

City of Edinburgh Council

10.05am, Thursday 26 September 2024

Internal Audit Annual Report and Opinion 2023/24 - referral from the EIJB Audit and Assurance Committee

Executive/routine

Wards

1. For Decision/Action

The Edinburgh Integration Joint Board (EIJB) Audit and Assurance Committee has referred the Internal Audit Annual Report and Opinion 2023/24 to the City of Edinburgh Council for review and consideration.

Dr Deborah Smart
Executive Director of Corporate Services

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Referral Report

Internal Audit Annual Report and Opinion 2023/24 - referral from the EIJB Audit and Assurance Committee

2. Terms of Referral

- 2.1 On 10 September 2024, the EIJB Audit and Assurance Committee considered the Internal Audit Annual Update Report and Opinion 2023/24. The report provided a summary of internal audit activity and performance during 2023/24, and an independent opinion on the overall adequacy and effectiveness of the EIJB's governance, risk management and internal control systems for the year ended 31 March 2024.
- 2.2 The EIJB Audit and Assurance Committee agreed:
- 2.2.1 To note the 2023/24 Internal Audit Annual Report.
 - 2.2.2 To note the annual opinion on the adequacy of the EIJB's governance, risk management and internal control systems.
 - 2.2.3 To refer the report to the City of Edinburgh Council and NHS Lothian Board for review and consideration.
 - 2.2.4 To include management actions in the report and share with members at the December Committee for information only.
 - 2.2.5 To request that strategic plans were linked in a modular way.
 - 2.2.6 To note officers were awaiting collated evidence relating to the outstanding Lone Working overdue audit action and that once received all 7 overdue audit actions would be considered closed. Completion was expected by 30 September 2024.

3. Background Reading/ External References

EIJB Audit and Assurance Committee of 10 September 2024

4. Appendices

Appendix 1 Internal Audit Annual Report and Opinion 2023/2024 – report by the Head of Internal Audit

REPORT

Internal Audit Annual Report and Opinion 2023/24

IJB Audit and Assurance Committee

10 September 2024

Executive Summary

The purpose of this report is to provide the Audit and Assurance Committee with the 2023/24 Internal Audit Annual Report which provides a summary of internal audit activity and performance during 2023/24, and an independent opinion on the overall adequacy and effectiveness of the Edinburgh Integration Joint Board's (EIJB) governance, risk management and internal control systems for the year ended 31 March 2024.

Internal Audit considers that '**moderate assurance**' can be placed on the adequacy of the EIJB's systems of governance, risk management and internal controls.

Internal Audit work identified a number of issues, areas of non-compliance and/or scope for improvement throughout the year, which individually do not significantly impair the EIJB's system of internal control but may put at risk the achievement of EIJB objectives if corrective actions are not adequately addressed.

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.

Recommendations

It is recommended that the Audit and Assurance Committee:

1. notes the contents of the 2023/24 Internal Audit Annual Report
2. notes the annual opinion on the adequacy of the EIJB's governance, risk management and internal control systems
3. refers this report to both the City of Edinburgh Council and NHS Lothian for review and consideration.

Directions

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

Main Report

Background

- Internal Audit operates in accordance with the [Public Sector Internal Audit Standards](#) (PSIAS) which requires the Chief Audit Executive to prepare an annual report incorporating:
 - the annual internal audit opinion on the overall adequacy and effectiveness of the EIJB’s framework of governance, risk management and control
 - a summary of the information that supports that opinion
 - a disclosure of any impairments to scope and / or independence
 - a statement of conformance with the PSIAS
 - the results of the quality assurance and improvement programme (External Quality Assessment) and progress against any improvement plans.
- The annual report also supports preparation the EIJB’s Annual Governance Statement.
- IA assurance is provided to the EIJB by its two partners, the Council and NHSL, with audits completed by both the Council and NHSL audit teams with oversight from the Council’s Head of Internal Audit, who fulfils the role of Chief Audit Executive for the EIJB.
- Following presentation of the 2022/23 Internal Annual Report and Opinion in September 2023, members requested that standardised assurance titles were provided by Internal Audit, EIJB management and NHSL. Therefore, in December 2023, members approved an update of the titles of its IA assurance ratings and opinions to align with the EIJB and NHSL titles as set out below:

IA CIPFA rating	IA adopted rating from EIJB/NHSL
Substantial Assurance	Significant Assurance



Reasonable Assurance	Moderate Assurance
Limited Assurance	Limited Assurance
No assurance	No assurance

5. The 2023/24 Internal Audit Report (Appendix 1) summarises the internal audit work completed during the year. The Internal Audit Annual Opinion is contained within the Annual Report and concludes that ***moderate assurance*** can be placed upon the adequacy and effectiveness of the EIJB's governance, risk management and internal control systems in the year to 31 March 2024, reflecting that assurance activity has assessed the EIJB as having a generally sound system of governance, risk management and control in place.
6. Internal Audit work identified a number of issues, areas of non-compliance and/or scope for improvement throughout the year, which individually do not significantly impair the EIJB's system of internal control but may put at risk the achievement of EIJB objectives if corrective actions are not adequately addressed.
7. The opinion also considers the results of other assurance activities including progress with the improvement actions resulting from the two Care Inspectorate inspections reported in February and March 2023.
8. The opinion also considers the effects of any significant changes or issues during the year. The EIJB continues to face financial challenges associated with rising demand, operational challenges and increasing costs. The EIJB recognises the need to reform to enable financial sustainability with a Medium Term Financial Strategy approved during 2023/24 which aims to focus on redesign and prioritisation of services.
9. A new Chief Officer was appointed during 2023 demonstrating strengthened leadership, improved partnership working and increased transparency in governance and oversight.
10. In addition, the refreshed EIJB Strategic Plan for 2024-27 which will inform a whole system planning and prioritisation approach was presented to the EIJB in June 2024 ahead of a three month consultation period.
11. Internal control can be defined as the whole system of checks and controls, financial or otherwise, established by management to provide assurance regarding the achievement of an organisation's objectives.
12. No system of internal control can provide absolute assurance that control weaknesses or irregularities do not exist, or that there is no risk of material errors, losses, fraud or breaches of laws and regulations. Accordingly, the Committee should seek continual



improvement and assurance in the effectiveness of the EIJB's systems of internal control.

Strategic Priorities

Strategic Priorities	✓	Key points within report that address strategic priorities
Prevention and Early Intervention		
Tackling Inequalities		
Person Centred Care		
Managing our resources effectively	✓	The report focuses on the EIJB's system of governance, risk and control which supports achievement of strategic priorities
Making best use of capacity across the system		
Right care, right place, right time		

National Health and Wellbeing Outcomes

Please note which national Health and Wellbeing Outcomes your report aligns to		✓
1. People are able to look after and improve their own health and wellbeing and live in good health for longer.	6. People who provide unpaid care are supported to look after their own health and wellbeing, including to reduce any negative impact of their caring role on their own health and well-being.	
2. People, including those with disabilities or long-term conditions, or who are frail, are able to live, as far as reasonably practicable, independently and at home or in a homely setting in their community.	7. People who use health and social care services are safe from harm.	
3. People who use health and social care services have positive experiences of those services, and have their dignity respected.	8. People who work in health and social care services feel engaged with the work they do and are supported to continuously improve the information, support, care, and treatment they provide.	
4. Health and social care services are centred on helping to maintain or improve the quality of life of people who use those services.	9. Resources are used effectively and efficiently in the provision of health and social care services.	✓
5. Health and social care services contribute to reducing health inequalities.	Not applicable	

Implications for Edinburgh Integration Joint Board

Financial



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

Risk, legal, policy, compliance, governance, and community impact

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

Equality and Poverty Impact

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

Environment, climate, and sustainability impacts

16. There are no direct environment, climate and sustainability impacts associated with this report.

Quality of care

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

Consultation

18. The scope of the IA plan that forms the basis of the annual opinion is derived from the EIJB risk register which is developed by officers through consultation with senior management, the IJB and NHS Lothian and the City of Edinburgh Council. The risk register also includes input from members of the Board and the Audit and Assurance Committee.
19. The IA annual opinion has also been discussed with EIJB senior management.

Report Author

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Background reading / external references

1. [Public Sector Internal Audit Standards](#)
2. 2022/23 EIJB Internal Audit Annual Report and Opinion presented to the Audit and Assurance Committee 13 September 2023



3. 2023/24 City of Edinburgh Council Internal Audit Annual Report and Opinion presented to the Governance, Risk and Best Value Committee 17 September 2024
4. 2023/24 NHS Lothian Internal Audit Annual Report presented to the NHS Lothian Audit and Risk Committee 17 June 2024

Appendices

Appendix 1. 2023/24 EIJB Internal Audit Annual Report and Opinion

Internal Audit

2023/24 Annual Report and Opinion

August 2024

Overall Opinion	<i>Moderate Assurance</i>	There is a generally an overall sound system of governance, risk management and control in place. While some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives, individually these do not significantly impair the Edinburgh Integration Joint Boards system of internal control.
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1. Introduction

The Scottish Government Integrated Resources Advisory Group (IRAG) issued '[Guidance for Integrated Financial Assurance](#)' in support of [the Public Bodies \(Joint Working\) \(Scotland\) Act 2014](#).

The guidance requires Integration Joint Boards (IJBs) to establish adequate and proportionate internal audit arrangements for the review of risk management, governance and control of the delegated resources. The guidance further states that the IJB has a responsibility for reviewing the effectiveness of the governance arrangements including the system of internal control.

The [Public Sector Internal Audit Standards](#) (PSIAS) requires the Chief Audit Executive to deliver an annual report which provides a summary of internal audit activity for the year, and an annual opinion which concludes on the adequacy and effectiveness of the Edinburgh Integration Joint Board's (EIJB) governance, risk management and control framework.

The annual report includes consideration of:

- a summary of the information that supports the opinion
- disclosure of any impairments to scope and / or independence
- a statement of conformance with the PSIAS including the results of the quality assurance and improvement programme and progress against any improvement plans, and
- consideration of any other relevant issues.

Integration Joint Boards are also required to approve an Annual Governance Statement. The Internal Audit Annual Opinion supports the EIJB's Annual Governance Statement which is included within the Annual Accounts.

Basis for the opinion

The opinion on the adequacy and effectiveness of the EIJB's systems of control is achieved through delivery of a risk-based audit and assurance programme aligned to the EIJB's key risks which is approved by the Audit and Assurance Committee (AAC).

Audit assurance to the EIJB is not provided in isolation; the internal audit teams of both the City of Edinburgh Council (the Council) and NHS Lothian (NHSL) deliver assurance to their respective organisations which should also be considered by the EIJB where relevant.

Consequently, the annual opinion reflects audit activity performed across the EIJB, the Edinburgh Health and Social Care Partnership (the Partnership) and its partners, the Council and NHSL during the period 1 April 2023 to 31 March 2024.

The opinion also considers reports issued by the External Auditor, the results of other assurance activities performed during the year and the effects of any significant issues or changes impacting the EIJB's control environment.

It also reflects progress with implementation of management actions from previously completed audits which contributes to strengthening the overall governance, risk, and control environment.

Following presentation of the 2022/23 Internal Annual Report and Opinion to the AAC in September 2023, members requested that standardised assurance titles were provided by Internal Audit, EIJB management and NHSL. Therefore, in December 2023, members approved an update of the titles of its assurance ratings and opinions to align with the EIJB and NHSL titles.

Details of the overall definitions are provided within [Appendix 1](#).

2. Executive Summary and Opinion

Overall
Opinion

**Moderate
Assurance**

The 2023/24 Internal Audit annual opinion confirms that '**moderate assurance**' can be placed on the adequacy of the Edinburgh Integration Joint Board's (EIJB) systems of governance, risk management and internal controls.

The opinion reflects assurance activity performed across the EIJB, the Edinburgh Health and Social Care Partnership and its partners, the City of Edinburgh Council (the Council) and NHS Lothian (NHSL) in the year to 31 March 2024, which concluded there is a generally sound system of governance, risk, and control in place.

Internal Audit work identified a number of issues, areas of non-compliance and/or scope for improvement throughout the year, which individually do not significantly impair the EIJB's system of internal control but may put at risk the achievement of EIJB objectives if corrective actions are not adequately addressed.

The 2023/24 overall opinion remains aligned to the 2022/23 opinion of 'reasonable assurance.

It should be noted that the opinion does not imply that Internal Audit has reviewed all risks and assurances relating to the EIJB.

Internal audit activity

The EIJB Internal Audit plan included a total of four audits, three of which were targeted to provide assurance on the EIJB's highest scoring risks with the following overall assurance ratings provided – one 'significant assurance' and two 'moderate assurance.' The final audit was a review of previously implemented actions to ensure controls remain in place and continue to operate effectively which had an overall rating of significant assurance.

Follow-up of audit actions

In addition, the plan included follow-up of managements progress with implementing actions raised in previous internal audits. The opinion also reflects the progress in addressing management actions raised. Significant improvement was made during the year with the majority of EIJB audit actions closed on time and one overdue audit action as at 31 March 2024.

A total of seven audit actions owned by the Partnership across 3 audits were overdue at year end.

Council / NHSL annual opinions

The EIJB opinion also considers the 2023/24 annual audit opinions of the Council and NHSL. The [Council's 2023/24 annual opinion](#) was '**reasonable assurance**' and the [NHSL 2023/24 annual opinion](#) was '**moderate assurance**' both of which are aligned to the 2022/23 annual opinions.

Details of the audits completed for each organisation which impact the EIJB are provided in [section 10](#).

Other assurance providers and other areas of consideration

The opinion also considers the results of other assurance activities. During 2023/24, the Partnership progressed improvement plans for the two Care Inspectorate inspections reported in February and March 2023.

The opinion also considers the effects of any significant changes or issues during the year. The EIJB continues to face financial challenges associated with rising demand, operational challenges and increasing costs. The EIJB recognises the need to reform to ensure financial sustainability with a Medium Term Financial Strategy approved during 2023/24 which aims to focus on redesign and prioritisation of services.

A new Chief Officer was appointed during 2023 demonstrating strengthened leadership, improved partnership working and increased transparency in governance and oversight.

Consideration of other information including progress with improvement actions and emerging areas of risk is provided at [section 7](#).

3. Audit approach and responsibilities

Internal Audit Objectives and responsibilities

The objective of Internal Audit is to provide independent and objective assurance and a systematic and disciplined approach to evaluating and improving the effectiveness of the EIJB's governance, risk management and control environment.

This is achieved through development of a risk-based internal audit plan which is based on the EIJB's audit universe, strategic objectives and an assessment of risks and emerging issues affecting the EIJB and its partners (where relevant), with input from management, committee members, and other key stakeholders such as the Care Inspectorate and External Audit.

Internal Audit performs audit engagements throughout the year in line with the agreed plan and emerging areas of risk. Internal Audit reports on the findings and observations for each review and where areas of improvement are identified, findings and recommendations are raised, and management agree actions and timescales by which they will address the gaps identified.

It is the responsibility of the EIJB's Chief Audit Executive to provide an independent and objective annual opinion on the adequacy and effectiveness of the EIJB's governance and risk management and control frameworks. The opinion is provided to the Audit and Assurance Committee and should inform the Annual Governance Statement.

Management responsibilities

The presence of an effective internal audit team contributes towards, but is not a substitute for, effective control. It is the responsibility of management to establish adequate internal controls so that the activities are conducted in an efficient and effective manner, in adherence with legislation, policies and procedures, and that assets and records are safeguarded.

It is also management's responsibility to address and rectify the weaknesses identified by Internal Audit via timely implementation of agreed management actions.

EIJB Audit and Assurance Committee

In line with the terms of reference the Audit and Assurance Committee of the EIJB monitors the internal audit plan and reviews all audit and inspection work towards the plan, scrutinises internal audit and external audit reports and monitors governance, risk management and internal control.

Risk Management

The Chief Finance Officer currently fulfils the role of Chief Risk Officer (CRO) for the EIJB, with support coordinating risk management activity including update of the risk management framework and regular review of the risk register from the Operations Manager and Scrutiny and review performed by the EIJB Audit and Assurance Committee.

During 2023/24, proposals to recruit a specific CRO for the EIJB were progressed. It is noted that this has been a lengthy process due to the various approval requirements via the governance processes of the partner organisations, the Council and NHS. The EIJB are aiming to appoint a CRO in 2024/25.

Other Assurance Providers

Internal Audit is not the only source of assurance provided to the EIJB. There are several additional assurance sources including: external audit, regulators, and inspectorates, that the Committee should equally consider when forming their view on the adequacy of the EIJB's systems of governance, risk management and control.

4. Summary of work completed

2023/24 EIJB Internal Audit Plan

The 2022/23 Internal Audit Plan was approved by the EIJB Audit and Assurance Committee in March 2023. The 2023/24 annual plan was based on the EIJB risk register as at February 2023, and was designed to provide assurance across the very high and high rated risks at that time.

Planned and actual audit coverage

The EIJB 2023/24 internal audit plan included a total of three assurance engagements as follows:

1. **Workforce Optimisation:** review of the governance and oversight processes to monitor delivery of the initial short-term actions set out in the 'Working Together' the EIJB Workforce Strategy 2022-25
2. **Hosted Services:** review of budget, oversight and assurance arrangements established for hosted services (services which are operationally managed on a pan Lothian basis)
3. **Innovation and sustainability programme:** review of oversight and assurance for funding, progress and delivery of the innovation and sustainability programme (with specific focus on the bed based review and community mobilisation projects).

During 2023, the Innovation and sustainability programme ceased and was replaced with the Change Programme, as a result the scope of this audit was refocused to:

Change programme Older People's Pathways Plus programme: review of oversight and assurance for funding, progress, and delivery of the change programme (with specific focus on the Older People's Pathways Plus programme).

An annual validation review was also completed to validate whether a sample of EIJB management actions closed between 1 January 2022 and 31 December 2022 continue to be effectively sustained.

A total of 65 days were planned for delivery of the audit work during 2023/24 with 65 days delivered. Three audits were delivered by internal auditors from the Council's internal audit team, and one by the NHSL audit team. The Chief Audit Executive for the EIJB retained oversight and supervision of all work completed including work performed by NHSL auditors.

Audit management and committee reporting

A further 10 days were used for audit administration including time for the Chief Audit Executive to perform the annual risk assessment and development of the annual plan, preparation of committee reports, the annual report and opinion and attendance at Committees.

In line with the IA working principles, the Chief Audit Executive also facilitated a meeting between the Chair of the EIJB Audit and Assurance Committee and the Convenor of the Council's Governance, Risk and Best Value Committee.

Follow-up of recommendations

In addition, the plan included follow-up of management's progress with implementing actions raised in previously completed internal audits.

Circa 65 hours (8 days) were used by Internal Audit to review and validate information and evidence provided by management to support closure of management actions previously raised in internal audits.

5. EIJB Audit outcomes and key messages

Outcomes for the three EIJB audits completed during 2023/24 are set out below with the total number of audit recommendations by priority rating. Performance for the previous two years is also provided for comparison.

	Rating	High	Medium	Low	Total
Workforce Optimisation	Moderate Assurance	1	1	-	2
Hosted Services	Moderate Assurance	-	4	-	4
Change programme Older People's Pathways Plus programme	Significant Assurance	-	1	2	3
Annual validation review	Significant Assurance	-	-	-	-
Total 2023/24 – 4 reports		1 11%	6 67%	2 22%	9

Total 2022/23 – 2 reports 1 substantial assurance, 1 reasonable assurance	-	3 75%	1 25%	4
Total 2021/22 – 3 reports 1 substantial assurance, 2 reasonable assurance	-	6 85%	1 15%	7

Areas where improvements are required

The following areas of improvement were identified during audits, which, if not adequately addressed may have an impact on achievement of related EIJB objectives:

Workforce Optimisation

- prompt action is required to ensure that implementation plans are developed and agreed to support delivery the four strategic workforce priorities set out in the delivery plan of the 'EIJB Working Together 2022-25' workforce strategy
- action plans to reduce dependency on agency staffing should remain a key priority

Hosted Services

- the methodology used to determine the allocation of hosted budgets and expenditure should be routinely reviewed
- appropriate performance measures for the provision of hosted services should be developed and supported by regular performance reporting and scrutiny by Committee

Change programme Older People's Pathways Plus programme

- accurate and complete project dashboards should be provided to the Change Board routinely
- an overall risk register for the Change Programme and thematic programme risks should be developed
- the risk log for the Liberton Reprovision should be reported to the programme delivery group

6. Progress with implementation of management actions

A total of 9 management actions were raised across the three EIJB audit reports completed during the year. Timely and effective implementation of audit actions by management is important to prevent the EIJB being exposed for longer than necessary to the potential risks associated with the control gaps or deficiencies identified in audits.

Performance in progress with implementing management actions are reported quarterly to the Audit and Assurance Committee for scrutiny. Overdue audit actions for the Partnership are also referred to the EIJB Audit and Assurance Committee for review and scrutiny, where relevant.

A total of 5 audit actions raised across 2 previous EIJB audits were closed during 2023/24, and all actions for the following audits are now closed. As a result, impacts resulting from exposure to the risks originally raised these audits are reduced:

- Governance of Directions (2022)
- Set Aside Budgets (2022)

Actions closed due to management's acceptance of risk

No actions were closed during the year due to management's acceptance of the risks.

Annual validation review of previously implemented actions

An **annual validation review** which assesses ongoing adequacy and effectiveness of a sample of previously implemented actions was performed during 2023/24 for the EIJB and the Council, including actions for the Partnership.

All EIJB and Partnership actions reviewed as part of the 2023/24 sample were functioning as originally validated or had received reasonable changes to be in line with new circumstances.

Overdue Management Actions

As at 31 March 2024, one EIJB overdue management actions had passed the original implementation date - a low priority action related to ensuring a risk register for the Liberton project was presented to the Programme Delivery Group. The action was due 31 March 2024, and was subsequently closed 4 April 2024.

The Partnership had 7 overdue audit actions outstanding as at 31 March 2024 which were related to the following 3 audits:

- Transitions for Young Adults with a Disability from Children's Services to Adult Social Care
- Edinburgh Drugs and Alcohol Partnership
- Lone Working

An update on progress and revised dates has been provided by management for all 7 actions and all actions are expected to be closed by 30 September 2024.

Rebased audit actions – Health and Social Care Partnership

In [March 2023](#), revised future dates for 2 overdue historical actions across 2 Council audits reported were reported to the GRBV Committee. Details of progress with the rebased actions for the HSCP are provided below:

Corporate Resilience (September 2018) 1 high action outstanding relating to review and testing of resilience protocols across directorates including the Health and Social Care Partnership. Expected to be complete by 31/03/2025.

Lone Working (July 2020) 1 medium action outstanding to update the Partnership's Lone Working operational procedures and monitoring controls was due for completion by 31/03/2024, however an update on progress and a revised date of 30/09/2024 was reported to GRBV in May 2024, to allow time for continued roll-out of Identicom and regular established reporting of incidents to the Partnership Health and Safety Committee.

7. Consideration of other information and emerging areas of risk

Progress with Care Inspectorate improvement actions

The Care Inspectorate reported its findings on the joint inspection of adult support and protection for Edinburgh in [February 2023](#), and the inspection of adult social work and social work services delegated by the Council to the Health and Social Care Partnership was reported in [March 2023](#).

In [June 2023](#), the EIJB approved a 3 year improvement plan in response to both inspections, which seek to bring about a culture change in both operational practices and strategic commissioning. Progress with delivery of the improvement plan is reported quarterly to the EIJB Performance and Delivery Committee and the Council's Policy and Sustainability Committee.

As at 31 March 2024, there were 3 areas graded as red:

1. review and update of the Adult Support and Protection Policy and Procedure delayed to enable a single multi-agency policy to be developed
2. development of the Early Intervention Strategy was paused due to temporary loss in capacity
3. performance improvements were required across the agency team undertaking assessments and reviews of people in receipt of services to ensure needs were being met

Additionally, while the Partnership's performance for delayed discharges improved significantly during 2023, waiting lists for assessments of social care need remained high, with the Partnership's performance in the bottom 25% when benchmarked against other Partnerships in Scotland.

Financial challenges and governance

The EIJB continues to face significant financial challenges linked to increased demand for services such as care at home, rising costs of medicines, increased locum costs for general medical services and expenditure for set-aside services. The 2023/24 financial plan included an initial gap of circa £47m. The savings and recovery programme accounted for £21m and further mitigating actions provided for £12m resulting in a shortfall of £14m.

In November 2023, the Council agreed to delegate an additional £14.5m and NHSL provided an additional one-off allocation of £4.5m to support the position with set-aside services. However, this did not address in year increased costs associated with purchasing additional social care capacity with a year-end shortfall of £4.6m, £2m of which was related to transitions services. In June 2024, an additional payment was agreed between the Council and the IJB, with £2.6m treated as 'brokerage' and repayable in instalments over the next 3 financial years.

While a break-even position was reported for the in-year budget, reliance on one-off measures to achieve financial balance is not sustainable. During 2023/24, the medium-term financial strategy (MTFS) for the EIJB which sets out a 3-year approach to financial planning and seeks return the EIJB to financial sustainability was approved. The aim is to prioritise services for the most vulnerable, drive service improvements and maximise the benefits from available funding, however balancing the budget will require delivery of significant savings which will impact maintaining current levels of service delivery and performance.

Strategic Plan

Refresh of the [EIJB 2019 – 22 Strategic Plan](#) was due to be in place for April 2022, however this was delayed and the current plan extended to 2024. The EIJB approved the 2024-27 Strategic Plan in [June 2024](#) and launched a formal 3 month consultation period. The strategy will inform a whole system planning and prioritisation approach that will identify short, medium, and longer-term phases of delivery over the next three years.

2024/25 Internal Audit plan and focus on emerging risks

During 2024/25, the IA plans will consider assurance for these areas including: financial monitoring, reporting and oversight; governance and assurance, performance reporting and strategic planning as well as reviews of quality assurance and evidencing improvement outcomes, social care direct, waiting lists and assessments and support for carers.

8. Internal Audit Function

Internal Audit Structure

Internal Audits for the EIJB are delivered by the Internal Audit functions of the EIJB's partners (the Council and NHSL). Typically, the Council completes three audits, while NHSL completes one. The Chief Audit Executive role for the EIJB is fulfilled by the Council's Head of Internal Audit (with a secondment agreement in place). All audit work completed for the EIJB is reviewed by the Chief Audit Executive whether performed by the Council or NHSL.

The Chief Audit Executive also completes the risk assessment process to support the annual plan, attends the Audit and Assurance Committee regularly and prepares the annual report and opinion.

Learning and development

In line with audit standards, all practicing internal auditors are required to maintain their skills, knowledge, and other competencies through continuing professional development.

The general approach to learning and development across the full audit team has been reviewed to ensure completion of at least 20 hours learning per team member, in line with audit standards. Targeted was learning provided to enhance the skills and knowledge of the team, including increased use of data analytics, an internal focus on technology auditing, governance, financial risk and modelling.

During 2023/24, the Head of Internal Audit appointed in December 2022, also successfully completed professional qualifications as required by the Public Sector Internal Audit Standards.

Revised audit processes

Between May and September 2023, Internal Audit rolled out an upgraded audit system which enables increased working paper and reporting functionality for the audit team, and integrated monitoring and follow-up of outstanding audit actions and risks, including a customer facing portal/dashboard.

Key Performance Indicators

An audit journey map and key performance indicators are in place to support timely completion of the audit programme. IA performance against KPIs for the EIJB 2023/24 plan is set out below:

Close out < 5 days	75%	Release of findings <10 days	75%
Draft report <10 days	100%	Audits completed within agreed number of days	75%
Final report <10 days	100%		

Audit Surveys

Audit surveys are issued at the end of audits to gather information on the auditee experience of the audit process, to identify improvements and to gather feedback on the performance of the audit teams.

Two surveys were returned for 2023/24 EIJB audits with respondents stating they were very satisfied overall with the audit process and the conduct of the audit team. For both audits, the respondents agreed that the audit recommendations added value and were aligned to the risks identified.

9. Conformance with Public Sector Internal Audit Standards

Independence and limitations of scope

In line with PSIAS, Internal Audit must be independent, and all internal auditors must be objective in performing their work. To ensure conformance with these requirements, Internal Audit has established processes to ensure that both team and individual independence is consistently maintained and that any potential conflicts of interest are effectively managed.

We do not consider that we have faced any impairments to our independence during 2023/24, nor do we consider that we have faced any scope or resource limitations when completing our work.

Quality Assurance and Improvement Programme

Ongoing reviews to ensure quality on an audit by audit basis are in place. This includes Chief Audit Executive review and sign-off of planning and reporting for all audit work, and ongoing supervision and review of fieldwork throughout by a manager.

Periodic assessments are conducted through self-assessments and Internal Quality Assessments (IQA) on an annual basis. An IQA which reviewed the quality of completed audits was performed during 2023/24, led by a Principal Audit Manager and supported by a Senior Auditor.

The IQA concluded that Internal Audit generally complied with PSIAS requirements during the year. Areas requiring focus include ensuring audit files are reviewed and signed off in a timely manner, and that all supporting evidence is retained on file. Remedial actions have been developed and will be tracked quarterly by the Head of Internal Audit.

External Quality Assessments (EQA) should be completed every five years. An EQA was performed by the Chartered Institute of Internal Auditors (IIA) 2022 and results reported to Committee in December 2022 with the next EQA due before 2027.

The 2022 EQA concluded that overall, the Council's Internal Audit function generally conformed with the PSIAS. Two recommendations were made to address partial conformance with standards and a series of improvement recommendations made to strengthen audit processes. All actions were implemented by the Internal Audit team during 2023, with progress reported to Committee quarterly.

New Global Internal Audit Standards

Internal Audit is also preparing to implement the new [Global Internal Audit Standards](#) which were published in January 2024 and come into effect from January 2025. The GIAS will require a revision to the current IA methodology to ensure the requirements are fully met.

A gap analysis exercise and a self-assessment of PSIAS compliance was performed in 2024, with an action plan developed to take forward required actions in advance of January 2025, including updates to internal audit methodologies and practices, and delivery of training to colleagues and GRBV members.

The GIAS will include Topical Requirements which aim to ensure that all IA functions apply consistent audit methodology when assessing the effectiveness of governance, risk management, and controls of a particular topical area such as cybersecurity, third party management, organisational governance, sustainability, fraud, data and privacy, and IT governance.

10. Audit work completed by partner organisations

In addition to the EIJB audits, audits were completed by the Internal Audit functions of the EIJB partner organisations, NHSL and the Council, with audit work in the Council including coverage of the Edinburgh Health and Social Care Partnership. Outcomes of assurance work where control gaps identified have a direct impact core IJB activities form part of the overall governance, risk, and control environment for the EIJB and inform the basis of the EIJB annual opinion.

A list of audits completed for each partner and outcomes and links are provided in Tables 1 and 2 below:

Table 1 – 2023/24 City of Edinburgh Council audits impacting the EIJB

Audit		Overall Opinion	Findings Raised				
			High	Medium	Low	Advisory	Total
1.	HSCP Financial Sustainability	Limited Assurance	-	5	-	-	5
2.	HSCP Budget Monitoring and Reporting		-	4	1	-	5
3.	Mental Health Services	Reasonable Assurance	-	3	3	-	6
4.	Procurement – Contract Standing Orders	Reasonable Assurance	3	-	-	-	3
5.	Cyber Incident Response	Reasonable Assurance	-	2	2	-	4
6.	Overtime and Expense Payments	Reasonable Assurance	-	3	2	-	5
7.	Recruitment and Selection	Advisory review	2	3	-	-	5
8.	Corporate Property Helpdesk	Limited Assurance	2	2	-	-	4
9.	Health and Safety	Substantial Assurance	-	1	-	-	1
10.	CGI Complex Change	Reasonable Assurance	1	1	-	-	2
11.	IT Currency Management						
Total 2023/24 – 11 audits: 4 (36%) Limited Assurance, 5 (46%) Reasonable Assurance, 1 (9%) Substantial Assurance, 1(9%) Advisory			8 (20%)	24 (60%)	8 (20%)	-	40
Total 2022/23 – 12 audits: 3 (25%) Limited Assurance, 4 (33%) Reasonable Assurance, 5 (42%) Substantial Assurance			7 (20%)	13 (38%)	14 (42%)	-	34
Total 2021/22 – 12 audits: 3 (25%) Significant Improvement Required), 4 (42%) Some Improvement Required, 4 (33%) Effective			6 (21%)	17 (58%)	6 (21%)	-	29

Table 2 – 2023/24 NHS Lothian audits impacting the EIJB

Audit		Overall Opinion	Findings Raised				
			High	Medium	Low	Advisory	Total
1.	Public Protection and Patient Safety	Limited Assurance	3	7	1	1	12
2.	IJB Directions	Limited Assurance	4	4	-	-	8
3.	Waiting Lists – Compliance with Governance	Significant Assurance	-	-	2	-	2
4.	Waiting List Management	Advisory Review					
5.	Complaints Handling	Limited Assurance	3	3	5	5	16
6.	Risk Management	Moderate Assurance	-	1	5	2	8
7.	Financial Sustainability	Significant Assurance	-	-	3	1	4
8.	Medicines Management	Limited Assurance	1	6	1	2	10
9.	Backlog Maintenance/Estates Planning	Moderate Assurance	-	6	3	-	9
10.	Information Security – follow-up	Significant Assurance	-	-	-	-	-
Total 2023/24 – 10 audits: 4 (40%) limited assurance, 2 (20%) moderate assurance, 3 (30%) significant assurance, (10%) 1 advisory			11 (16%)	27 (39%)	20 (29%)	11 (16%)	69
Total 2022/23 – 10 audits: 1 (10%) limited assurance, 7 (70%) moderate assurance, 2 (20%) significant assurance			5 (12%)	19 (45%)	16 (38%)	2 (5%)	42
Total 2021/22 – 9 audits: 2 (22%) limited assurance, 4 (44%) moderate assurance, 3 (34%) significant assurance			4 (15%)	12 (46%)	10 (39%)	-	26

Appendix 1 – Overall Assurance Ratings and Priority Definitions

EIJB Overall Assurance Ratings	
Significant Assurance	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of EIJB objectives.
Moderate Assurance	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of EIJB objectives.
Limited Assurance	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of EIJB objectives.
No Assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of EIJB objectives.

EIJB Finding Priority Ratings	
Advisory	A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.
Low Priority	An issue that results in a small impact to the achievement of objectives in the area audited.
Medium Priority	An issue that results in a moderate impact to the achievement of objectives in the area audited.
High Priority	An issue that results in a severe impact to the achievement of objectives in the area audited.
Critical Priority	An issue that results in a critical impact to the achievement of objectives in the area audited. The issue needs to be resolved as a matter of urgency.

NHS Lothian Assurance Ratings	
<p>Significant Assurance</p> <p>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.</p>	<p>Moderate Assurance</p> <p>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.</p>
<p>Limited Assurance</p> <p>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.</p>	<p>No Assurance</p> <p>The Board cannot take any assurance from the audit findings. There remains a significant amount of residual risk.</p>