14. The scope of our audit was detailed in our External Audit Plan, which was presented to the Audit and Assurance Committee in January 2021. The plan explained that we follow a risk-based approach to audit planning that reflects our overall assessment of the relevant risks that apply to the IJB. This ensures that our audit focuses on the areas of highest risk. Planning is a continuous process and our audit plan is subject to review during the course of the audit to take account of developments that arise.
15. At the planning stage we identified the significant risks that had the greatest effect on our audit. Audit procedures were then designed to mitigate these risks.
16. In our audit, we test and examine information using sampling and other audit techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain evidence through performing a review of the significant accounting systems,

substantive procedures and detailed analytical procedures.

Significant risk areas

17. Significant risks are defined by professional standards as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, we consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.
18. The significant risk areas described in the table below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the audit team. Our audit procedures relating to these matters were designed in the context of our audit of the annual report and accounts as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the annual report and accounts is not modified with respect to any of the risks described below.

Significant risk areas

1. Management override

Significant risk description

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

Audit risk assessment: High

How the scope of our audit responded to the significant risk

Key judgement

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

Audit procedures

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

Key observations

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

2. Revenue recognition

Significant risk description

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

Audit risk assessment: High

How the scope of our audit responded to the significant risk

Key judgements

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

Audit procedures

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

Key observations

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

3. Expenditure recognition

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

Audit risk assessment: High

How the scope of our audit responded to the significant risk

Key judgements

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

Audit procedures

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

Key observations

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

Update to our initial risk assessment

19. Planning is a continuous process and our audit plans are updated during the course of the audit to take account of

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

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

Significant risk description

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

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

Audit risk assessment: High

How the scope of our audit responded to the significant risk

Key judgements

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

Audit procedures

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

Key observations

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

Other risk factors

Impact of COVID-19 on the annual accounts

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

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

| Area considered | Description | Conclusion |
|--------------------------|---|--|
| Access to audit evidence | Our audit this year has been carried out remotely. As a consequence, we identified a risk that access to and provision of sufficient, appropriate audit evidence in support of our audit opinion may be impacted by the inherent nature of carrying out our audit remotely. | <p>We have employed a greater use of technology to examine evidence, but only where we have assessed both the sufficiency and appropriateness of the audit evidence produced.</p> <p>We stayed in close contact with the IJB colleagues right up until the point of accounts signing, to ensure all relevant issues were satisfactorily addressed.</p> |
| Timescales | <p>The pre COVID-19 deadline was 30 September. The Scottish Government amended the accounts regulations to require the 2020/21 annual accounts to be signed off by 31 October (amended from 30 September) and published by 15 November (amended from 31 October).</p> <p>However, the provision of the Coronavirus (Scotland) Act 2020 (which permitted bodies to delay publication of the 2019/20 accounts until reasonably practicable) have been extended. 'Reasonably practicable' was considered to be 30 November and this date is considered appropriate for 2020/21. The extension of the Act also allows flexibility over the date (usually 30 June) for the unaudited accounts.</p> | <p>The IJB committed to continue with its original timetable; for both the publication of the unaudited accounts and approval of the audited accounts. The annual accounts are due to be considered by the Audit and Assurance Committee on 1 October and approved by the Board on 26 October.</p> |

Estimates and judgements

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

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

Estimates and judgements

Charges for services provided by NHS Lothian

Balanced

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

Materiality

24. Materiality is an expression of the relative significance of a matter in the context of the financial statements as a whole. A matter is material if its omission or misstatement would reasonably influence the decisions of an addressee of the auditor's report. The assessment of what is material is a matter of professional judgement and is affected by our assessment of the risk profile of the organisation and the needs of users. We review our assessment of materiality throughout the audit.
25. Whilst our audit procedures are designed to identify misstatements
26. Our initial assessment of materiality for the IJB's financial statements was £11.000million. On receipt of the unaudited annual accounts, we reassessed materiality and updated it to £12.750million. We consider that our updated assessment has remained appropriate throughout our audit.

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

Materiality

Overall materiality

£12.750million



100%

Accounts materially misstated where total errors exceed this value

Performance materiality

£9.563million



75%

Work performed to capture individual errors at this level

Trivial threshold

£250,000



5%

All errors greater than this level are reported

Materiality

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

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

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

Performance materiality

Performance materiality is the working level of materiality used throughout the audit. We use performance materiality to determine the nature, timing and extent of audit procedures carried out. We perform audit procedures on all transactions, or groups of transactions, and balances that exceed our performance materiality. This means that we perform a greater level of testing on the areas deemed to be at significant risk of material misstatement.

Performance materiality is set at a value less than overall materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of the uncorrected and undetected misstatements exceed overall materiality.

Trivial misstatements

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

Audit differences

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

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

Internal controls

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

Follow up of prior year recommendations

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

accounting policies adopted by the IJB.

- 32. The accounting policies, which are disclosed in the annual accounts, are in line with the Code and are considered appropriate.
- 33. There are no significant financial statements disclosures that we consider should be brought to your attention. All the disclosures required by relevant legislation and applicable accounting standards have been made appropriately.
- 34. Overall we found the disclosed accounting policies, and the overall

Other communications

Accounting policies, presentation and disclosures

- 31. Our work included a review of the adequacy of disclosures in the financial statements and consideration of the appropriateness of the

disclosures and presentation to be appropriate.

Fraud and suspected fraud

35. We have previously discussed the risk of fraud with management. We have not been made aware of any incidents in the period nor have any incidents come to our attention as a result of our audit testing.
36. Our work as auditor is not intended to identify any instances of fraud of a non-material nature and should not be relied upon for this purpose.

Non-compliance with laws and regulations

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

The Local Authority Accounts (Scotland) Regulations 2014

38. As part of our audit we reviewed the IJB's compliance with the Local Authority Accounts (Scotland) Regulations 2014, in particular in respect to regulations 8 to 11 as they relate to the annual accounts.
39. The Scottish Government Finance Circular 10/2020 provided guidance on the publication and inspection of the unaudited accounts as a result of the COVID-19 pandemic.
40. Overall we concluded that appropriate arrangements are in place to comply with these Regulations and the guidance as set out in the Finance Circular 10/2020.

Written representations

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

Related parties

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

Financial sustainability

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



Auditor judgement



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

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

Significant audit risk

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

Financial sustainability

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

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

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

Noted in the 2020/21 External Audit Plan

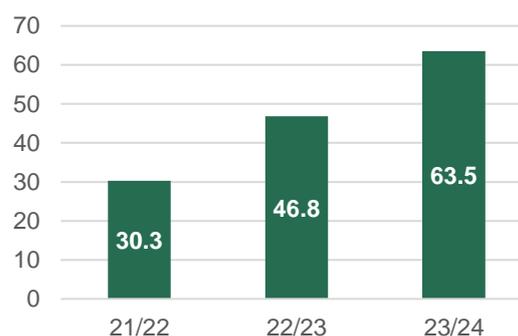
44. Whilst the IJB has updated its Financial Framework to reflect the latest position, a medium-term financial strategy has not been developed. Management had committed to developing a strategy by December 2020 however progress has been halted. The IJB has recognised the need for a more long-term approach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

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

Financial Outlook

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

Exhibit 2: Cumulative Future Financial Gap (£m)



Source: Financial Framework 2021-2024-December 2020

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

Integration and Sustainability Framework

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

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

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

Workforce Planning

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

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

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

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

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

Independent Review of Adult Social Care (Feeley Report)

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

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

65. The report from this review (the Feeley Report¹) was published in February 2021 and highlighted three things that must change in order to secure better outcomes across adult social care;
- Shift the paradigm
 - Strengthen the foundations
 - Redesign the system
66. The report outlined 53 recommendations, including the establishment of a National Care Service for Scotland, created on an equal footing with NHS Scotland and a call for integration authorities to be funded directly by the Scottish Government.
67. In August 2021, the Scottish Government commenced a consultation on their response to the report and proposals to improve the way social care is delivered. The IJB is actively engaging in this consultation and has already reflected on how the principles outlined in the Feeley Report are aligned to the IJB's transformation programme.
68. With the consultation due to close in November 2021, we will continue to consider the Scottish Government's response to the Feeley Report and any potential impact on the IJB as part of our 2021/22 audit.

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

Financial management

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



Auditor judgement



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

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

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

Significant audit risk

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

Financial management

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

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

Noted in the 2020/21 External Audit Plan

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

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

Financial performance in 2020/21

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

Exhibit 3: Financial Performance in 2020/21

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

Source: Finance Update- June 2021

Impact of COVID-19

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

Partnership Working

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

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

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

Delivering Financial Balance

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

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

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

Savings and Recovery Programme 2021/22

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

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

Exhibit 4: Savings and Recovery Programme 2021/22

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

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

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

Exhibit 5: Financial Plan 2021/22

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

Source: 2021/22 Financial Plan

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

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

mitigating actions as the year progresses.

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

Prevention and detection of fraud and irregularity

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

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

Risk of fraud and corruption in the procurement function

97. Audit Scotland highlighted fraud and corruption in respects of the procurement function as a matter of particular focus in the public sector. The IJB relies on the procurement functions of NHS Lothian and City of Edinburgh Council, and this risk is therefore managed within partner bodies.
98. In line with our approach previously used, we sought assurances from the external audit of NHS Lothian and City of Edinburgh Council regarding the level of risk present in the procurement function and no significant issues were highlighted.

Governance and transparency

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



Auditor judgement



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

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

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

Significant audit risk

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

Governance and transparency

The IJB has continued to refine its governance arrangements since it was formally constituted in April 2016. In 2018/19 the IJB commissioned the Good Governance Institute to undertake a review of their systems and process, providing external and independent expertise. Their overall conclusion, as reported to the Board in December 2018, was that action was required to strengthen the IJB's governance. The report outlined a series of 18 recommendations and the IJB developed an action plan in response in April 2019.

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

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

Noted in the 2020/21 External Audit Plan

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

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

Governance and transparency

Governance Arrangements

105. On 14 April 2020 the Board agreed to suspend all Board and Committee meetings until 30 June 2020. The decision was made in response to significant additional pressure on staff resourcing and the need to prioritise the delivery of front-line services.
106. With the exception of the scheduled budget meeting held on 28 April 2020, the Board first met again on 21 July 2020. The Board agreed the resumption of the supporting committees on the following dates:
- Audit and Assurance - 28 July;
 - Clinical and Care Governance - 6 August

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

recommendations to ensure work is completed in a timely manner.

Action Plan point 1

Integration scheme

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

Openness and Transparency

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

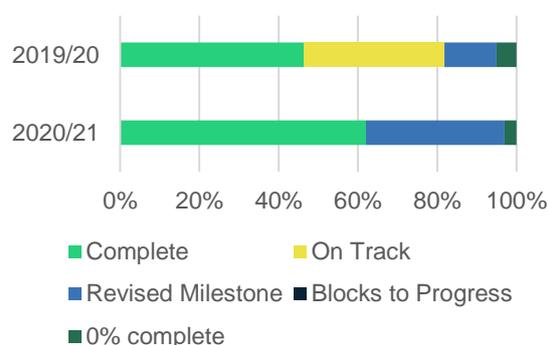
Health and Social Care Integration- Update on Progress

- 115. Audit Scotland published a report “Health and Social Care Integration – Update on Progress” in November 2018. The aim of the audit was to “explore the impact public bodies were having on integration of health and social care services”.
- 116. The report identified that generally integration authorities are delivering services in a more collaborative way, however, they continue to operate in a challenging environment and financial planning could be further streamlined. Further work is required with regards to strategic planning, collaborative leadership, governance arrangements and data sharing.
- 117. Audit Scotland identified six key recommendations to support integration authorities in fully integrating health and social care. In February 2019, the Scottish Government Ministerial Strategic Group published a report containing 25 proposals for ensuring the success of health and social care integration structured under the six recommendations raised by Audit Scotland. The IJB performed a self-evaluation against both reports and a detailed action plan in response.
- 118. In February 2021, the IJB considered progress against the reports from Audit Scotland and the Ministerial Strategic Group through their detailed Ministerial Strategy Group action plan.
- 119. As outlined in Exhibit 6, approximately 62% of the identified actions are complete in 2020/21 compared to 46% in 2019/20. The majority of actions

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

- 120. For the 3% of actions where no progress has been made (2019/20: 5%), these sit out-with the immediate control of the IJB or the Partnership. The Board directed the Chief Officer and Chief Financial Officer to continue to work with NHS Lothian and City of Edinburgh Council to ensure delivery against the wider partnership actions.

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



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

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

Risk Management

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

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

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

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

Internal Audit

129. The Chief Auditor of City of Edinburgh Council has been appointed as the Chief Internal Auditor for the IJB. Internal audit activity is undertaken by a combination of the City of Edinburgh Council and NHS Lothian internal audit teams.

130. To avoid duplication of effort and to ensure an efficient audit process we have taken cognisance of the work of internal audit throughout our audit. While we have not placed formal reliance on the work of internal audit in 2020/21, we have taken account of internal audit's work in respect of our wider scope responsibilities. We are grateful to the internal audit team for their assistance during the course of our work.

131. In her Annual Opinion, the Chief Internal Auditor notes that some improvement is required to the IJB control environment and governance

and risk management framework. As a result, internal audit provided an 'amber rated opinion'. This is in line with the outcome reported in 2019/20.

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

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

Value for money

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



Auditor judgement



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

Performance continues to be mixed, with the IJB performing above the Scottish average in 10 of the 19 core national indicators. The IJB continues to perform poorly against a number of key indicators. These areas have been recognised and reflected on with the transformation programme.

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

Significant audit risk

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

Value for Money: Performance Management Framework

Under the Integration Scheme, the IJB is responsible for implementing a comprehensive performance management system that allows for transparent reporting and appraises achievement against the strategic plan. One of the key strands outlined in the IJBs Statement of Intent (approved October 2017) and subsequent Transformation Programme is the development of a performance management framework.

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

Delivery against local and national targets is presented to the Performance and Delivery Committee on a bi-monthly basis. However, as reported in 2019/20 Annual Audit Report, further work is required to refine the format and structure of performance reports to ensure these succinctly highlight areas of underperformance and support efficient scrutiny. In addition, work is still ongoing to develop and embed an integrated performance framework with measures that more clearly consider performance against the Strategic Plan.

Without a clear, effective performance management framework in place, there is a risk that the IJB cannot demonstrate continual improvement of services delivered and the achievement of value for money through appropriate use of resources.

Noted in the 2020/21 External Audit Plan

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

Performance Framework

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

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

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

Exhibit 7- Performance Framework identified workstreams and timetable

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

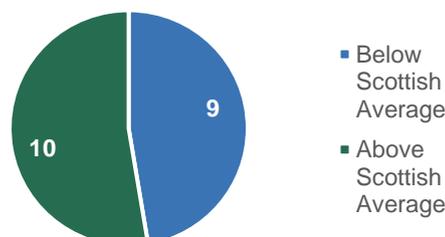
Source: Performance framework update to the Performance and Delivery Committee- July 2021

- 142. A performance report is presented at each Performance and Delivery committee, providing an overview of performance against the seven key local indicators and national Ministerial Strategic Group measures. Detailed dashboards are supported by a narrative report which highlights key risks and noteworthy changes to performance.
- 143. As highlighted in our 2019/20 Annual Audit Report, performance reports are significant in length with the most recent committee report in excess of 50 pages. Whilst the level of detail may be beneficial to some members, this does not support efficient scrutiny. Members should focus discussions on area of concern or underperformance and the current reporting format does not summarise or highlight these areas.
- 144. Performance reports would benefit from the inclusion of a performance scorecard that summarises for each indicator whether performance has improved, declined or remained constant and how this compares against targets or thresholds. A RAG rating could be used to draw members' attention to areas of underperformance or concern.
- 145. In addition, the annual performance report attributes the COVID-19 pandemic and the significant impact on operations and service delivery as the reason for the majority of movement in the IJB's performance during the year. However, the performance reports presented more regularly to the Performance and Delivery committee provide limited narrative for scrutiny on the impact of the COVID-19 pandemic on the IJB's performance.

Performance during 2020/21

- 146. In line with the requirements of the Public Bodies (Joint Working) Act 2004, the IJB prepares an annual public performance report that considers progress against both the nine National Health and Wellbeing Outcomes and the key priorities identified within their strategic plan.
- 147. The performance report compares the IJB's performance against 19 core national indicators to the Scottish average. For some indicators, performance is based on data for the 2020 calendar year due to the national data for 2020/21 being incomplete at the time of writing. As a result, figures will not take into account the full impact of the COVID-19 pandemic.

Exhibit 8- Edinburgh IJB performance against the core national indicators



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

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

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

Delayed Discharges

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

Impact of COVID-19 on service delivery

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

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

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

Appendices

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Appendix 1: Respective responsibilities of the Board and the Auditor

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

Board responsibilities

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

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

| Area | Chief Financial Officer responsibilities |
|------|--|
|------|--|

Corporate governance

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

The Chief Financial Officer has responsibility for:

Financial statements.

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

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

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

Auditor responsibilities

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

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

Wider scope of audit

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

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

Best Value

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

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

Independence

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

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

Audit and non-audit services

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

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

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

Audit quality

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

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

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

Appendix 2: Adjusted and unadjusted errors identified during the audit

Corrected misstatements

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

Uncorrected misstatements

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

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

Disclosure amendments

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

Appendix 3: Action Plan

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

The recommendations are categorised into three risk ratings:

Key:

Significant deficiency

Other deficiency

Other observation

1. Delivery of external audit actions

Other observation

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

Appendix 4: Follow up of prior year recommendations

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

The recommendations are categorised into three risk ratings:

Key:

Significant deficiency

Other deficiency

Other observation

Medium term financial plan – action raised in 2016/17

Recommendation The IJB should develop a Medium Term Financial Plan to support the delivery of the vision and priorities within the updated Strategic Plan for 2019-22.

| Rating | Significant deficiency | Implementation date | Initial December 2017 Latest: December 2020 |
|--------|------------------------|---------------------|--|
|--------|------------------------|---------------------|--|

| | |
|----------------|---|
| Ongoing | The Board has not yet developed a medium term financial strategy. The IJB has recognised the need for a more long-term approach to financial planning within its Integration and Sustainability Framework, however this is at the early stages of development. The IJB should develop a medium-term financial strategy in 2021/22 as an area of priority. |
|----------------|---|

Assurance Framework – action raised in 2017/18

Recommendation As part of a review of governance arrangements, the Board should consider the introduction of an Assurance Framework to ensure that Board members share an understanding about assurance needs and sources.

| | | | |
|---------------|-------------------------|----------------------------|--|
| Rating | Other deficiency | Implementation date | Initial: March 2019 Latest: December 2020 |
|---------------|-------------------------|----------------------------|--|

Complete

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

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

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

Recovery Plan – action raised in 2017/18

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

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

| | | | |
|---------------|-------------------------------|----------------------------|---|
| Rating | Significant deficiency | Implementation date | Initial: January 2019 Latest: March 2021 |
|---------------|-------------------------------|----------------------------|---|

Ongoing

Regular reporting on the Transformation Programme to both the Transformation Portfolio Board and Strategic Planning Group outlines progress against key milestones for each of the seven phase one projects. The programme is due to end in March 2022 when it will transition to the Strategic Core Programme.

Whilst the reporting considered progress and significant risks to progress, it did not consider the impact completed actions have had on performance. As noted against action 4, work is still on going to develop a suite of performance measures that better reflect progress against strategic priorities.

Performance – action raised in 2016/17

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

| | | | |
|---------------|-------------------------------|----------------------------|--|
| Rating | Significant deficiency | Implementation date | Initial: December 2017 Latest: March 2021 |
|---------------|-------------------------------|----------------------------|--|

| | |
|----------------|--|
| Ongoing | <p>A number of areas showed poor performance in 2020/21 and the IJB is continuing to work with partners to support the delivery of sustainable improvement.</p> <p>We noted that performance reports include a significant level of detail and would benefit from the inclusion of a performance scorecard that summarises for achievement and trends for each indicator.</p> <p>The IJB have committed to developing the performance framework by April 2021. The revised deadline is attributed to timing of the strategic planning cycle where the performance framework timescales are now aligned with development of the new Strategic Plan for 2022-2025.</p> |
|----------------|--|

Workforce planning – action raised in 2016/17

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

| | | | |
|---------------|-------------------------------|----------------------------|---|
| Rating | Significant deficiency | Implementation date | Initial: December 2018 Latest: December 2021 |
|---------------|-------------------------------|----------------------------|---|

Ongoing

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

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



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Accounting | Tax | Audit | Advisory | Technology

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

Reporting 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 2021 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Comprehensive Income and Expenditure Statement, Balance Sheet, Movement in Reserves Statement 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 2020/21 (the 2020/21 Code).

In our opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2020/21 Code of the state of affairs of the body as at 31 March 2021 and of its income and expenditure 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 2020/21 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 for opinion

We conducted our audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. 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 were appointed by the Accounts Commission on 31 May 2016. The period of total uninterrupted appointment is five years. 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 Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the body. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern basis of accounting

We have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the body's ability to continue to adopt the going concern basis of accounting for a

period of at least twelve months from when the financial statements are authorised for issue.

Risks of material misstatement

We report in a separate Annual Audit Report, available from the [Audit Scotland website](#), the most significant assessed risks of material misstatement that we identified and our judgements thereon.

Responsibilities of the Chief Financial Officer and Edinburgh Integration Joint Board for the financial statements

As explained more fully in the Statement of Responsibilities, the Chief Financial 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 Financial 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 financial statements, the Chief Financial Officer is responsible for assessing the body's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

The Edinburgh Integration Joint Board is responsible for overseeing the financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain 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) 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- obtaining an understanding of the applicable legal and regulatory framework and how the body is complying with that framework;
- identifying which laws and regulations are significant in the context of the body;
- assessing the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which our procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the body's controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Reporting on other requirements

Opinion prescribed by the Accounts Commission on the audited part of the Remuneration Report

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

Statutory other information

The Chief Financial Officer is responsible for the statutory other information in the annual accounts. The statutory other information comprises the Management Commentary, Annual Governance Statement, Statement of Responsibilities and the unaudited part of the Remuneration Report.

Our responsibility is to read all the statutory other information and, in doing so, consider whether the statutory other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this statutory other information, we are required to report that fact. We have nothing to report in this regard.

Our opinion on the financial statements does not cover the statutory other information and we do not express any form of assurance conclusion thereon except on the Management Commentary and Annual Governance Statement to the extent explicitly stated in the following opinions prescribed by the Accounts Commission.

Opinions prescribed by the Accounts Commission on Management Commentary and Annual Governance Statement

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 audited 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.

We have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

In addition to our responsibilities for the annual accounts, our conclusions on the wider scope responsibilities specified in the Code of Audit Practice, including those in respect of Best Value, are set out in our Annual Audit Report.

Use of our report

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, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Nick Bennett, (for and on behalf of Azets Audit Services)

Exchange Place 3

Semple Street

Edinburgh

EH3 8BL

Date:

Azets Audit Services
Exchange Place 3
Semple Street
Edinburgh
EH3 8BL

Edinburgh Integration Joint Board

Dear Sirs

The following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience such as I consider necessary in connection with your audit of Edinburgh Integration Joint Board's (the IJB's) annual accounts for the period ended 31 March 2021. These enquiries have included inspection of supporting documentation where appropriate and are sufficient to satisfy myself that I can make each of the following representations. All representations are made to the best of my knowledge and belief.

GENERAL

1. I have fulfilled my responsibilities for preparing financial statements in accordance with 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 2020/21 (the 2020/21 Code), for being satisfied that they give a true and fair view, and for making accurate representations to you.
2. All the transactions undertaken by the IJB have been properly reflected and recorded in the accounting records.
3. All the accounting records have been made available to you for the purpose of your audit. I have provided you with unrestricted access to all appropriate persons within the IJB, and with all other records and related information requested, including minutes of all committee meetings.

ADJUSTMENTS & DISCLOSURES

4. The financial statements are free of material misstatements, including omissions.
5. The effects of uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole. (See appendix 1 for details of such uncorrected misstatements).
6. I have reviewed and approved all disclosures made in the financial statements and I am not aware of any other matters which require disclosure in order to comply with the requirements of International Financial Reporting Standards as adopted by the European Union, and as interpreted and adapted by the 2020/21 Code.

INTERNAL CONTROL AND FRAUD

7. I acknowledge my responsibility for the design, implementation and maintenance of internal control systems to prevent and detect fraud and error. I have disclosed to you the results of my risk assessment that the financial statements may be misstated as a result of fraud.
8. I have disclosed to you all instances of known or suspected fraud affecting the IJB involving management, employees who have a significant role in internal control or others that could have a material effect on the financial statements.
9. I have also disclosed to you all information in relation to allegations of fraud or suspected fraud affecting the IJB's financial statements communicated by current or former employees, analysts, regulators or others.
10. I have disclosed to you any significant changes in the IJB's processes, controls, policies and procedures that I deem necessary to address the likely effects of the COVID-19 pandemic on the IJB's system of internal controls.

ASSETS AND LIABILITIES

11. All actual liabilities, contingent liabilities and guarantees given to third parties have been recorded or disclosed as appropriate.

12. The IJB has no plans or intentions that may materially alter the carrying value and, where relevant, the fair value measurements or classification of assets and liabilities reflected in the financial statements.
13. I confirm that all bank accounts have been disclosed to you and are included within the financial statements.
14. I confirm that the IJB has not contracted for any capital expenditure other than as disclosed in the financial statements.

ACCOUNTING ESTIMATES

15. The methods, data and significant assumptions used by the IJB in making accounting estimates, and their related disclosures, are appropriate to achieve recognition, measurement and disclosure that is reasonable in the context of the applicable financial reporting framework.

LEGAL CLAIMS

16. I have disclosed to you all claims in connection with litigation that have been, or are expected to be, received and such matters, as appropriate, have been properly accounted for and disclosed in the financial statements.

LAWS AND REGULATIONS

17. I have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements and disclosures, including non-compliance matters:
 - a. Involving financial impropriety;
 - b. Related to laws or regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements;
 - c. Related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the IJB's business, its ability to continue in business, or to avoid material penalties; and
 - d. Involving management, or employees who have significant roles in internal control, or others.
18. I am unaware of any known or probable instances of non-compliance with the requirements of regulatory or governmental authorities, including their financial reporting requirements, and there have been no communications from regulatory agencies, Scottish Government or Scottish Ministers concerning investigations or allegations of non-compliance, other than those already disclosed.

RELATED PARTIES

19. Related party relationships and transactions have been appropriately accounted for and disclosed in the financial statements. I have disclosed to you all relevant information concerning such relationships and transactions and I confirm that such information is complete. I am not aware of any other matters which require disclosure in order to comply with the requirements of applicable law or accounting standards.

SUBSEQUENT EVENTS

20. All events subsequent to the date of the financial statements which require adjustment or disclosure have been properly accounted for and disclosed.

GOING CONCERN

21. I believe that the IJB's annual accounts should be prepared on a going concern basis on the grounds that sufficient funding has been made available to the IJB to support the anticipated continuation of the provision of services.
22. I also confirm our plans for future action(s) required to enable the IJB to continue as a going concern are feasible.
23. I have considered a period of twelve months from the date of approval of the financial statements. I believe that no further disclosures relating to the IJB's ability to continue as a going concern need to be made in the financial statements.
24. The implications of the Covid-19 pandemic continue to create uncertainty and it is therefore difficult to evaluate the likely effect on the IJB's activities and the wider economy. My assessment at the date of approval of these accounts is that the pandemic does not create a material uncertainty related to going concern.

DISCLOSURE OF INFORMATION TO THE AUDITOR

- 25. I acknowledge my legal responsibilities regarding disclosure of information to you as auditor and confirm that so far as I am aware, there is no relevant audit information needed by you in connection with preparing your audit report of which you are unaware.

- 26. I have taken all the steps that I ought to have taken in order to make myself aware of any relevant audit information and to establish that you are aware of that information.

Yours faithfully

.....
Maira Pringle
Chief Financial Officer

Date:

Appendix 1 – Uncorrected misstatements

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

REPORT

Internal Audit Annual Opinion 2020/21

IJB Audit and Assurance Committee

20 August 2021

| | |
|---|--|
| <p>Some Improvement Required</p> | <p>Whilst some control weaknesses were identified, in the design and / or effectiveness of the control environment and / or governance and risk management frameworks, they provide reasonable assurance that risks are being managed, and the EIJB's objectives should be achieved.</p> |
|---|--|

| | |
|---------------------------------|--|
| <p>Executive Summary</p> | <p>The purpose of this report is to present the Edinburgh Integration Joint Board (EIJB) Audit and Assurance Committee with Internal Audit's (IA's) annual opinion for the EIJB for the year ended 31 March 2021.</p> <p>Internal Audit (IA) considers that some improvement is required to the EIJB control environment and governance and risk management frameworks and is reporting an 'amber' rated opinion (see Appendix 1), with our assessment towards the top of this category. This outcome is aligned with the 2019/20 IA opinion.</p> <p>Our opinion is based on the outcomes of the three audits completed as part of the 2020/21 IA annual plan and the status of open EIJB IA findings as at 31 March 2020; and is also informed by the outcomes of relevant Partnership audits performed by the City of Edinburgh Council (the Council) and NHS Lothian (NHSL), and the status of any open and overdue Partnership IA findings.</p> <p>This report is a component part of the annual assurance provided to the EIJB, as there are a number of additional assurance sources that the Committee should consider when forming their own view on the design and effectiveness of the control environment and governance and risk management frameworks.</p> <p>This report is prepared in line with the requirements detailed in the Public Sector Internal Audit Standards (PSIAS), and is subject to the inherent limitations of IA (covering both the control environment and the assurance provided over controls) as set out in Appendix 5.</p> |
|---------------------------------|--|

Recommendations

It is recommended that the Audit and Assurance Committee:

1. notes the final 'some improvement required' amber rated IA opinion for the year ended 31 March 2021.
2. reviews and scrutinises the outcomes of the audit of 'EIJB Management Information' internal audit completed in July 2021 to support the annual opinion.

Directions

| | | |
|---|--|---|
| Direction to City of Edinburgh Council, NHS Lothian or both organisations | No direction required | ✓ |
| | Issue a direction to City of Edinburgh Council | |
| | Issue a direction to NHS Lothian | |
| | Issue a direction to City of Edinburgh Council and NHS Lothian | |

Report Circulation

1. The report was discussed with the EIJB's Chief Officer and Chief Finance Officer.
2. EIJB Audit and Assurance Committee.

Main Report

Background

3. The objective of IA is to provide a high-quality independent audit service to the EIJB in accordance with PSIAS requirements, that provides assurance over the control environment established to manage the EIJB's key risks, and their overall governance and risk management frameworks.
4. The PSIAS provide a coherent and consistent IA framework for public sector organisations. Adoption of the PSIAS is mandatory for IA teams within UK public sector organisations, and PSIAS require annual reporting on conformance.
5. IA assurance is provided to the EIJB by its two partners, the Council and NHSL, with a total of four audits usually completed annually (three by the Council and one by NHSL). In 2020/21 three audits were completed by the Council reflecting the ongoing impacts of the Covid-19 pandemic.
6. The role of Chief Internal Auditor for the EIJB is performed by the Council's Chief Internal Auditor.

7. NHSL applies a different classification for their assurance outcomes and IA findings in comparison to the Council. Details of these classifications and their alignment with Council classifications are included at Appendices [1](#) and [2](#).
8. It is the responsibility of the Chief Internal Auditor to provide an independent and objective annual opinion on the adequacy and effectiveness of the EIJB's control environment and governance and risk management frameworks in line with PSIAS requirements. The opinion is provided to the EIJB Audit and Assurance Committee and should be used to inform the EIJB Annual Governance Statement.
9. The original 2020/21 EIJB IA plan included four audits and was approved by the EIJB Audit and Assurance Committee on 11 March 2020 prior to the beginning of the pandemic. The plan was based on the November 2019 EIJB risk register that included a total of 12 inherent or original (pre-controls) risks (Very High (2); High (7); Medium (1) and Low (2)) where audit assurance could be provided.
10. The 2020/21 annual plan was then re-based and approved by the EIJB Audit and Assurance Committee on 15 September 2020. Management advised that the only significant change to the November EIJB risk profile was the increased financial risk as a result of Covid-19. The revised plan included three audits in comparison to the four audits included in original plan.
11. Where control weaknesses are identified, IA findings are raised, and management agree recommendations to address the gaps identified. However, it is the responsibility of management to address and rectify control weaknesses via timely implementation of the agreed management actions.
12. The IA definition of an overdue finding is any finding where all agreed management actions have not been implemented by the final date agreed by management and recorded in IA reports.
13. A total of three historic EIJB historic findings (dating back to 1 April 2016) were reopened in June 2018, where management actions agreed to address the risks associated with these findings had either not been implemented or had been implemented but not sustained.
14. Progress towards closure of both EIJB and Partnership IA findings is monitored by the Partnership's Executive Management Team. Open and overdue findings for the EIJB are reported to the EIJB Audit and Assurance Committee, and Partnership findings raised on adult social care services are subject to ongoing review and scrutiny by the Council's Governance, Risk and Best Value Committee.
15. Internal Audit is not the only source of assurance provided to the EIJB as there are a number of additional assurance sources including: external audit, regulators and inspectorates, that the Committee should equally consider when forming their view

on the design and effectiveness of the EIJB's control environment, governance and risk management arrangements.

16. Basis of Opinion

17. Our opinion is based on the outcomes of the three audits included in the 2020/21 EIJB Internal Audit annual plan; and the status of EIJB open and overdue IA findings as at 31 March 2021.
18. Our opinion is also informed by the outcomes of relevant Partnership audits completed by the Council and NHSL and the status of relevant Health and Social Care partnership open and overdue IA findings owned by the Council as at 31 March 2021.
19. No information is currently provided by NHSL in relation to progress with implementing findings raised as part of the relevant Partnership audits included in their Internal Audit plans, and the position with open and overdue IA findings is not reflected in the NHSL Internal Audit Annual Report and Opinion.

Internal Audit 2020/21 Annual Opinion

20. IA considers that some improvement is required to the EIJB control environment and governance and risk management frameworks and is reporting an 'amber' rated opinion (see Appendix 1), with our assessment towards the top of this category. This opinion remains aligned with the outcome reported for the 2019/20 financial year.
21. This opinion reflects the outcomes of three EIJB audits completed in 2020/21, with one assessed as 'effective' (green), and two assessed as 'some improvement required' (amber). Further detail is included at [Appendix 3, table 2](#).
22. We have observed an increase in the percentage of open EIJB IA findings that were overdue as at 31 March 2021 (88%) in comparison to the 2019/20 financial year (55%). It is important to highlight that this is mainly due to management's ongoing focus on the Covid-19 operational resilience response.
23. Further action is also required to fully address the risks associated with the remaining historic EIJB IA finding that was reopened in June 2018 and remained open as at 31 March 2021. Further information is included at [Appendix 4](#).
24. This opinion recognises that the EIJB management also has operational responsibility for delivery of health and social care services through the Partnership. Consequently, whilst a four-month extension timeframe was applied to all open EIJB IA findings to reflect the impact of the pandemic, it is likely that this was insufficient to reflect its ongoing impact on EIJB activities, and the need for EIJB management to focus on both EIJB and Partnership operational resilience activities.

25. Whilst an audit of the EIJB risk management framework was not completed in 2020/21, it is important to note that action is required to address the potential conflict of interest in relation to Chief Finance Officer's current risk management responsibilities for EIJB. Additionally, this potential conflict may have been further exacerbated by the impacts of Covid-19 on the EIJB's overall financial position during financial year 2020/21. An audit of the EIJB Risk Management framework is included in the 2021/22 IA annual plan.

EIJB Audit Outcomes

26. Completion of the three EIJB audits included in the 2020/21 EIJB IA annual plan, and follow-up on findings raised in previously completed audits provided assurance over all of the EIJB's auditable 'Very High' and 'High' rated risks included in the EIJB risk register as at 30 November 2019.
27. One of three completed EIJB audits (Covid-19 Financial Management) had an overall significant assurance / effective (green) outcome, whilst the Capital and Workforce Planning audit and the EIJB Management information audits had overall 'some improvement required' (amber) outcomes. A total of 5 IA findings (4 Medium and 1 Low) were raised from these reviews. Further detail is included at [Appendix 3, table 2](#).
28. The final EIJB Management Information report is included for review and scrutiny at Appendix 7, whilst the Capital and Workforce Planning audit report and the Covid-19 Financial Management report were presented to the Committee in March and June 2021 respectively.

City of Edinburgh Council Audit Outcomes

29. The 2020/21 IA annual opinion for the Council was a limited opinion, reflecting that the number of audits completed was reduced and that scope of Covid-19 reviews were mainly limited to considering the design of controls, with limited effectiveness testing performed. This approach was adopted to support the Council in implementing and managing its Covid-19 resilience response.
30. A total of 16 Council audits have been identified that may be of interest to the EIJB Audit and Risk Committee. Of these, 6 include control gaps that could have a direct impact on core IJB activities; and 10 include control gaps that could have an impact on ancillary IJB activities.
31. An overall report assessment of 'significant improvement required' (red) was the outcome for 3 of the audits; with a 'some improvement required' (amber) assessment for a further 9; and an 'effective' (green) assessment for the remaining 4.

32. A total of 36 Internal Audit findings (19% High; 64% Medium; and 17% Low) were raised. Details of the reports that have been published are included at [Appendix 3, table 3](#).

NHS Lothian Audit Outcomes

33. A total of 9 NHSL audits have been identified that may be of interest to the EIJB Audit and Risk Committee. Of these 6 include control gaps that could have a direct impact on core IJB activities; and 3 include control gaps that could have an impact on ancillary IJB activities.
34. Two audits have an overall report assessment of 'limited assurance' (amber); two 'moderate assurance' (yellow); four 'significant assurance' (green); with the overall assessment of one (as yet unpublished) audit to be confirmed.
35. A total of 34 Internal Audit findings (6% Critical; 44% Medium; 38% Medium; and 12% Low) were raised. Links to these reports on the NHSL website are included at [Appendix 3, table 4](#) where published.
36. A summary of the outcomes of the EIJB audits and audits performed by the Council and NHS Lothian that may be of interest to the EIJB are included at [Appendix 3, table 1](#).

Status of Internal Audit Findings

37. No information is currently provided by NHSL in relation to progress with implementing findings raised as part of the relevant Partnership audits included in their Internal Audit plans, and the position with open and overdue IA findings is not reflected in the NHSL Internal Audit Annual Report and Opinion.
38. As at 31 March 2021, the EIJB had a total of 18 open Internal Audit findings (9 High and 9 Medium). This total includes a High rated historic finding that was reopened in June 2018. Of the 18 open findings, 16 (88%) were overdue (9 High and 7 Medium) as at 31 March 2021, including the 1 remaining historic finding.
39. As at 31 March, the Health and Social Care Partnership (the Partnership) was also working towards closure of 17 open Internal Audit findings (7 High and 10 Medium) that were raised from relevant Council IA reviews. Of these open findings 14 (82%) comprising 4 High and 10 Medium rated findings were overdue as at 31 March 2021.
40. Details on the status of open and overdue Internal Audit findings for the EIJB and the Council is included at [Appendix 4](#).

Comparison with Prior Year – Audit Outcomes

41. The 2020/21 EIJB amber 'some improvement required' annual opinion assessment remains aligned with the outcome reported for the 2019/20 financial year.

42. This opinion outcome recognises a slight downward trend in the outcomes of the three EIJB audits completed in 2020/21 (20% green and 80% amber) in comparison to 2019/20 (67% green and 33% amber); and the improvement in comparison to the 2018/19 position (50% red and 50% amber), with no High rated audit findings raised in the last two years. Further detail is included at [Appendix 3, table 2](#).
43. Recognising that the Council 2020/21 IA annual opinion was limited, there has also been improvement in the outcomes of relevant Council audit reports, with the proportion of overall report outcomes assessed as 'significant improvement required' (red) decreasing across the last three years (2020/21: 19%; 2019/20: 44%; and 2018/19: 50%;) and a reduction in the proportion of high rated findings raised in the last year (2020/21: 19%; 2019/20: 33%; 2018/19: 47%).
44. It is important to note that, similar to the Council, NHSL has completed fewer audits in 2020/21 in comparison to prior years. Of the completed audits, 9 have been identified as being of interest to the EIJB. Of these, 2 (22%) have been assessed as 'limited assurance' (red), reflecting an increasing trend when compared with prior years (2019/20: 18%; 2018/19: 7%). This is supported by an increase in the proportion of critical (2020/21: 6% with none raised in prior years) and high rated (2020/21: 44%; 2019/20: 7%; 2018/19:13%) findings raised Further detail is included at [Appendix 3, table 4](#).

Comparison with Prior Year – Overdue Findings

45. We have noted an increasing trend in the percentage of open EIJB IA findings that were overdue as at 31 March 21, with 88% overdue in 2020/21 in comparison to 55% in 2018/19; and 88% in 2018/19, and an increase in the proportion of High rated overdue findings (2020/21: 100%; 2019/20: 70%; and 2018/19: 80%). Further detail is included at [Appendix 4](#).
46. The percentage of relevant Partnership IA findings that were overdue as at 31 March 2021 (82%) remains broadly aligned with prior years (2019/20: 83%; and 2018/19: 86%), with a consistent decrease in the proportion of High rated overdue findings (2020/21: 57%; 2019/20: 83%; and 2018/19: 100%). Further detail is included at [Appendix 4](#).

Internal Audit Independence

47. PSIAS require that Internal Audit must be independent and internal auditors must be objective in performing their work. To ensure conformance with these requirements, both the Council and NHSL Internal Audit teams have established processes to ensure that both team and personal independence is consistently maintained and that any potential conflicts of interest are effectively managed.

48. Neither the Council or the NHSL audit teams consider that we have faced any significant threats to our independence during 2020/21, nor do we consider that we have faced any inappropriate scope or resource limitations when completing our work.
49. IA independence for NHS Lothian was confirmed in the Internal Audit Annual Report and Opinion 2020/21 that was presented to the NHS Lothian Audit and Risk Committee in June 2021 (refer Appendix 6).
50. IA independence for the Council was confirmed in the City of Edinburgh Council Internal Audit Opinion and Annual Report for the Year Ended 31 March 2021 presented at the Governance Risk and Best Value committee on 10 August 2021 (see [item 8.1](#)).

Conformance with Public Sector Internal Audit Standards

51. Both the City of Edinburgh Council and NHSL IA teams have fully conformed with PSIAS requirements during 2020/21 as detailed in the annual opinions provided to the Council's Governance, Risk, and Best Value Committee and the NHSL Audit and Risk Committees in August 2021 and June 2021 respectively.

Implications for Edinburgh Integration Joint Board

Financial

52. There are no direct financial implications for the EIJB as a consequence of this report

Legal / risk implications

53. If the risks associated with findings raised in audit reports are not effectively addressed and managed, this could impact the EIJB's ability to meet its objectives.

Equality and integrated impact assessment

54. There are no direct equalities and integrated impact assessment impacts as a consequence of this report.

Environment and sustainability impacts

55. There are no direct environment and sustainability impacts associated with this report.

Quality of care

56. There are no direct quality of care impacts associated with this report.

Consultation

57. The scope of the IA plan that forms the basis of the annual opinion is derived from the EIJB risk register. In preparing the risk register, the Risk function consulted widely with EIJB senior management from the Integration Board, NHS Lothian and the City of Edinburgh Council. The Risk register also includes input from members of the Board and the Board's Audit Committee
58. The IA annual opinion has also been discussed agreed with EIJB senior management.

Report Author

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Background Reports

1. [Public Sector Internal Audit Standards](#)
2. [City of Edinburgh Council Internal Audit Annual Opinion for the year ended 31 March 2021 item 8.1\)](#)

Appendices

| | |
|----------------------------|--|
| Appendix 1 | Internal Audit opinion types |
| Appendix 2 | Classifications Applied to Internal Audit Findings |
| Appendix 3 | Internal Audit reports that form the basis of and inform the 2020/21 Internal Audit Opinion |
| Appendix 4 | Open and Overdue Internal Audit Findings as at 31 March 2021 |
| Appendix 5 | Limitations and responsibilities of Internal Audit and management responsibilities |
| Appendix 6 | NHS Lothian Annual Report and Opinion |
| Appendix 7 | Final report: EIJB Management Information |

Appendix 1 – Internal Audit opinion types

The PSIAS require the provision of an annual Internal Audit opinion, but do not provide any methodology or guidance detailing how the opinion should be defined.

Professional judgement is exercised in determining the appropriate opinion, and it should be noted that in giving an opinion, assurance provided can never be absolute

There are 4 possible opinion types that are applied to EIJB Internal Audit reports and also the EIJB annual Internal Audit opinion. These are:

| City of Edinburgh Council Assurance Categories Applied to EIJB Internal Audit reports and annual opinions | |
|--|--|
| <p>1 Effective</p> <p><i>The control environment and governance and risk management frameworks have been adequately designed and are operating effectively, providing assurance that risks are being effectively managed, and the Council's objectives should be achieved.</i></p> | <p>2 Some Improvement Required</p> <p><i>Whilst some control weaknesses were identified, in the design and / or effectiveness of the control environment and / or governance and risk management frameworks, they provide reasonable assurance that risks are being managed, and the Council's objectives should be achieved.</i></p> |
| <p>3 Significant Improvement Required</p> <p><i>Significant and/or numerous control weaknesses were identified, in the design and / or effectiveness of the control environment and / or governance and risk management frameworks. Consequently, only limited assurance can be provided that risks are being managed and that the Council's objectives should be achieved.</i></p> | <p>4. Inadequate</p> <p><i>The design and / or operating effectiveness of the control environment and / or governance and risk management frameworks is inadequate, with a number of significant and systemic control weaknesses identified, resulting in substantial risk of operational failure and the strong likelihood that the Council's objectives will not be achieved.</i></p> |
| NHS Lothian Assurance Categories Applied to EIJB Internal Audit Reports | |
| <p>1 Significant Assurance</p> <p><i>The Board can take reasonable assurance that the system(s) of control achieves or will achieve the control objective. There may be an insignificant amount of residual risk or none at all.</i></p> | <p>2 Moderate Assurance</p> <p><i>The Board can take reasonable assurance that controls upon which the organisation relies to achieve the control objective are in the main suitably designed and effectively applied. There remains a moderate amount of residual risk.</i></p> |
| <p>3 Limited Assurance</p> <p><i>The Board can take some assurance from the systems of control in place to achieve the control objective, but there remains a significant amount of residual risk which requires action to be taken.</i></p> | <p>3 No Assurance</p> <p><i>The Board cannot take any assurance from the audit findings. There remains a significant amount of residual risk.</i></p> |

Appendix 2 - Classifications Applied to Internal Audit Findings

| City of Edinburgh Council | |
|---------------------------|--|
| Rating | Assessment rationale |
| Critical | <p>A finding that could have a:</p> <ul style="list-style-type: none"> • 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 the reputation or brand of the Council which could threaten its future viability. |
| High | <p>A finding that could have a:</p> <ul style="list-style-type: none"> • Significant impact on operational performance; or • Significant monetary or financial statement impact; or • Significant breach in laws and regulations resulting in significant fines and consequences; or • Significant impact on the reputation or brand of the Council. |
| Medium | <p>A finding that could have a:</p> <ul style="list-style-type: none"> • Moderate impact on operational performance; or • Moderate monetary or financial statement impact; or • Moderate breach in laws and regulations resulting in fines and consequences; or • Moderate impact on the reputation or brand of the Council. |
| Low | <p>A finding that could have a:</p> <ul style="list-style-type: none"> • Minor impact on the organisation's operational performance; or • Minor monetary or financial statement impact; or • Minor breach in laws and regulations with limited consequences; or • Minor impact on the reputation of the Council. |
| Advisory | <p>A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.</p> |
| NHS Lothian | |
| Rating | Definition |
| Critical | <p>A fundamental failure or absence in the design or operating effectiveness of controls, which requires immediate attention.</p> |
| High | <p>A key control failure has been identified which could be either due to a failure in the design or operating effectiveness. There are no compensating controls in place, and management should aim to implement controls within a calendar month of the review.</p> |
| Medium | <p>A control failure has been identified which could be either due to a failure in the design or operating effectiveness. Other controls in place partially mitigate the risk to the organisation, however management should look to implement controls to fully cover the risk identified.</p> |
| Low | <p>Minor non-compliance has been identified with the operating effectiveness of a control; however, the design of the control is effective of a control, however the design of the control is effective.</p> |

Appendix 3 - Internal Audit reports that form the basis of and inform the 2020/21

Table 1: Summary of Internal Audit reports

| | No of Audits | No of Findings Raised | | | | Totals |
|---------------------------|--------------|-----------------------|---------------------|---------------------|---------------------|----------------------|
| | | Critical | High | Medium | Low | |
| EIJB | 3 | - | - | 4 | 1 | 5 |
| City of Edinburgh Council | 16 | - | 7 | 23 | 6 | 36 |
| NHS Lothian | 9 | 2 | 15 | 13 | 4 | 34 |
| Total 2020/21 | 28 | 2 (3%) | 22 (29%) | 40 (53%) | 11 (15%) | 75 (100%) |
| <i>Total 2019/20</i> | 28 | - | 19 (23%) | 44 (52%) | 21 (25%) | 84 (100%) |
| <i>Total 2018/19</i> | 33 | - | 27 (27%) | 57 (56%) | 17 (17%) | 101 (100%) |

Internal Audit Opinion

Table 2: EIJB Internal Audit Reports

| | Overall Report Rating | No of Findings Raised | | | Totals |
|--|---------------------------|-----------------------|--------------------|--------------------|---------------------|
| | | High | Medium | Low | |
| COVID 19 Financial Management | Effective | - | - | 1 | 1 |
| Capital and Workforce Planning | Some Improvement required | - | 1 | - | 1 |
| Management Information | Some Improvement required | - | 3 | - | 3 |
| Total 2020/21 – 3 reports | | - | 4 (80%) | 1 (20%) | 5 (100%) |
| <i>Total 2019/20 – 3 reports (2 significant assurance / effective (green), 1 some improvement required (amber))</i> | | - | 2 (67%) | 1 (33%) | 3 (100%) |
| <i>Total 2018/19 – 4 reports (2 significant enhancements (red), 2 moderate assurance / generally adequate (amber))</i> | | 3 (25%) | 9 (75%) | - | 12 (100%) |

Table 3: City of Edinburgh Council Internal Audit Reports

| | | | | Findings Raised | | | |
|--|--|----------|----------------------------------|--------------------------|---------------------------|--------------------------|----------------------------|
| | | *Impact | Overall Report Outcome | High | Medium | Low | Totals |
| 1. | Covid-19 - Procurement and Allocation of Personal Protective Equipment | Direct | Effective | - | - | 1 | 1 |
| 2. | Covid-19 Workforce Management | Direct | Some Improvement Required | - | 2 | - | 2 |
| 3. | Covid-19 Employee Testing | Indirect | Some Improvement Required | - | 1 | 1 | 2 |
| 4. | Covid-19 Shielding and Vulnerable Groups | Indirect | Some Improvement Required | 1 | 2 | - | 3 |
| 5. | Covid-19 Lessons Learned | Direct | Some Improvement Required | - | 1 | - | 1 |
| 6. | Covid-19 Physical Distancing and Employee Protection | Indirect | Some Improvement Required | - | 3 | - | 3 |
| 7. | Employee Lifecycle Data and Compensation and Benefits Processes for the 2019/20 Financial Year | Direct | Effective | - | 1 | - | 1 |
| 8. | Digital Services Change Implementation | Indirect | Some Improvement Required | - | 2 | - | 2 |
| 9. | Salary Overpayments – Findings Only Report | Direct | Some Improvement Required | 1 | - | - | 1 |
| 10. | Technology Resilience | Indirect | Significant Improvement Required | 1 | 3 | - | 4 |
| 11. | Corporate and Learning and Teaching Network Management | Indirect | Significant Improvement Required | 2 | 2 | - | 4 |
| 12. | Direct Access and Mobile Device Management | Indirect | Some Improvement Required | - | 2 | 2 | 4 |
| 13. | Covid-19 Scottish Government / COSLA Returns | Indirect | Effective | - | 1 | - | 1 |
| 14. | CSWO Assurance and Annual Report | Direct | Effective | - | - | 2 | 2 |
| 15. | Edinburgh Health and Social Care Partnership – Command Centre | Indirect | Some Improvement Required | - | 2 | - | 2 |
| 16. | Managing Behaviours of Concern | Indirect | Significant Improvement Required | 2 | 1 | - | 3 |
| Total 2020/21 – 16 reports (3 (19%) Significant Improvement Required; 9 Some Improvement Required (56%); 4 (25%) Effective) | | | | 7 (19%) | 23 (64%) | 6 (17%) | 36 (100%) |
| Total 2019/20 – 18 reports (8 (44%) Significant Improvement Required; 8 (44%) Some Improvement Required; 2 (12%) Effective) | | | | 17 (33%) | 26 (51%) | 8 (16%) | 51 (100%) |
| Total 2018/19 – 14 reports (7 (50%) Significant Enhancements; 7 (50%) Generally Adequate) | | | | 17 (47%) | 14 (39%) | 5 (14%) | 36 (100%) |

Table 4: NHS Lothian Internal Audit Reports

| | | | Findings Raised | | | | | |
|--|--|----------|------------------------|-------------------|---------------------|---------------------|--------------------|----------------------|
| | | *Impact | Overall Report Outcome | Critical | High | Medium | Low | Totals |
| 1. | Property Transaction Monitoring 2019-20 | Direct | Significant Assurance | - | - | - | 1 | 1 |
| 2. | Workforce Planning | Direct | Significant Assurance | - | - | - | - | - |
| 3. | Key Financial and Procurement Controls | Direct | Moderate Assurance | - | - | 1 | - | 1 |
| 4. | Waiting Times Compliance | Indirect | Significant Assurance | - | - | - | - | - |
| 5. | Estates (report not yet published) | Direct | Limited Assurance | 1 | 11 | 2 | - | 14 |
| 6. | Consort Invoicing | Direct | Limited Assurance | 1 | 3 | 2 | - | 6 |
| 7. | Urgent Care Programme | Direct | Significant Assurance | - | - | - | 2 | 2 |
| 8. | Complaints Handling (report not yet published) | Indirect | To Be Confirmed | - | 1 | 3 | 1 | 5 |
| 9. | Risk Management at a Divisional/HSCP level | Indirect | Moderate Assurance | - | - | 5 | - | 5 |
| Total 2020/21 – 9 reports (2 (22%) limited assurance; 2 (22%) moderate assurance; 4 (45%) significant assurance; 1 (11%) to be confirmed) | | | | 2 (6%) | 15 (44%) | 13 (38%) | 4 (12%) | 34 (100%) |
| Total 2019/20 – 11 reports (2 (18%) limited assurance; 2 (18%) moderate assurance; 7 (64%) significant assurance) | | | | - | 2 (7%) | 16 (53%) | 12 (40%) | 30 (100%) |
| Total 2018/19 – 15 reports (1 (7%) limited assurance; 6 (40%) moderate assurance; 8 (53%) significant assurance) | | | | - | 7 (13%) | 34 (64%) | 12 (23%) | 53 (100%) |

***Impact Definition**

Direct – Audits performed by the City of Edinburgh Council / NHS Lothian where control gaps identified have a direct impact on core IJB activities

Indirect – Audits performed by the City of Edinburgh Council / NHS Lothian where control gaps identified have an impact on ancillary IJB activities.

Appendix 4 - Open and Overdue Internal Audit Findings as at 31 March 2021

| | Number of open Internal Audit findings | | | | |
|--|--|-----------------|-----------------|----------|-----------------|
| | Critical | High | Medium | Low | Total |
| EIJB open findings | - | 9 | 9 | - | 18 |
| EIJB overdue findings (2019/20: 55% of open findings were overdue; 2018/19: 88%) | - | 9 (100%) | 7 (77%) | - | 16 (88%) |
| City of Edinburgh Council Health and Social Care Partnership open findings | - | 7 | 10 | - | 17 |
| City of Edinburgh Council Health and Social Care Partnership overdue findings (2019/20: 83% of open findings were overdue; 2018/19: 86%) | - | 4 (57%) | 10 (100%) | - | 14 (82%) |
| Total Open Findings 2020/21 | - | 16 | 19 | - | 35 |
| Total Overdue Findings 2020/21 | - | 13 (81%) | 17 (89%) | - | 30 (86%) |
| Total Open Findings 2019/20 | - | 16 | 22 | 2 | 40 |
| Total Overdue Findings 2019/20 | - | 12 (75%) | 15 (68%) | - | 27 (68%) |
| Total Open Findings 2018/19 | - | 12 | 16 | 2 | 30 |
| Total Overdue Findings 2018/19 | - | 10 (83%) | 14 (88%) | 2 (100%) | 26 (87%) |

Appendix 5 - Limitations and responsibilities of Internal Audit and management responsibilities

The opinion is based solely on the internal audit work performed for the financial year 1 April 2020 to 31 March 2021. Work completed was based on the terms of reference agreed with management for each review. However, where other matters have come to our attention, that are considered relevant, they have been taken into account when finalising our reports and the annual opinion.

There may be additional weaknesses in the EIJB control environment and governance and risk management frameworks that were not identified as they were not included in the 2020/21 EIJB annual internal audit plan; were excluded from the scope of individual reviews; or were not brought to Internal Audit's attention. Consequently, management and the Committee should be aware that the opinion may have differed if these areas had been included or brought to Internal Audit's attention.

Control environments, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgment in decision-making; human error; control processes being deliberately circumvented by employees and others; management overriding controls; and the impact of unplanned events.

Future periods

The assessment of controls relating to the Council is for the year ended 31 March 2021. Historic evaluation of effectiveness may not be relevant to future periods due to the risk that:

- the design of controls may become inadequate because of changes in operating environment, law, regulation or other; or
- the degree of compliance with policies and procedures may deteriorate.

Responsibilities of Management and Internal Audit

It is Management's responsibility to develop and effective control environments and governance and risk management frameworks that are designed to prevent and detect irregularities and fraud. Internal audit work should not be regarded as a substitute for Management's responsibilities for the design and operation of these controls.

Internal Audit endeavours to plan its work so that it has a reasonable expectation of detecting significant control weaknesses and, if detected, performs additional work directed towards identification of potential fraud or other irregularities. However, internal audit procedures alone, even when performed with due professional care, do not guarantee that fraud will be detected. Consequently, internal audit reviews should not be relied upon to detect and disclose all fraud, defalcations or other irregularities that may exist.