

# REPORT

## Edinburgh Integration Joint Board Annual Accounts 2019/20

Edinburgh Integration Joint Board

27 October 2020

### Executive Summary

This paper presents the audited 2019/20 annual accounts for Edinburgh Integration Joint Board (EIJB).

### Recommendations

The committee is asked to:

1. note the 'amber' rated Internal Audit opinion for the year ended 31st March 2020;
2. approve and adopt the annual accounts for 2019/20;
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

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The unaudited annual accounts were considered by the Audit and Assurance Committee in July 2020.

Audited annual accounts along with the external audit annual report and the internal audit annual opinion were considered by the same committee in September 2020.

## Main Report

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### Background

1. Integration Joint Boards 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.
2. Draft financial statements were presented to the Audit and Assurance Committee (AAC) on 28<sup>th</sup> July 2020. Following this, these were subject to audit scrutiny over the summer months with the final, audited accounts presented to AAC on 15<sup>th</sup> September 2020.

### Audit and completion

3. Over the summer months the draft financial statements were considered by the appointed external auditors (see paragraph 5 below). 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.
4. 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.
5. On 7th September 2020 September 2020, our appointed external auditor, Scott Moncrieff Audit Services changed its name to Azets Audit Services Limited. The name they practice under is Azets Audit Services and accordingly they will sign their report in their new name.
6. The financial statements for the IJB for 2019/20 are attached as appendix 1 to this report.
7. 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**

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

### **Internal audit opinion**

9. The Chief Internal Auditor has produced an internal audit annual opinion 2019/20 for the IJB based on activity undertaken for the financial year ended 31<sup>st</sup> March 2020. This was presented to and discussed by the Audit and Assurance Committee on 15<sup>th</sup> September and is included as appendix 4 to this report.
10. This opinion is based on the outcomes of the three audits completed as part of the 2019/20 IA annual plan and the status of open EIJB IA findings as at 31<sup>st</sup> March 2020; 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.”*
11. This assessment reflects an improvement in comparison to the 2018/19 significant enhancements required ‘red’ rated Internal Audit annual opinion, with the assessment towards the middle of that category.

## **Implications for Edinburgh Integration Joint Board**

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### **Financial**

12. 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**

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

### **Equality and integrated impact assessment**

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

### **Environment and sustainability impacts**

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

### **Quality of care**

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

## **Consultation**

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17. 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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**Judith Proctor**

**Chief Officer, Edinburgh Integration Joint Board**

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## **Background Reports**

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None

## **Appendices**

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Appendix 1	Edinburgh Integration Joint Board Annual Accounts 2019/20
Appendix 2	2019/20 Annual Audit Report to the Board and the Accounts Commission for Scotland
Appendix 3	Letter of representation
Appendix 4	Internal Audit annual opinion 2019/20

# Edinburgh Integration Joint Board

**Annual Accounts 2019/20**

The Annual Accounts of Edinburgh Integration Joint Board for the year ended 31 March 2020, 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 2019/20 and Service Reporting Code of Practice.

## CONTENTS

MANAGEMENT COMMENTARY .....	3
STATEMENT OF RESPONSIBILITIES.....	13
REMUNERATION REPORT .....	15
ANNUAL GOVERNANCE STATEMENT.....	19
COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT .....	25
BALANCE SHEET .....	26
MOVEMENT IN RESERVES.....	27
NOTES TO ACCOUNTS.....	28
1. ACCOUNTING POLICIES .....	28
2. RELATED PARTY TRANSACTIONS.....	30
3. CORPORATE EXPENDITURE .....	30
4. SHORT TERM DEBTORS .....	31
5. SHORT TERM CREDITORS .....	31
6. POST BALANCE SHEET EVENTS.....	31
7. CONTINGENT LIABILITIES and ASSETS.....	31
8. SEGMENTAL REPORTING.....	32
9. FUNDING ANALYSIS.....	33
10. INDEPENDENT AUDITOR'S REPORT.....	34

## 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 31<sup>st</sup> March 2020 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.

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

## Strategic Plan

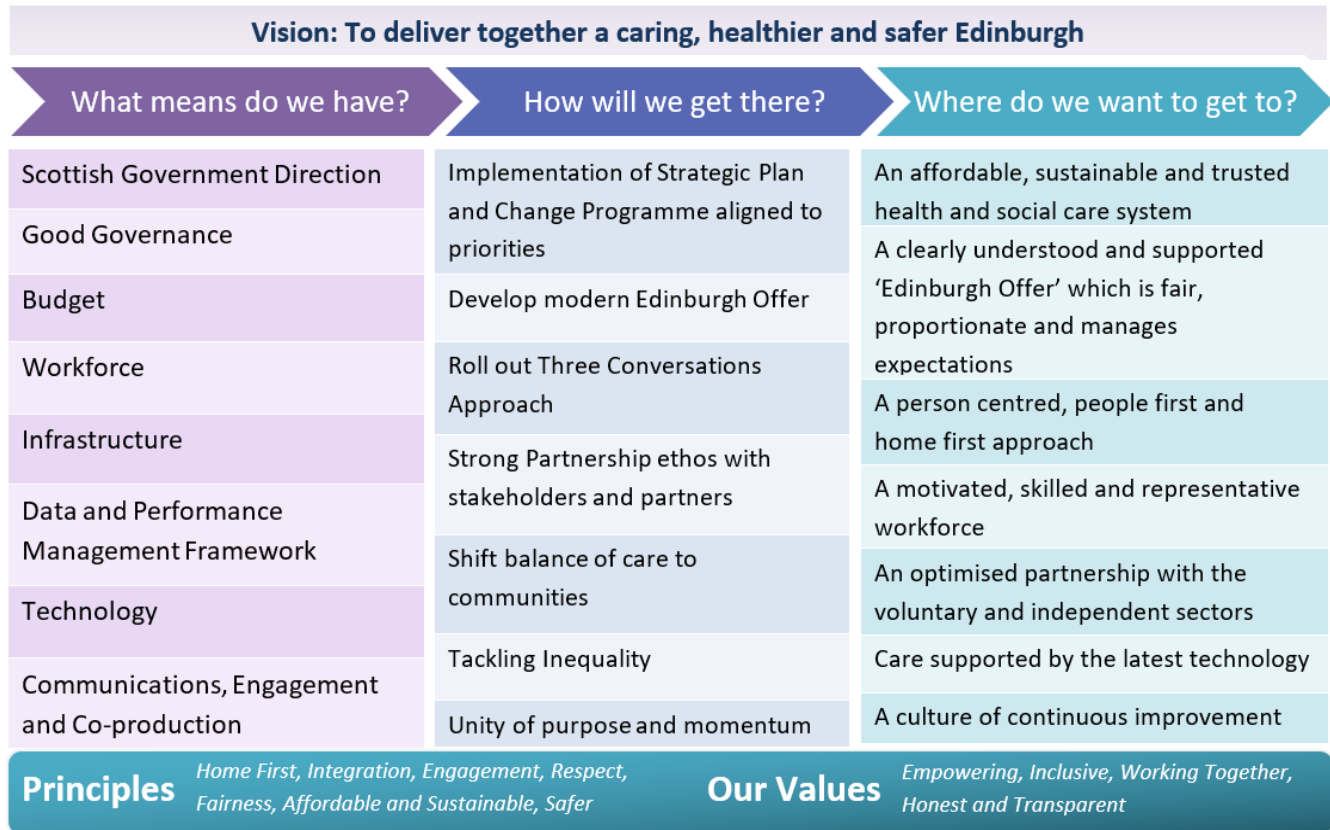
Over the past four years, the EIJB has established itself as a board and developed its ambitions and priorities for change and improvement in the services delegated to it by its partner organisations. Throughout this period, we have made steady progress, but we face testing times ahead. Edinburgh’s population 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 lead, where possible, on tackling 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.

Over the next planning cycle, we will focus predominantly on four key areas: redefining the Edinburgh offer, embracing the three conversations approach, adopting the principle of home first and advancing our



transformation programme. The 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 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:



To deliver the vision set out in the strategic plan this we launched a comprehensive programme of redesign and transform in autumn 2019. Our transformation programme 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 has been recruited to drive the programme, which launched formally in February 2020. 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. The programme is scheduled to run until approximately March 2022, with regular updates to the EIJB on progress and performance.

## Operational overview

### Annual performance report

We published our fourth annual performance report in August 2020 which provides a review of the progress both the EIJB and the Partnership made over the last year. Due to the COVID-19 pandemic, it has been agreed nationally that this year's report will cover the last calendar year. An assessment by financial year will be completed in due course once the required data is available. The report, as in previous years, measures our performance against the six strategic priorities set out in the strategic plan (and included in page 5) and against the national health and wellbeing outcomes. The annual performance report can be found [here](#)

At its heart, the new strategic plan sets out an ambitious transformation programme for the city over a three-year planning cycle, setting the conditions for longer term, sustainable change. Despite the impact of the COVID-19 pandemic, our preparations for the transformation programme are well advanced and we have made steady progress in the roll out of the 'Three Conversations' approach and in testing the concept of our Home First Edinburgh model.

We will continue to find ways to improve outcomes for people in Edinburgh and be innovative in our approaches against a challenging backdrop of a rising population, changing patterns of health and care need and ongoing financial pressures. Against this backdrop, our overall performance this year has remained for the most part in line with national averages, with encouraging signs of improvement in many areas.

Our overall performance remains broadly in line with national averages. Edinburgh is performing well in respect of national indicator 12 (rate of emergency admissions), ranking third across Scotland. Our rate of emergency admissions has been consistently lower than the Scottish average since 2013/14. Likewise, we have seen strong performance against the measure of rate of emergency bed days for adults (national indicator 13). Edinburgh is currently ranked ninth and has seen significant improvement in this area since 2015/16. However, we are not performing as strongly as we would like in the rate of emergency readmissions to hospital within 28 days of discharge. We will focus on this alongside our continuing work to reduce the number of days people spend in hospital when they are ready to be discharged, building on the success of the Home First Edinburgh model.

Progress in relation to performance will continue to be monitored throughout the year by the Partnership's Executive Management Team, the Performance and Delivery committee and the EIJB itself.

We thank our dedicated staff for their professionalism and fortitude and the many unpaid carers that provide vital care and support to the most vulnerable in our society. The EIJB and the Partnership are determined to enhance our performance further in the year ahead and bring about real and sustainable change for health and social care in Edinburgh.

## COVID-19 impact and response

The emergence of a new coronavirus (COVID-19), declaration of a pandemic and resulting subsequent restrictions has had a significant impact on operational service delivery. 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.

Services have had to adapt, with many having to change their focus to meet emerging frontline needs and priorities. For example, as part the COVID-19 response, the Partnership 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' is also applied for those whose normal caring arrangements had been compromised, for example, by the primary carer becoming unwell.

At the time of preparing the final accounts for 2019/20 and the initial 2020/21 financial plan, the impact of the COVID-19 on our finances remains uncertain. Some of these financial consequences will receive additional funding from the Scottish Government, however, at this time the exact magnitude of any extra costs, and the level of any additional funding, requires further work. The board will be updated on both the context and potential funding scenarios on potential funding levels as matters crystallise. Discussions continue with all our partners about their level of financial exposure.

## 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.

### 2019/20 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 2019/20 our financial plan (presented to the board in March 2019) assumed funding from our partners totalling £660m and estimated costs for the year at £684m, giving an initial gap of £24m. To mitigate this, we agreed a savings and recovery programme of £12m and resolved to work with partners to identify the means to achieve balance. Updates on this position were provided to each board meeting and, by June 2019, the deficit was reduced to £7m through a combination of additional funding agreed by the City of Edinburgh Council and the agreed use of EIJB reserves.

Recognising the need to balance existing commitments, our ambitions for supporting transformational change and the requirement to address the in year financial shortfall, it was agreed to use further slippage and use of reserves to offset the remaining gap. This, alongside an overachievement of the savings and recovery programme, supported the achievement of in year balance against the agreed budget.

## Financial Performance

EIJB's financial performance for the year is presented in the comprehensive income and expenditure statement, which can be seen on page 25. The balance sheet (page 26) is also presented and sets out the liabilities and assets at 31<sup>st</sup> March 2020.

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 deficit of £6.5m in the annual accounts, which reflects the use of reserves to offset the opening budget deficit (as covered in the financial plan section above). This leaves us with a remaining reserve of £3.2m which will be carried forward into 2020/21. All of this money is 'ring fenced' for specific purposes, with the vast majority being the investment in transformation agreed by the board. The value of the reserve is sufficient to meet the associated costs.

Whilst there is no doubt that we will continue to face significant financial pressures we saw some significant improvements in financial planning and performance in 2019/20. This was the first year that we have not relied on one off contributions from our partners in the City of Edinburgh Council and NHS Lothian. Also, for the first time, we not only achieved our planned savings and recovery programme but actually overachieved against the target.

Apart from the positive progress with the 2019/20 savings and recovery marks a departure from previous non delivery, the financial pressures facing us have not materially changed over the years. These include:

- **Externally purchased services** although breaking even against budget for the first time in some years, this area of spend which continues to increase year on year. Demographic factors continue to drive demand for these services, as this is also evidenced in the continuing growth in direct payments and individual service funds. In 19/20 costs rose by £14m (or 9%) from the previous year;
- Medicines issued by General Practitioners (also known as **prescribing**) cost nearly £82m in 19/20, an increase of £1m (or 1%). 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;
- 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
- NHS Lothian **set aside** budgets overspent by £1.2m in the year. Overall pressures in set aside budget accounts for the majority of the NHS position and we continue to discuss with NHS Lothian and the 3 other Integration Joint Boards (IJBs) in the area.

Our planned use of reserves means that, despite the in-year deficit, we achieved a breakeven position against the agreed budget. However, the opening gap in the financial plan and the continued use of one off resources to achieve financial balance remains a significant concern. This is reflective of the fact that we face a number of material and long standing financial pressures and a baseline gap in our financial plan which we are unable to address on a recurring basis. Our financial framework (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 explored as we develop our financial strategy.

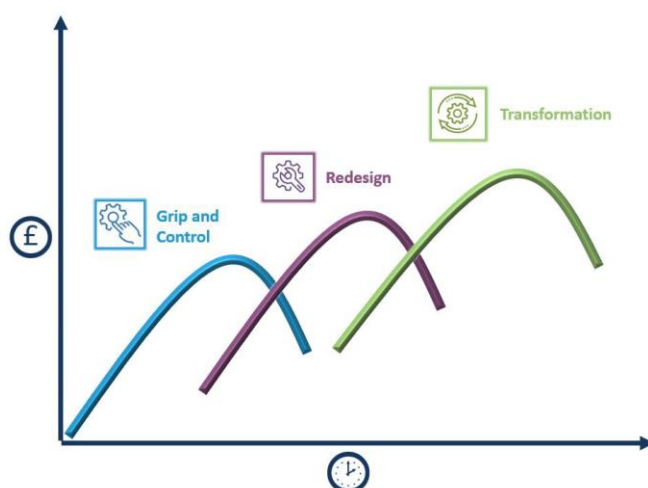
## Financial Framework 2020-2023

In October 2019, the board considered the financial framework for the next 3 years. This was a precursor to our financial strategy which will link more closely with the strategic plan. It will focus on how resources are consumed by specific services now, and how the board could choose to direct these differently in the future. For example, reducing spend on hospital learning disabilities to a minimum, in support of the strategic aim of ensuring people with a learning disability can live full and fulfilling lives in the community. Conversely, the

financial framework took a more 'operational' approach, identifying opportunities to address the 3 main drivers of demand: prices; demographic change; and non demographic change. The overarching approach is shown in the table below:

Demand Driver	Response
Price effects	<ul style="list-style-type: none"> <li>• Market shaping</li> <li>• Ongoing collaborating with providers</li> <li>• Driving best value</li> <li>• Integrating teams</li> <li>• Reducing reliance on institutional based care</li> </ul>
Demographic change	<ul style="list-style-type: none"> <li>• "Bending the curve"</li> <li>• Reducing demand</li> <li>• Investing in prevention</li> </ul>
Non demographic change	<ul style="list-style-type: none"> <li>• Edinburgh pact</li> <li>• Realistic care, realistic medicine</li> <li>• Engaging communities</li> </ul>

The initial financial outlook incorporated in the framework was based on where the partners were at that point in time in their respective financial planning cycles. The numbers presented were iterative but provided an insight into the scale of the financial gap over the next 3 years. We also set out our approach to savings and recovery which is set out in the following schematic:



Our approach recognises that, for the foreseeable future, we need a strategy to manage our costs within the financial resources available. Our savings and recovery strategy seeks to align with the strategic plan and requires close partnership working between the EIJB as service commissioner and the City of Edinburgh Council and NHS Lothian as providers of services. It also requires strong linkages and positive relationships with providers in both the independent and third sectors as well as different dialogue with the people in our city.

## Financial Strategy

Like many other public sector organisations, we face significant financial challenges and, due to the continuing difficult national economic outlook, further uncertainty in the light of COVID-19 and increasing demand for services, will need to operate within tight fiscal constraints. Pressures on public sector expenditure are expected to continue, both at a UK and Scottish level, causing continued funding pressures for our partners in NHS Lothian and City of Edinburgh Council. This in turn will impact on their ability to resource the functions delegated to the EIJB. In this financial climate, we recognise that returning to a balanced position will require major redesign of services, radical changes in thinking and approach, and the involvement of all partners and stakeholders. To address this we are developing our financial strategy. This will build on the financial framework and be closely aligned to the strategic plan. Progress with this strategy has stalled as we have redirected our energies to dealing with COVID-19. This work is now being reinvigorated and prioritised and we are aiming to present it by the end of the financial year.

## 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. Twelve risks are captured in the risk register under 3 headings: strategic planning and commissioning; issuing of directions; and management and role of the IJB. A summary extract is included below:

	Risk	Rating
	<b>Strategic planning and commissioning</b>	
<b>1</b>	There is a risk that the IJB fails to deliver its strategic objectives because the Council and/or NHS Lothian do not delegate sufficient resource – leading to a requirement to revise the strategic plan.	<b>Very high</b>
<b>2</b>	There is a risk that the IJB fails to influence the decision making over set aside and hosted services which are not managed and delivered by the Partnership because of conflicting requirements – leading to the IJB's inability to review service delivery and drive strategy to help meet its objectives/outcomes.	<b>High</b>
<b>3</b>	There is a risk that the IJB will not achieve its strategic objectives and/or financial targets because delegated services are not delivered by Council and NHS Lothian within available budgets – leading to a requirement to revise the strategic plan.	<b>Very high</b>
<b>4</b>	There is a risk that the IJB has insufficient asset planning arrangements because of a lack of a capital plan – leading to failure or delays in delivering the strategic plan.	<b>High</b>

	<b>Risk</b>	<b>Rating</b>
	<b>Issuing of directions</b>	
5	<p>There is a risk that NHS Lothian and the Council do not deliver directions because they are not:</p> <ul style="list-style-type: none"> <li>• well-articulated</li> <li>• properly understood</li> <li>• realistic/achievable</li> <li>• performance targets are not SMART</li> </ul>	<b>High</b>
6	<p>There is a risk that the IJB directions are not delivered because of the lack of a workforce strategy - leading to a mismatch between workforce requirements and availability.</p>	<b>High</b>
	<b>Management and role of the IJB</b>	
7	<p>There is a risk that the IJB does not operate effectively as a separate entity because:</p> <ul style="list-style-type: none"> <li>• there is a lack of clarity about the separate roles of the IJB, HSCP, Council and NHS Lothian; and/or</li> <li>• members lack the necessary skills, knowledge and experience to undertake their role.</li> </ul> <p>- leading to a failure to deliver the principles of integration.</p>	<b>High</b>
8	<p>There is a risk that the IJB does not make best use of the expertise, experience and creativity of the third, independent and housing sectors, and other partners as a result of failing to engage and collaborate appropriately - leading to a negative impact on the delivery of the strategic outcomes and poor relationships.</p>	<b>High</b>
9	<p>There is a risk that the IJB lacks the infrastructure to operate effectively because of a failure by NHS Lothian and the Council to meet their obligations under the integration scheme to provide adequate professional, administrative and technical support – leading to failures in governance, scrutiny and performance arrangements.</p>	<b>High</b>
10	<p>There is a risk that the IJB receives insufficient or poor-quality assurance from assurance providers to support effective delivery of their scrutiny responsibilities.</p>	<b>Medium</b>
11	<p>There is a risk that the IJB may be non-compliant with applicable legislative and regulatory requirements due to a lack of awareness leading to legal breaches, fines and/or prosecution.</p>	<b>Low</b>

	Risk	Rating
12	There is a risk that officers with operational responsibilities are being asked to scrutinise performance in areas where they are not totally independent leading to inadequate oversight of delegated IJB functions.	Low

## Conclusion

Throughout the public sector money is tighter than ever before and the financial impact on the wider economy brings 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 of nearly £800 million. Moving into 2020/21, 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**  
 27<sup>th</sup> October 2020

**Angus McCann**  
**Chair**  
 27<sup>th</sup> October 2020

**Moir Pringle**  
**Chief Finance Officer**  
 27<sup>th</sup> October 2020



## 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 27th October 2020.

**Angus McCann**

**Chair of the Edinburgh Integration Joint Board**

27<sup>th</sup> October 2020

### **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.

**Moir Pringle**  
**Chief Finance Officer**  
27<sup>th</sup> October 2020

## 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 2019 to March 2020 were:

M. Ash	NHS	R. Aldridge	CEC
M. Hill	NHS	P. Doggart ( <i>appointed 20/08/19</i> )	CEC
C. Hirst (Vice Chair) ( <i>left 26/06/19</i> )	NHS	G. Gordon	CEC
A. McCann ( <i>appointed Chair 27/06/19</i> )	NHS	R. Henderson ( <i>appointed Vice Chair 27/06/19</i> )	CEC
P. Murray ( <i>appointed 27/06/19</i> )	NHS	M. Main	CEC
R. Williams	NHS	S. Webber ( <i>left 19/08/19</i> )	CEC

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

A. McCann (Chair)	NHS	R. Henderson (Vice Chair)	CEC
M. Hill	NHS	R. Aldridge	CEC
P. Murray	NHS	P. Doggart	CEC
R. Williams	NHS	G. Gordon	CEC
Vacancy	NHS	M. Main	CEC

Councillor Henderson and NHS Non-Executive Director C. Hirst finished their rotations as Chair and Vice Chair respectively, effective 27th June 2019. As of this date NHS Non-Executive Director A. McCann took the position of Chair, Councillor Henderson took the position of Vice Chair, and C. Hirst stepped down as a Board member.

Councillor Henderson was in receipt of additional remuneration in 2019/20 in relation to his duties for the EIJB as Chair (to 26/06/19) and as Vice-Chair (from 27/06/19) of £15,289 (£14,745 2018/19). NHS Non-Executive Director C. Hirst was in receipt of additional remuneration in 2019/20 relating to her duties for the EIJB as Vice Chair (to 26/06/19) of £2,188 (£8,416 2018/19). NHS Non-Executive Director A. McCann was in receipt of additional remuneration in 2019/20 relating to his duties for the EIJB as Chair (from 27/06/19) of £6,991. No allowances were paid to other voting members during the year.

The remuneration and pension benefits received by all voting members in 2019/20 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 2020, no expense claims were made in relation to work on the EIJB.

**Remuneration Paid to Senior Officers**

	<b>Year to 31/03/2020</b>			<b>Year to 31/03/2019</b>
	Salary, fees and allowances (£)	Total remuneration (£)	<i>Full Year Effect (£)</i>	Total remuneration (£)
M Miller, EIJB Chief Officer (from 29/08/2017 to 30/06/2018)	-	-	-	37,998
J Proctor, EIJB Chief Officer (from 01/05/2018)	156,550	<b>156,550</b>	156,550	146,414
M Pringle, EIJB Chief Finance Officer	88,132	<b>88,132</b>	88,132	82,711

**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 2019/20 were as follows:

<u>Whole Time Pay</u>	<u>Contribution rate</u>
On earnings up to and including £21,800 (2018/19 £21,300)	5.50%
On earnings above £21,800 and up to £26,700 (2018/19 £21,300 to £26,100)	7.25%
On earnings above £26,700 and up to £36,600 (2018/19 £26,100 to £35,700)	8.50%
On earnings above £36,600 and up to £48,800 (2018/19 £35,700 to £47,600)	9.50%
On earnings above £48,800 (2018/19 £47,600)	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 31/03/20 £	For year to 31/03/19 £		As at 31/03/20 £000	Difference from 31/03/19 £000
M Miller, EIJB Chief Officer (from 29/08/2017 to 30/06/2018)	-	8,196	Pension	n/a	n/a
			Lump Sum	n/a	n/a
J Proctor, EIJB Chief Officer (from 01/05/2018)	35,238	30,053	Pension	n/a	n/a
			Lump Sum	n/a	n/a
M Pringle, EIJB Chief Finance Officer	18,420	12,309	Pension	28	3
			Lump Sum	60	4
R Henderson, Chair (to 26/06/2019), Vice Chair (from 27/06/19)	7,305	7,010	Pension	7	1
			Lump Sum	2	0

## Edinburgh Integration Joint Board - Annual Accounts 2019/20

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.

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**  
27<sup>th</sup> October 2020

**Angus McCann**  
**Chair**  
27<sup>th</sup> October 2020

## ANNUAL GOVERNANCE STATEMENT

### 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.

The statement also highlights the impact of the COVID-19 emergency. The emergency has meant that the EIJB has had to make significant interim changes to its decision-making structures and that its arrangements are under significant pressure, it is felt that they are still robust and sufficient for the current circumstances.

#### 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.

#### Board and Committee Structures

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

Following an independent review of governance by the Good Governance Institute (GGI) concluding that the EIJB did need to take action to strengthen its governance; the EIJB agreed to implement the recommendations of the GGI which would include a major overhaul of the committees and sub-groups. This aimed to provide further clarity on lines of accountability and reporting with a view to streamlining reporting arrangements. In June 2019 the following revised committees were established:

- *Audit and Assurance* – Monitors, reviews and reports to the Board on the suitability and efficacy of the 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 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 delegated services.

- *Strategic Planning Group* – Monitors, reviews and reports to the Board on the strategy, plans and delivery of delegated 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 EIJB has a comprehensive risk register and risk action plan which it reports to the Board at least 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.

A Quality and Improvement Group is in place which is multi-disciplinary and spans Health and Social Care Partnership services and those services commissioned or purchased externally.

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 has been established that 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.

### **COVID-19**

On 14<sup>th</sup> April 2020 the EIJB agreed to suspend all board and committee meetings (except the budget meeting on 28<sup>th</sup> April 2020) until 30<sup>th</sup> June 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 providing essential front-line services. Subsequently, there was a need to prioritise front-line service and resource was not available to effectively support the Board and its committees.

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 ensure capacity to reduce delays and free up acute beds as well as develop capacity in the community to care for people and manage with a predicted depletion in the workforce. The mobilisation plan was considered by the EIJB on 14<sup>th</sup> April 2020.

### **Review of Effectiveness**

The EIJB has responsibility for reviewing the effectiveness of the governance arrangements including the internal controls. This review of effectiveness is informed by:

- The Chief Officer annual assurance 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 should address weaknesses in scrutiny of performance and in the relationship between committees not being previously clear;
- An EIJB induction is in place for all new voting and non-voting members of the EIJB;
- Standing Orders are reviewed annually in a report to the EIJB, to ensure they are up to date and relevant;
- A performance report is considered monthly by the Health and Social Care Partnership management. Performance on local indicators is reported regularly to the Board and its committees and an annual performance report is also considered by the Board;
- The Annual Performance Report was presented to the EIJB in August 2020 as per the requirements of the legislation;

- Each of the EIJB's committees is tasked under its remit to review its own effectiveness. This is a new process and will dovetail into the Board Assurance Framework and as yet its effectiveness cannot be evaluated;
- Regular finance monitoring reports are presented to the EIJB and Council and NHS committees. Monitoring arrangements have been effective in identifying variances and control issues and taking appropriate action. This has included allocating funds to offset unachieved saving plans;
- An action plan was created to track improvements following on from the review carried out by the Ministerial Strategic Group and this was reported to the IJB Board;
- In November 2019, the EIJB updated its resilience and business continuity arrangements. Sub-groups were created on severe weather, city centre events, EU exit, respite 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 the business continuity arrangements put the service and the EIJB in a better place once 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 March 2019 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 Chief Internal Auditor reported in August 2020 that some improvement is required to the EIJB control environment and governance and risk management frameworks. This is reflected in an 'amber' rated opinion, an improvement in comparison to the 2018/19 significant enhancements required 'red' rated opinion.
- 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 initially was successful in reducing the number of overdue actions but there was a further increase in spring 2020;
- The Health and Social Care Partnership's contract management framework is subject to annual internal review; and
- Work is ongoing on a board assurance framework. This aims to provide a mechanism for the Board to review the work of its committees. A proposal was considered by the Audit and Assurance Committee in March 2020 but was not progressed due to the COVID-19 pandemic. The effectiveness of this process cannot be evaluated but the steps taken so far are positive in improving a more robust control framework.

**Last Year's Actions**

	Issue	Responsible Party	Status
1.	Good Governance Institute Review Implementation	Chief Officer	Complete
2.	Creation of Governance Handbook to support the EIJB and its members	Chief Officer	Delayed due to COVID-19
3.	Review of integration scheme	Chief Officer	Delayed due to COVID-19
4.	Review of directions policy	Chief Officer	Delayed due to COVID-19
5.	Development of a reserves policy	Chief Officer	Complete
6.	Development of an integrated performance framework	Chief Officer	Delayed due to COVID-19

**Further Improvement – Action Plan**

	Issue	Responsible Party	Reporting Date
1.	Creation of Governance Handbook to support the EIJB and its members	Chief Officer	December 2020
2.	Review of directions policy	Chief Officer	October 2020
3.	Review of risk mitigation, as instructed by Audit and Risk Committee	Chief Financial Officer	August 2020
4.	Risk appetite exercise	Chief Financial Officer	March 2021
5.	Review of transformation programme in light of COVID19 developments	Chief Officer	August 2020
6.	Development of an integrated performance framework	Chief Officer	April 2021
7.	Review of integration scheme	Chief Officer	March 2021
8.	Development of stakeholder engagement approach	Chief Officer	April 2021

### **Certification**

As evidenced above the EIJB has made considerable strides in improving its governance structures, radically revising its committees, reviewing its resilience, communications and risk arrangements and starting the process for a more robust assurance framework. The COVID-19 pandemic though has paused a lot of the work of the committees and as a result there has been insufficient time to ascertain if the changes have improved the governance of the EIJB. The direction the EIJB is moving in is positive but the COVID-19 pandemic has significantly impacted its governance arrangements. The EIJB must be vigilant in ensuring that its governance transformation is maintained and completed once the COVID-19 situation is contained.

### **Conclusion**

We remain committed to monitoring implementation as part of the next annual review.

**Judith Proctor**  
**Chief Officer**  
27<sup>th</sup> October 2020

**Angus McCann**  
**Chair**  
27<sup>th</sup> October 2020

## COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2020

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

2018/19		Note	2019/20		
Net Expenditure £000			Gross expenditure £000	Gross income £000	Net Expenditure £000
	<b>Health Services</b>	8			
264,868	Core services		276,427	0	276,427
83,396	Hosted services		87,894	0	87,894
52,444	Non-cash Limited		55,502	0	55,502
93,577	Set aside services		100,776	0	100,776
<b>494,285</b>			<b>520,599</b>	<b>0</b>	<b>520,599</b>
	<b>Social Care Services</b>	8			
137,682	External purchasing		151,814	0	151,814
32,540	Care at home		30,722	0	30,722
15,304	Day services		15,675	0	15,675
20,825	Residential care		18,074	0	18,074
14,601	Social work assessment and care management		14,904	0	14,904
558	Corporate services		484	0	484
10,184	Other		9,376	0	9,376
<b>231,694</b>			<b>241,049</b>	<b>0</b>	<b>241,049</b>
415	Corporate services	3	384	0	384
<b>726,394</b>	<b>Cost of services</b>		<b>762,032</b>	<b>0</b>	<b>762,032</b>
<b>-727,736</b>	<b>Taxation and non-specific grant income and expenditure</b>	2	<b>0</b>	<b>-755,504</b>	<b>-755,504</b>
<b>-1,342</b>	<b>(Surplus) / Deficit on provision of services</b>		<b>762,032</b>	<b>-755,504</b>	<b>6,528</b>

## BALANCE SHEET AS AT 31<sup>ST</sup> MARCH 2020

*The Balance Sheet shows the value, as at 31 March 2020, of the assets and liabilities recognised by the Board. The net assets of the Board are matched by the reserves held.*

31/03/2019 £000		Notes	31/03/2020 £000
	<b>Current assets</b>		
9,713	Short term debtors	4	3,186
	<b>Current liabilities</b>		
-19	Short term creditors	5	-20
<b>9,694</b>	<b>Net assets</b>		<b>3,166</b>
-9,694	Usable reserves	MIRS	-3,166
<b>-9,694</b>	<b>Total reserves</b>		<b>-3,166</b>

The Statement of Accounts present a true and fair view of the financial position of the Integration Joint Board as at 31<sup>st</sup> March 2020 and its income and expenditure for the year then ended.

The unaudited financial statements were authorised for issue on 30 June 2020 and the audited financial statements were authorised for issue on 27<sup>th</sup> October 2020

**Moir Pringle**  
**Chief Finance Officer**  
 27<sup>th</sup> October 2020

## MOVEMENT IN RESERVES

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

	31/03/2020	31/03/2019
	£000	£000
<b>Usable reserves – General Fund brought forward</b>	<b>-9,694</b>	<b>-8,352</b>
Deficit/(surplus) on the provision of services	6,528	-1,342
<b>Total comprehensive income and expenditure</b>	<b>6,528</b>	<b>-1,342</b>
<b>Balance, as at 31 March, carried forward</b>	<b>-3,166</b>	<b>-9,694</b>

## NOTES TO ACCOUNTS

### 1. ACCOUNTING POLICIES

#### 1.1 General Principles

The Annual Accounts for the year ended 31 March 2020 have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (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 General Fund reserve is broken down as follows: Transformation Programme £2.394m; Interim Solutions £0.113m; Integration £0.207m; Other £0.452.

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.

## 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:

	31/03/2020	31/03/2019
	£000	£000
NHS Lothian	-543,499	-518,177
City of Edinburgh Council	-211,521	-209,001
<b>Total</b>	<b>-755,020</b>	<b>-727,178</b>

Expenditure relating to the two parties was as follows;

	31/03/2020	31/03/2019
	£000	£000
NHS Lothian	520,772	494,521
City of Edinburgh Council	240,744	231,273
<b>Total</b>	<b>761,516</b>	<b>725,794</b>

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

## 3. CORPORATE EXPENDITURE

	31/03/2020	31/03/2019
	£000	£000
Staff costs	353	373
Other fees	3	3
Audit fees	28	39
<b>Total</b>	<b>384</b>	<b>415</b>

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 £0.734m (£0.754m 2018/19) have been provided.

#### 4. SHORT TERM DEBTORS

	31/03/2020	31/03/2019
	£000	£000
Other Local Authorities	3,186	9,713
<b>Total</b>	<b>3,186</b>	<b>9,713</b>

#### 5. SHORT TERM CREDITORS

	31/03/2020	31/03/2019
	£000	£000
Other bodies	-20	-19
<b>Total</b>	<b>-20</b>	<b>-19</b>

#### 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:

	2019/20 Actual Expenditure £000	2018/19 Actual Expenditure £000
<b>SERVICES PROVIDED BY NHS Lothian</b>		
<b>Core services</b>		
Community hospitals	12,364	11,478
District nursing	11,130	10,817
General medical services	84,024	79,472
Prescribing	81,690	80,573
Primary care management	43,655	38,906
Primary care services	10,271	7,611
Other core services	33,293	36,011
<b>Total core services</b>	<b>276,427</b>	<b>264,868</b>
<b>Hosted services</b>		
Mental health, substance misuse and learning disabilities	43,796	41,951
Other hosted services	44,098	41,445
<b>Total hosted services</b>	<b>87,894</b>	<b>83,396</b>
<b>Non- Cash Limited</b>		
Dental	29,135	28,003
Ophthalmology	9,700	9,399
Pharmacy	16,667	15,042
<b>Total Non-Cash Limited</b>	<b>55,502</b>	<b>52,444</b>
<b>Set aside services</b>		
General medicine	27,767	26,164
Geriatric medicine	14,375	13,409
Junior medical	15,171	14,105
Other set aside services	43,463	39,899
<b>Total set aside services</b>	<b>100,776</b>	<b>93,577</b>
<b>TOTAL SERVICES PROVIDED BY NHS Lothian</b>	<b>520,599</b>	<b>494,285</b>
<b>SERVICES PROVIDED BY City of Edinburgh Council</b>		
External purchasing	151,814	137,682
Care at home	30,722	32,540
Day services	15,675	15,304
Residential care	18,074	20,825
Social work assessment & care management	14,904	14,601
Other services provided by City of Edinburgh Council	9,860	10,742
<b>TOTAL SERVICES PROVIDED BY City of Edinburgh Council</b>	<b>241,049</b>	<b>231,694</b>
Corporate expenditure	384	415
<b>TOTAL ALL SERVICES</b>	<b>762,032</b>	<b>726,394</b>

## 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 TO THE MEMBERS OF EDINBURGH INTEGRATION JOINT BOARD AND THE ACCOUNTS COMMISSION**

### **Report on the audit of the financial statements**

#### **Opinion on financial statements**

We certify that we have audited the financial statements in the annual accounts Edinburgh Integration Joint Board for the year ended 31 March 2020 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 2019/20 (the 2019/20 Code).

In our opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2019/20 Code of the state of affairs of the Edinburgh Integration Joint Board as at 31 March 2020 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 2019/20 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 4 years. We are independent of the Edinburgh Integration Joint Board 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 Edinburgh Integration Joint Board. 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 nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Financial Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about Edinburgh Integration Joint Board's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date 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 conclusions 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 Edinburgh Integration Joint Board'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.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting 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. We therefore design and perform audit procedures which respond to the assessed risks of material misstatement due to fraud.

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **Other information in the annual accounts**

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

In connection with our audit of the financial statements, our responsibility is to read all the other information in the annual accounts and, in doing so, consider whether the 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 there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Report on other requirements**

#### **Opinions on matters prescribed by the Accounts Commission**

In our opinion, the audited part of the Remuneration Report has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014. In our opinion, based on the work undertaken in the course of the audit:

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

#### **Matters on which we are required to report by exception**

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

- adequate accounting records have not been kept; or
- the financial statements and the 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

2019/20 Annual Audit Report to members of  
Edinburgh Integration Joint Board and the Controller  
of Audit

October 2020






# Table of Contents

Key messages	3
Introduction	6
Annual report and accounts	9
Financial sustainability	20
Financial management	24
Governance and transparency	31
Value for money	38
Appendices	44

# Key messages



<p><b>Annual accounts</b></p>	<p>Edinburgh Integration Joint Board's (the IJB's) annual accounts for the year ended 31 March 2020 are due to be approved by the Board on 27 October 2020.</p> <p>We intend to report within our independent auditor's report an unqualified opinion on the annual accounts and on other prescribed matters and that there are no matters which we are required to report by exception.</p>
 <p><b>Financial Sustainability</b></p>	<p>The IJB continues to face significant financial pressures, both immediately and over the medium to longer term. There is now an urgent need to work with partners to develop a medium term financial strategy and workforce strategy to support the efficient delivery of the Strategic Plan 2019-2022 and the transformation programme.</p> <p>In July 2020 the Board approved proposals to adapt and rephase delivery of the transformation programme as a result of the impact of COVID-19 on the IJB's service delivery. Work is ongoing to consider the impact of these changes on immediate and medium term financial projections.</p>
 <p><b>Financial Management</b></p>	<p>Whilst the IJB was able to reduce the initial gap in their unbalanced financial plan and overdeliver against their savings and recovery target, they reported a deficit of £6.5 million in 2019/20 which was met through reserves as planned, rather than additional partner contributions.</p> <p>The 2020/21 financial plan recognises a funding gap of £21.9 million and actions to address £6.0 million of this. The 2020/21 savings and recovery plan identified £11.9 million of approved savings and a further £4.0 million of savings where work is ongoing to develop detailed plans to support delivery. Work is still also ongoing to quantify the financial impact of COVID-19.</p>
 <p><b>Governance &amp; Transparency</b></p>	<p>The Board initiated an external review of their governance arrangements in 2018/19. This concluded that further action was required to strengthen the Board's governance arrangements. Notable action has been taken in improving governance arrangements, communication plans and committee structures. However, further work is still required and progress has been disrupted by the COVID-19 pandemic.</p> <p>On 14 April 2020 the IJB suspended all Board and committee meetings until 30 June 2020. The Board met in July 2020 and committees have been reinstated. A number of key actions have been delayed as a result and work is on-going to develop revised plans.</p>



### Value for Money

There are a number of key indicators where performance remains challenging. The establishment of a Performance and Delivery Committee has been a key step in developing a robust performance management framework. However, work is still required to refine performance reports and measures to ensure these support efficient and effective scrutiny.

COVID-19 has imposed unprecedented challenges on the IJB but has also presented the opportunity to be innovative and embrace new ways of working. The IJB recognises this and has completed a lessons learned exercise to start building on these positive changes.

## Conclusion

This report concludes our audit for 2019/20. Our work has been performed in accordance with the Audit Scotland Code of Audit Practice, International Standards on Auditing (UK) and Ethical Standards.

Azets  
October 2020


# Introduction

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This report is presented to those charged with governance and the Controller of Audit and concludes our audit of the Edinburgh Integration Joint Board for 2019/20.

We carried out our audit in accordance with Audit Scotland's Code of Audit Practice. This report also fulfils the requirements of International Standards on Auditing (ISA) 260: Communication with those charged with governance.

At Edinburgh Integration Joint Board, we have designated the Board as “those charged with governance”

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## Introduction

1. This report summarises the findings from our 2019/20 audit of Edinburgh IJB.
2. We outlined the scope of our audit in our External Audit Plan. The core elements of our work include:
  - an audit of the 2019/20 annual accounts;
  - 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



3. The IJB is responsible for preparing annual report accounts which show a true and fair view and for implementing appropriate internal control systems. The weaknesses or risks identified are only those that have come to our attention during our normal audit work and may not be all that exist. Communication in this report of matters arising from the audit of the annual accounts or of risks or weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.
4. The report contains an action plan with specific recommendations,
- responsible officers and dates for implementation. Senior management should assess these recommendations and consider their wider implications before deciding on appropriate actions. We give each recommendation a grading to help the IJB assess its significance and prioritise the actions required.
5. 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.



## Confirmation of independence

6. 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.
7. We confirm that we complied with the Financial Reporting Council's (FRC) Ethical Standards. In our professional judgement, the audit process is independent, and our objectivity has not been compromised in any way.
8. We set out in Appendix 1 our assessment and confirmation of independence.

## Openness and transparency

11. This report will be published on Audit Scotland's website [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk).

## Adding value through the audit

9. 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

10. 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.

# Annual accounts

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

In this section we summarise the findings from our audit of the 2019/20 annual accounts.

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## Annual accounts

### Unqualified audit opinion on the annual accounts

The annual accounts for the year ended 31 March 2020 are due to be approved by the Board on 27 October 2020. We report within our independent auditor's report:

- An unqualified opinion on the annual accounts; and
- An unqualified opinion on other prescribed matters.

We found that the IJB has appropriate administrative processes in place to prepare the annual accounts and the required supporting working papers.

### Overall conclusion

12. The annual accounts for the year ended 31 March 2020 are due to be considered by the Board on 27 October 2020. We report within our independent auditor's report:
  - An unqualified opinion on the annual accounts; and
  - An unqualified opinion on other prescribed matters.
13. We are also satisfied that there are no matters which are required to report by exception.
14. Our audit opinion is based on the Board approving the financial statements and signing the letter of representation. Within the letter of representation the Board is being asked to confirm that there are no subsequent events that require

amendments to the financial statements.

### Our assessment of risks of material misstatement

15. The assessed risks of material misstatement 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.

## Our assessment of risks of material misstatement and how the scope of our audit responded to those risks

### Management override

In any organisation, there exists a risk that management has 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*.

*Noted in the 2019/20 External Audit Plan*

16. We have not identified any indication of management override in the year. We have reviewed the IJB's accounting records and obtained evidence to ensure that transactions were valid and accounted for correctly. We have also reviewed management estimates and the journal entries processed in the period and around the year end. We did not identify any areas of bias in key judgements made by management and judgements were consistent with prior years.

### Revenue recognition

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 revenue transactions in such a way as to lead to a material misstatement in the reported financial position.


*Noted in the 2019/20 External Audit Plan*

17. At the planning stage we concluded that for contributions received from the IJB's funding partners, the risk of revenue recognition can be rebutted due to a lack of incentive and opportunity to manipulate transactions of this nature. This position has been reviewed throughout the audit and our conclusion remains appropriate.

### Risk of fraud in the recognition of expenditure

In 2016, the Public Audit Forum issued Practice Note 10 *“The Audit of Public Sector Financial Statements”* which applies to the audit of public sector financial statements for periods commencing after June 2016. This Practice Note recognises that most public sector bodies are net spending bodies and notes that there is an increased risk of material misstatement due to improper recognition of expenditure.

*Noted in the 2019/20 External Audit Plan*

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- A grey arrow pointing from the left margin towards item 18.
18. 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 our audit to take account of developments as they arise. We have specifically updated our risk assessment and audit plan in light of COVID-19. We recognised this as a key audit risk<sup>1</sup>.

### COVID-19

The COVID-19 pandemic is presenting unprecedented challenges to the operation, financial management and governance of organisations, including public sector bodies. Core areas of service delivery have been suspended or substantially reduced, systems and processes have been amended to support remote working, arrangements for governance, decision making and performance management have been adapted, and many organisations are forecasting large operating deficits due to loss of income and/ or additional cost pressures. It is uncertain how long these challenges will persist.

The implications of these risks and uncertainties are under consideration by the Board, the sector and the Scottish Government. We continue to monitor government and relevant announcements as they pertain to the audit and have adapted our audit approach as required.

20. In response to COVID-19 we identified potential areas of increased risk of material misstatement to the financial statements and/or our audit opinion. These areas included:

- Content of the annual report and accounts
- Access to audit evidence
- Timescales/administrative processes.

### Content of the annual report and accounts

21. In response to the impact of the COVID-19 pandemic, the Scottish Government issued Finance Circular 10/2020 which allows bodies to disapply specified requirements for Finance Circular 5/2015 (which provides statutory guidance on the preparation of a Management Commentary).
22. The statutory guidance permits but does not require a local government body to disapply the following content

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<sup>1</sup> A key audit risk is one which may result in a material misstatement to the financial statements or

significantly impact on our audit judgements and conclusions on the wider scope dimensions.

requirements for the Management Commentary:

- The requirement for the review of the body's business to be comprehensive
  - An analysis using key performance indicators (KPIs). However a hyperlink to KPIs published elsewhere is required or a statement that it is not possible
  - A description of the body's strategy and business model. However a hyperlink to a document published elsewhere is required or a statement that it is not possible
  - Political donations and expenditure, financial instruments, indication of future likely developments, disclosure concerning the employment of disabled persons, employee involvement and disclosures concerning green house gas emissions
  - The requirement to direct the reader to the annual report on treasury management to the extent that the report is not yet published. However a statement to that effect should be included.
23. The IJB took the decision to include where applicable to the organisation, the full disclosures in the Management Commentary.

#### Access to audit evidence

24. 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.

25. 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.
26. For our expenditure, the IJB could not provide sufficient audit evidence for three sample items within the agreed timetable. Given the low value and nature of the sample items, we are satisfied that the testing completed still provides a reasonable basis for our conclusion and do not deem this to be material to our proposed audit opinion or timing thereof. We will continue to liaise with management up until the point of signing to ensure these pieces of evidence are provided in as timely a manner as possible.
27. For all other aspects of our audit we have been provided with sufficient evidence to complete the audit in line with our responsibilities. There were no issues noted with the reliability or appropriateness of evidence provided.

#### Timescales/Administrative processes

28. Schedule 6 of the Coronavirus (Scotland) Act 2020 allows a local government body to postpone submitting the unaudited accounts to auditors and publishing the audited accounts until it is reasonably practicable. The Scottish Government has provided guidance on this in Finance Circular 10/2020. The guidance advises that 30 November should be considered a reasonably practicable date for publishing the audited accounts.
29. Audit Scotland has revised the deadline for auditors to submit the audited annual accounts from 30

- September to 30 November 2020. However, it is for local auditors to agree a timetable with each local government body with a view to completing the process as early possible while still delivering a high quality audit.
30. The annual accounts are due to be considered by the Board on 27 October 2020.
31. We have been working closely with the IJB throughout the audit to ensure that this timetable is adhered to. From an audit perspective we would however highlight that we will require consideration of subsequent events up to the date of approval of the annual accounts and any changes reflected in both our annual report and the annual accounts. We also note that our annual report is based at a point in time and any further information relevant to our report will be reflected in our annual report up to the time the annual accounts are authorised for issue.
32. The scope of our audit was detailed in our External Audit Plan, which was presented to the Audit and Assurance Committee in March 2020. 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.
33. 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.
34. Our standard audit approach is based on performing a review of the key financial systems in place, substantive tests and detailed analytical procedures. Tailored audit procedures, including those designed to address significant risks, were completed by the audit fieldwork team and the results were reviewed by the audit management team. In performing our work we applied the concept of materiality, which is explained below.
- ### Our application of materiality
35. Materiality is an expression of the relative significance of a matter in the context of the financial statements as a whole. A matter is material if its omission or misstatement would reasonably influence the decisions of an addressee of the auditor's report. The assessment of what is material is a matter of professional judgement over both the amount and the nature of the misstatement. We keep this assessment under review throughout the audit.
36. Performance materiality is the working level of materiality used 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.



37. 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 any uncorrected and undetected misstatements exceed overall materiality.
38. Our initial assessment of materiality for the annual accounts was £11 million. We reassessed materiality on receipt of the 2019/20 unaudited accounts and deemed this level to remain appropriate throughout our audit.

Materiality	£million
<b>Overall materiality:</b> Our assessment of materiality is set with reference to cost of delegated service <sup>2</sup> . We consider this to be the principal consideration for the users of the annual accounts when assessing the performance of the IJB.	11.000
<b>Performance materiality:</b> using our professional judgement we have calculated performance materiality at approximately 75% of overall materiality.	8.250

39. Our initial assessment of materiality for the annual accounts was £11 million. We reassessed materiality on receipt of the 2019/20 unaudited accounts and deemed this level to

remain appropriate throughout our audit.

## Audit differences

40. We are pleased to report that there were no material adjustments or unadjusted differences to the unaudited annual accounts.
41. We identified disclosure and presentational adjustments during our audit, which have been reflected in the final set of annual accounts.

## Board representations

42. We have requested that a signed representation letter be presented to us at the date of signing the annual accounts. This letter is to be signed by the section 95 officer on behalf of the IJB.

## Other matters identified during our audit

43. During the course of our audit we noted the following:

### The Local Authority Accounts (Scotland) Regulations 2014

44. As part of our audit we reviewed the IJB's compliance with the Local Authority Accounts (Scotland) Regulations 2014, in particular with respect to regulations 8 to 10<sup>3</sup> as they relate to the annual accounts. Overall we concluded that appropriate arrangements are in place to comply with these Regulations.

<sup>2</sup> Our assessment of materiality equates to approximately 1.6% of the IJB's forecasted cost of delegated services in 2019/20.

<sup>3</sup> Regulations 8 to 10 relate to the preparation and publication of unaudited accounts, notice of public right to inspect and object to the accounts and consideration and signing of the audited accounts.

### Management commentary

45. The Local Authority Accounts (Scotland) Regulations 2014 require local authorities to include a management commentary within the annual accounts. The management commentary is intended to assist readers in understanding the annual accounts and the organisation that has prepared them.
46. As auditors we are required to read the management commentary and express an opinion as to whether it is consistent with the annual accounts. We have concluded that the management commentary is consistent with the annual accounts and has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003.

### Annual governance statement

47. The Chief Officer and the Chair of the IJB have confirmed that in their opinion, reasonable assurance can be placed upon the adequacy and effectiveness of the IJB's systems of governance. The Annual Governance Statement identifies a range of actions that have been, or will be, taken by the IJB to continue to progress improvements in the IJB's governance arrangements.
48. The coverage of the governance statement is in line with our expectation and have concluded that the report has been prepared in accordance with the Delivering Good

Governance in Local Government:  
Framework 2016.

### Remuneration report

49. Our independent auditor's report confirms that the part of the Remuneration Report to be audited has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

### Follow up of prior year recommendations

50. We followed up on progress in implementing actions raised in the prior year as they relate to the audit of the financial statements. Full details of our findings are included in Appendix 2.

### Qualitative aspects of accounting practices and financial reporting

51. During the course of our audit, we considered the qualitative aspects of the financial reporting process, including items that have a significant impact on the relevance, reliability, comparability, understandability and materiality of the information provided by the financial statements. Our audit conclusions on these qualitative aspects are as follows:

Qualitative aspect considered	Audit conclusion
The appropriateness of the accounting policies used.	The accounting policies, which are disclosed in the annual accounts, are considered appropriate to the IJB.
The timing of the transactions and the period in which they are recorded.	We did not identify any concerns over the timing of transactions or the period in which they were recognised.
The appropriateness of the accounting estimates and judgements used.	We are satisfied with the appropriateness of the accounting estimates and judgements used in the preparation of the annual accounts.
The appropriateness of the going concern assumption	We have reviewed the financial forecasts for 2020/21. 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.
The potential effect on the financial statements of any uncertainties, including significant risks and related disclosures that are required.	We have not identified any uncertainties, including any significant risk or required disclosures, which should be included in the annual accounts.
The extent to which the financial statements have been affected by unusual transactions during the period and the extent that these transactions are separately disclosed.	From the testing performed, we identified no significant unusual transactions in the period.
Apparent misstatements in the annual report or material inconsistencies with the financial statements.	The management commentary contains no material misstatements or inconsistencies with the accounts.
Any significant financial statement disclosures to bring to your attention.	There are no significant annual accounts 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.

Qualitative aspect considered	Audit conclusion
Disagreement over any accounting treatment or financial statements disclosure.	While disclosure and presentational adjustments were made during the audit process there was no material disagreement during the course of the audit over any accounting treatment or disclosure.
Difficulties encountered in the audit.	There were no significant difficulties encountered during the audit. Although the timing of some audit evidence has impacted our work and COVID-19 has presented challenges we have worked collaboratively around.

# 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.



The IJB continues to face significant financial pressures, both immediately and over the medium to longer term. Recurring financial balance cannot be achieved without the delivery of sustainable transformational change and the ability to do so within available resources will be a key challenge for the Board. The IJB has recognised the urgent need to work with partners to develop a medium term financial strategy and workforce strategy to support the efficient delivery of the Strategic Plan 2019-2022 and the transformation programme.

In July 2020 the Board approved proposals to adapt and rephase delivery of the transformation programme as a result of the impact of COVID-19 on service delivery. Work is ongoing to consider the impact of these changes on immediate and medium term financial projections.

## Significant audit risk


52. Our audit plan identified a significant risk to financial sustainability under our wider scope responsibilities.

### Financial sustainability

The IJB has been able to demonstrate arrangements for short term financial planning. However, as first reported in our 2016/17 Annual Audit Report, the IJB has not yet developed a medium or long-term financial plan or strategy. In October 2019, the Board considered a Financial Framework 2020-2023 which will form the basis of a medium-term financial strategy. This recognised that the IJB continues to face significant challenges over the medium term due to increasing demand for services and a climate of constrained financial resources.

The financial framework outlines a gap of £36 million in 2020/21. The IJB has identified high-level savings of £24 million, leaving £11 million unbalanced. The framework forecasts a similar position in 2021/22 and 2022/23, with the plan unbalanced by £12 million and £15 million in each year respectively. There is an on-going need to work with partners to develop a strategic approach to financial planning. Without a medium-term financial plan in place, the IJB cannot demonstrate how it will deliver the required level of savings and bridge the financial gaps, whilst continuing to deliver key priorities within the financial resources available.

*Noted in the 2019/20 External Audit Plan*

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53. The Board has not yet developed a medium term financial strategy. Ongoing work has been halted as a result of the emerging pressures of COVID-19 and the need for partners to rework their own medium term financial plans in response. Management have committed to continuing to work closely with partners and developing the medium term financial strategy by December 2020. It is important that such a strategy is completed in accordance with this revised timetable.
54. Without a medium term financial strategy, this IJB cannot demonstrate how it will deliver its strategic plan and transformation programme. In an environment of heightened financial pressures increasing demand and the growing need to redesign services, robust and timely financial planning is essential. Financial sustainability will therefore continue to be a significant risk in our 2020/21 audit plan.

Refer to Appendix 2

## Strategic Planning

55. The Board has not yet developed a medium term financial strategy. Ongoing work has been halted as a result of the emerging pressures of COVID-19 and the need for partners to rework their own medium term financial plans in response. Management have committed to continuing to work closely with partners and developing the medium term financial strategy by December 2020. It is important that such a strategy is completed in accordance with this revised timetable.
56. Without a medium term financial strategy, this IJB cannot demonstrate how it will deliver its strategic plan and transformation programme. In an environment of heightened financial pressures increasing demand and the growing need to redesign services, robust and timely financial planning is essential. Financial sustainability will therefore continue to be a significant risk in our 2020/21 audit plan.

## Financial Strategy

57. A medium-term financial strategy is essential to support the delivery of the Strategic Plan 2019-2022, especially given the recurring financial challenges the plan identifies. The IJB's initial immediate approach has been to focus on 'grip and control' measures. The aim is then to deliver efficiencies in the medium to longer term to support financial balance through redesign and transformation.
58. The Board considered the IJB's Financial Framework 2020-2023 in October 2019. This presented an initial outlook based on partner's planning assumptions and would form

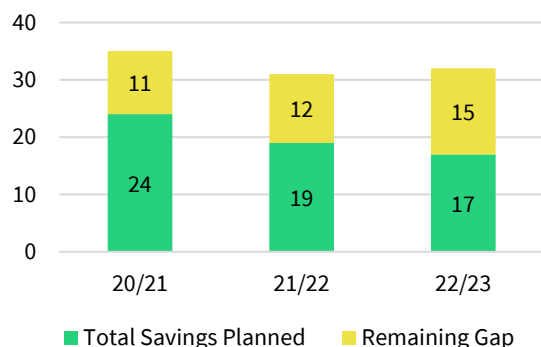
the basis of a medium term financial strategy.

59. The Framework takes cognisance 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.
60. The Financial Framework has been designed to support the delivery of the 2019-2022 Strategic Plan and transformation programme. One of the key levers identified by the IJB in delivering this is that NHS and Local Authority budgets are no longer separate and that the IJB has the authority to direct the totality of its resources across both partners in a manner that best serves the people of Edinburgh. The Framework has been developed on this basis.
61. The IJB had previously committed to developing a medium term financial strategy by March 2020, building upon the commitments recognised in the financial framework. However, progress has been halted as a result of the emerging pressures of COVID-19 and the need for partners to rework their own medium term financial plans. Management have instead committed to developing the IJB's medium term financial strategy by December 2020.
62. The need for robust medium term financial planning is essential given the increasing pressures across the sector. The Financial Framework, developed in October 2019 prior to the COVID-19 pandemic, identifies significant financial gaps as highlighted in Exhibit 3. Work is still ongoing to quantify the impact of the pandemic in the medium term but



there is a significant risk that financial pressures may increase further.

### Exhibit 3: Future Financial Gap (£m)



Source: Financial Framework 2020-2023 – October 2019

## Workforce Planning

63. We highlighted within our annual report for 2016/17 that the integration scheme requires the development of a workforce plan to demonstrate that a strategic approach is in place to manage the risks that the IJB faces in relation to workforce supply and demand challenges.
64. The Board considered an inaugural Baseline Workforce Plan in December 2018. As highlighted in our 2018/19 annual audit report, the baseline data presented a proportionally aging workforce, particularly in social care, which could pose significant capacity and supply problems for the IJB in the future.
65. The IJB had committed to developing a workforce strategy in 2019/20 following the approval of the Strategic Plan 2019-2022. However, progress has been delayed.
66. Workforce and cultural development was identified as a priority phase one project in the Transformation

Programme. However, per the IJB's progress report, Return to Transformation (July 2020), this was assessed as an underdeveloped and delayed project. The Scottish Government has requested that all integration authorities submit a workforce plan by March 2021 and the IJB is on schedule to meet this deadline. Action plans have been revised to ensure the workforce strategy is developed alongside this exercise during 2020/21 and we recommend that this is actioned as a priority.

Refer to Appendix 2

## Impact of EU withdrawal

67. Audit Scotland continues to highlight EU withdrawal as a significant risk facing public bodies across Scotland. Three streams of potential impact were identified;
  - Workforce;
  - Funding; and
  - Regulation.
68. The Partnership had established a Brexit Impact Assessment Group to plan, assess risk and propose mitigation options for areas expected be the most affected. The Group reported into similar strategic groups within both NHS Lothian and City of Edinburgh Council to ensure issues are managed in a timely, effective and collaborative manner.
69. The IJB has continued to work with partners and monitor the position throughout 2019/20 to ensure robust planning and preparation arrangements were in place for EU withdrawal and beyond.



# Financial management

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



Whilst the IJB was able to reduce the initial gap in their unbalanced financial plan, they reported a deficit of £6.5 million in 2019/20. For the first time this was met through reserves, as planned in the 2019/20 budget, rather than additional contributions from partners. This leaves uncommitted reserves at 31 March 2020 of £3.166 million.

The Board approved the 2020/21 financial plan in July 2020 which recognised a funding gap of £21.9 million and mitigating actions to address £6.0 million of this. The Board approved plans for £11.9 million of savings as part of the 2020/21 savings and recovery programme. Additional savings have been identified to address the remaining gap (£4.0 million), however further work is still required to develop detailed plans for delivering these.

The COVID-19 pandemic has had a significant impact on the operations and financial position of the IJB and work is still on-going to quantify the additional short and medium term costs. Additional funding is anticipated however the scale of this is unknown. The on-going impact and financial implications of COVID-19 are less clear and the IJB is continuing to work closely with partner bodies to quantify the impact, both in the short and medium term.

## Significant audit risk


70. Our audit plan identified a significant risk to financial management under our wider scope responsibilities.

### Financial management

The IJB started 2019/20 with an unbalanced financial plan, reporting an outstanding balance of £7.150 million in May 2019. Through a combination of partnership wide savings, a contribution from reserves and slippage on funding set aside for specific initiatives, the IJB reported a small projected surplus of £0.600 million at the end of the first 7 months of 2019/20.

This in year position relies heavily on the use of one-off measures and slippage and there is a risk that the IJB will not achieve the planned balanced outturn position. This could have a detrimental impact on short and medium term plans for the delivery of directed services. There is also the potential for underperformance to have a wider impact on longer term financial sustainability

*Noted in the 2019/20 External Audit Plan*

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71. As outlined below, whilst the IJB was able to reduce the initial gap in their unbalanced budget, they still reported a deficit of £6.5 million in 2019/20. For the first time, the deficit was met through reserves as planned in the 2019/20 budget rather than additional contributions from partners. We are satisfied that the partnership has taken an appropriate approach to financial management and have noted improvements in financial planning and performance in 2019/20. However, the IJB continues to face significant financial pressures and the use of reserves to meet budget deficits is not sustainable.
72. The Board approved the 2020/21 financial plan in July 2020 which recognised a funding gap of £21.9 million. Mitigating actions have been identified to address £6.0 million and the remaining £15.9 million is addressed in full through the 2020/21 savings and recovery programme. However, further work is required to develop detailed plans for £3.990 million of savings identified in the £15.9 million savings programme. Work is still ongoing to quantify the short and medium term impact of COVID-19 on the financial position and delivery of savings plans. The IJB is continuing to work closely with NHS Lothian and City of Edinburgh Council to manage the financial position and reported a projected year end overspend of £10.9 million at the end of quarter one. We will therefore continue to consider the projected in year deficit as a significant risk in our 2020/21 audit plan.

## Financial performance in 2019/20

73. The IJB started 2019/20 with an unbalanced financial plan and an initial funding gap of £24 million. A savings and recovery programme of £12 million was agreed to mitigate this funding gap and the IJB continued to closely monitor the financial position throughout 2019/20.
74. The IJB spent £762 million delivering health and social care services to the people of Edinburgh in 2019/20 (2018/19: £726 million). For 2019/20

the Board is reporting a deficit of £6.5 million (2018/19: surplus of £1.3 million). This has been met through usable reserves, leaving a remaining reserve of £3.2 million as at 31 March 2020 (31 March 2019: £9.7 million).

75. The IJB has continued to face significant financial pressures. However, this is the first year that they have not had to rely on additional contributions from partners to manage their financial position. In addition, this is the first year that the Board has delivered their planned savings and recovery programme, overachieving against the initial target.

### Exhibit 4: Financial performance in 2019/20

	Budget £000	Actual £000	Variance £000
Health services	520,594	520,599	5
Council services	241,049	241,049	-
<b>Gross Position</b>	<b>761,643</b>	<b>761,648</b>	<b>5</b>
Non recurring health contributions	-	(5)	(5)
Non recurring council contributions	-	-	-
<b>Reported outturn</b>	<b>761,643</b>	<b>761,643</b>	<b>-</b>

Source: Annual Performance Report 2019/20

## Delivering financial balance

76. The draft 2020/21 budget was considered by the Board in April 2020, at a time of great uncertainty during the COVID-19 pandemic. The Board recognised that work will still ongoing to finalise the 2020/21 savings and recovery programme, and that further consideration was needed to reflect the potential financial consequences of COVID-19. A finalised 2020/21 plan was presented to the Board in July 2020 and approved.
77. Delegated budgets total £684.6 million for 2020/21. For NHS Lothian this represents a 3% uplift (£12.2 million) from the 2019/20 budget. For City of Edinburgh Council, the total uplift of £15 million reflects;
  - a 3.8% increase over the 2019/20 budget,
  - additional local authority funding of £2 million following the Scottish Government budget announcement, and
  - funding of £4.7 million to cover the full cost of the living wage increase (assumption based on available information at the time).
78. Set against this, the projected cost of delegated services for 2020/21 is £706.4 million. Taking into account the expected savings of £3.7 million from the closure of Gylemuir House, this results in a savings requirement of £21.9 million in 2020/21.
79. The financial plan identifies three mitigating actions totalling £6 million, reducing the budget gap to £15.9 million. These relate to a contribution from the community capacity investment fund (£2 million), contribution from the older peoples

reserve (£1 million) and a commitment from NHS Lothian to meet set aside pressures (£3 million).

## Savings and Recovery Framework

80. The Board considered and approved a savings and recovery programme in July 2020, aimed at addressing resultant savings requirement of £15.9 million. To ensure the programme provides a clear and structured approach to identifying savings for future years that is aligned with partner's financial planning processes, management have developed the savings and recovery framework with support from internal audit.
81. The framework recognises savings under the following four phases, grouped to clarify the level of certainty around their deliverability;
  - Phase 0 – proposals already approved by the IJB
  - Phase 1 – proposals for which management are seeking approval
  - Phase 2 – proposals identified to achieve financial balance, but will require ongoing work in year
  - Phase 3 – proposals at planning stage to ensure savings can be realised in the next financial year
82. To demonstrate strategic alignment, proposals have been grouped under six areas of programme focus. The Board recognise that the framework requires further development to ensure stronger alignment with the strategy and transformation programme, and the development of a risk matrix to support decision making.
83. As part of the 2020/21 savings programme, the Board approved eight new savings proposals totalling £8.95

million. In addition, the 2020/21 programme recognised £2.96 million of savings that had already been approved by the Board.

84. To address the remaining gap of £3.99 million, the Board approved the progression of Phase 2 proposals, recognising that further work is required during 2020/21 to develop detailed plans and that proposals will be brought back to the Board for approval.

#### Exhibit 5: 2020/21 savings programme

	Total £m
<b>2020/21 savings requirement</b>	<b>15.9</b>
<i>Savings and Recovery Programme</i>	
Phase 0 – previously approved plans	2.96
Phase 1 – plans approved July 2020	8.95
Phase 2 – development of plans on-going	3.99
<b>Net position</b>	<b>-</b>

Source: Savings and Recovery Programme 2020/21 – July 2020

85. The Board recognise that the required scale and pace of delivery of the proposed programme will be challenging. Progress and scrutiny over delivery will be overseen by the Savings Governance Board throughout 2020/21 which is chaired by the Chief Officer.

86. The COVID-19 pandemic has had a significant impact on the IJB's operational service delivery, requiring them to adapt quickly and effectively. The two key financial implications of this are the net additional costs of the immediate and on-going response; and the medium to longer term costs associated with the reconfigured services.

87. NHS Boards were required to submit mobilisation plans at the start of the pandemic, outlining their response with a high level estimate of anticipated additional costs. Subsequently, Health and Social Care Partnerships have been required to submit regular updates to the Scottish Government on actual costs and estimates of future expenditure.

88. The latest return (July 2020) estimated total additional costs of the response to COVID-19 as £58.819 million. A breakdown of this cost is summarised in Exhibit 6.

89. It is expected that some these financial consequences will be met by additional funding from the Scottish Government. However, at the time of writing, the scale of any extra costs and the potential level of any additional funding is unknown. The Government's initial review of mobilisation plans suggested that the level of funding currently available is not sufficient to cover the additional costs and further work is needed to evaluate this position.

#### Impact of COVID-19

### Exhibit 6: Mobilisation plan costs as reported to Scottish Government (July 2020)

	Total £m
Provider sustainability	25.2
Additional capacity	11.1
Slippage on savings	6.6
One Edinburgh	5.3
Living wage uplift shortfall	4.7
GPs & Prescribing	3.7
Miscellaneous	1.2
PPE	1.0
<b>Total</b>	<b>58.9</b>

Source: 2020/21 Financial Plan – as presented to the Board in July 2020

90. Limited funding has been agreed to date. The Scottish Government approved an initial allocation of £50 million to Integration Authorities, of which Edinburgh's share is £4.1 million. Further funding allocations are expected but, at the time of writing, the timeline for a decision is unknown.
91. The on-going impact and financial implications of COVID-19 are less clear. The 2020/21 financial plan was prepared on the assumption that there would be no net impact from the pandemic, with additional costs either funded or otherwise mitigated.
92. Work has been on-going within both partner organisations to determine the financial impact of the pandemic and update projections for the year. At the

end of period three the Council and NHS Lothian reported projected year end overspends for services they deliver under the direction of the IJB of £3.800 million and £7.044 million respectively.

93. However, interpreting these results is particularly challenging and both partner organisations have commissioned further work to fully understand the underlying drivers. In addition, both partners have taken a different approach to forecasting. Whilst the Council has assumed that additional costs arising from the pandemic will be fully funding, NHS Lothian have not at this stage assumed any additional monies.
94. The IJB is continuing to liaise with partners as work progresses to analyse the financial impact of the pandemic, both in the short and medium term. Regular updates are being presented to the Board to consider the projected financial position, taking into account any additional costs or potential funding announcements.

### Systems of internal control

95. The IJB does not hold any assets, directly incur expenditure or legally employ staff. All financial transactions of the IJB are processed through the financial systems of the council and health board. All transactions are subject to the controls and scrutiny of the respective partners, including the work performed by internal audit.
96. We sought and obtained assurances from the external auditor of City of Edinburgh Council and NHS Lothian regarding the systems of internal control used to produce the



transactions and balances recorded in the IJB's annual accounts.

97. We reviewed the approved standing financial instructions and standing orders and consider them adequate for the IJB's purposes.
98. The IJB has adequate systems in place to record, process, summarise and report financial and other relevant data. We have not identified any material weaknesses in the accounting and internal control system during our audit, although we are aware of weaknesses identified by internal audit.

City of Edinburgh Council regarding the level of risk present in the procurement function and no significant issues were highlighted.

## Prevention and detection of fraud and irregularity

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

## Risk of fraud and corruption in the procurement function

100. 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 the partner bodies.
101. We sought assurances from the external auditor of NHS Lothian and

# 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.



The Board initiated an external review of their governance arrangements in 2018/19. This concluded that further action was required to strengthen the Board's governance framework and identified a series of 18 recommendations.

Notable action has been taken in improving governance arrangements, committee structures and communication plans. However, the pace of change has been slower than originally planned and further disrupted by the re-focus of resources on the COVID-19 pandemic. Key priorities, such as the approval and implementation of a governance handbook, are still to be completed.

On 14 April 2020 the Board agreed to suspend all Board and committee meetings until 30 June 2020 given the need to prioritise the delivery of front-line services. The Board was reinstated on 21 July 2020 and committee meetings have been resumed. A number of key activities have been delayed as result and work is ongoing to develop revised plans and strategies.



## Significant audit risk

102. Our audit plan identified a significant risk to governance and transparency under our wider scope responsibilities.

### Governance and transparency

During 2017/18 the interim management team for the Edinburgh Health and Social Care Partnership (the group overseeing operational delivery of the IJB's directions to its partners) considered that there was a clear requirement to bring greater clarity and focus to the activities of the partnership, with an emphasis on performance, quality and finance. At its development session on 13 October 2017 the IJB considered a 'Statement of Intent' setting out:

*"a high-level recovery plan to address the immediate, short and medium-term challenges faced by the Partnership, the EIJB and the parent bodies. It is constructed around the three key pillars of quality, performance and finance."*

The recovery plan outlined the following seven high-level themes as well as related commitments:

- Doing the basics well
- Developing a performance framework
- Establishing a financial framework
- Developing strategies, with identifiable, manageable actions
- Ensuring optimum quality
- Clarifying and simplifying governance arrangements
- Improving relationships between the IJB and its partner

As reported in our 2017/18 and 2018/19 Annual Audit Report, progress against the recovery plan had not been separately and formally reported since December 2017. In May 2019 the Board developed an Improvement Plan which is mapped against the key priorities of the Statement of Intent. In addition, an external assessment of the IJB's governance arrangements was undertaken in 2018/19 by the Good Governance Institute, identifying a series of 18 recommendations.

The IJB has recognised that without a clear roadmap to work with, it cannot bring clarity to the partnership's activities, nor can the partnership support the IJB in effectively discharging its duties. This in turn would lead to suboptimal performance and quality, and financial imbalance. We therefore continue to regard the recovery plan and the need to bring clarity to the organisation's governance arrangements as a significant risk.

*Noted in the 2019/20 External Audit Plan*

103. As reported in 2018/19, the themes and commitments outlined in the original recovery plan are reflected in the Transformation Programme and 2019-2022 Strategic Plan (approved by the Board in August

2019). Prior to this, there had been limited accountability or reporting on progress against the recovery plan.

104. Phase one of the Strategic Plan ran to 31 March 2020. This focused on initiating the transformation programme, identifying key workstreams and establishing significant projects. A new governance framework was established to manage the programme and a progress report, 'Return to Transformation', was presented to the Board in July 2020. This gave each of the seven phase one projects a RAG rating to reflect the status and level of progress as at June 2020. Only two of the seven projects have been assessed as green; Three Conversations and the Edinburgh Pact. The workforce and cultural development programme has been assessed as red; we have considered this in detail as part of our financial sustainability work.
105. The progress report outlines for each project the current status, completed and planned actions, key milestones, significant risks and the mitigation actions in place. Delivery of the transformation programme has been adversely impacted by the COVID-19 pandemic, as reflected in each programme status. Programme boards were suspended in March 2020 to allow for focus on operational priorities and around 50% of the transformation team had been redeployed to directly support the IJB's response. Proposals to adapt and re-set the transformation programme to reflect the immediate strategic priorities and the need to re-phase activity were approved by the Board in July 2020. A continued focus on monitoring and report progress is key to effectively delivering the Transformation Programme.
106. An external assessment of the IJB's governance arrangements was undertaken in 2018/19 identifying a series of 18 recommendations. As considered below, notable action has been taken in improving governance arrangements, committee structures and communication plans. However, the pace of change throughout 2019/20 has been slower than originally planned and further action is still required.
107. The COVID-19 pandemic has paused the majority of work in these areas and there has been insufficient time to assess the effectiveness of new arrangements. The IJB must ensure that previously planned activity is reinstated as an area of priority to support the timely refinement of governance arrangements. We therefore continue to recognise the development of governance arrangements as a significant risk and will monitor progress further in 2020/21

Refer to Appendix 2

## Governance arrangements

108. The IJB has continued to refine its governance arrangements since it was formally constituted in April 2016. The need to strengthen governance arrangements and clarify reporting processes is one of the objectives highlighted in the IJB's recovery plan.
109. In 2018/19 the IJB commissioned the Good Governance Institute to undertake a review of their systems and processes, 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.
110. The report set out a series of 18 recommendations and highlighted that the development and strengthening of the IJB's governance will be a continual process and requires the commitment of IJB members over time. The report identified a need for clarity on lines of accountability and reporting to support effectiveness, and proposed changes to the existing committee structure.
111. The IJB produced an action plan in April 2019 for addressing the recommendations raise. Whilst some progress has been made in addressing these recommendations as outlined below, delivery of the action plan has not been formally reported on or considered by the Board during 2019/20.
112. As we reported in 2018/19, the Board formally approved the terms of reference for five committees of the IJB in June 2019 on the recommendation of the Good Governance Institute. The committees are as follows;
  - Strategic Planning
  - Performance and Delivery
  - Audit and Assurance
  - Clinical and Care Governance
  - Futures
113. The Good Governance Institute recommended the development of a Governance Handbook as a key priority for the IJB in order that committee structures, risk appetite, board etiquette and operating principles be set as a foundation.
114. The IJB has worked with the Institute throughout 2019/20 to develop a draft handbook. However, the finalisation, approval and implementation of this has been postponed due to Covid-19 and the need to refocus resource. We strongly encourage that this is finalised as a priority to support the effective governance of the IJB and management have committed to doing so by December 2020.
115. Other key recommendations that still require further action include;
  - Review and definition of risk appetite
  - Development of a Board assurance framework
  - Independent assessment of leadership and managerial capacity
  - Development of an integrated performance framework
116. The Board had committed to reviewing the Integration Scheme in 2019/20. However, this was delayed due to COVID-19 and will now be reviewed in 2020/21 instead. The Scheme was however updated in June 2019 to reflect the new obligations under the Carers (Scotland) Act 2016.

### Impact of COVID-19 on governance arrangements

117. On 14 April 2020 the Board agreed to suspend all Board and Committee meetings until 30th 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.
118. As the IJB was still required to take forward a budget for the 2020/21 financial year, the scheduled budget meeting went ahead as planned on 28 April 2020, albeit held remotely.
119. In line with the IJB's standing orders, authority to take any urgent decisions on behalf of the Board was delegated to the Chief Officer in consultation with the Chair and Vice-Chair until meetings resumed.
120. The Board first met again on 21 July 2020 and agreed to resume the supporting committees from the end of July 2020. 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. It is expected that these arrangements will be in place until December 2020 when they will be reviewed again by the Board. Dates have been agreed for resumption of all committees.
121. A number of key activities scheduled for completion by March 2020 have been delayed which the IJB attributes to the impact of COVID-19. This includes reviewing the Integration Scheme, reviewing the Directions Policy and documenting an assurance framework. Now that Board meetings have resumed, the IJB must ensure that appropriate plans are in place to

complete these tasks and reinstate the previous pace of improvement.

### Openness & Transparency

122. 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.
123. 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.
124. 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

125. 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”.
126. 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.
127. Audit Scotland identified six key recommendations to support integration authorities in fully integrating health and social care (Exhibit 7). The IJB performed an initial self-evaluation against these recommendations in February 2019 and identified a number of activities they were currently undertaken that relate to addressing these recommendations.
  128. 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 report also included a self-evaluation template. The IJB initially assessed arrangements against this in May 2019 and prepared a detailed action plan in response.

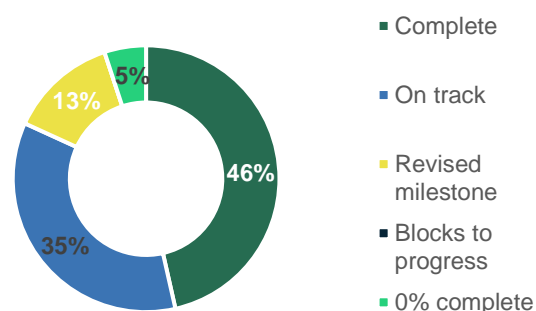
#### Exhibit 7: Health and Social Care Integration recommendations

1. Commitment to collaborative leadership and building relationships
2. Effective strategic planning for improvement
3. Integrated finances and financial planning
4. Agreed governance and accountability arrangements
5. Ability and willingness to share information
6. Meaningful and sustained engagement

Source: Audit Scotland: Health and social care integration: update on progress – November 2018

129. In February 2020, the IJB considered progress against the reports from Audit Scotland and the Ministerial Strategic Group through their detailed Ministerial Strategy Group action plan. As outlined in Exhibit 7, around 80% of the identified actions are either complete or on track to be completed but milestones have been revised for 13% of actions. No blocks to progress were identified within the progress report.
130. For the 5% of actions where no progress has been made, 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.
131. It was agreed that a further update would be presented to the Board in December 2020.

#### Exhibit 8: Progress against Ministerial



#### Strategic Group Health and Social Care action plan

Source: Ministerial Strategic Group Action Plan update – February 2020

## Internal Audit

including fraud management  
arrangements.

132. 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.
133. 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 2019/20, 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.
134. In her Annual Opinion, the Chief Internal Auditor notes the 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 an improvement in comparison to 2018/19 where significant enhancements were noted and a 'red rated opinion' was provided.

## Standards of conduct

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



## 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.



The establishment of a Performance and Delivery Committee in June 2019 has been a key step in developing a robust performance management framework. However, work is still required to refine performance reports and measures to ensure these support efficient and effective scrutiny of progress against the Strategic Plan.

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 imposed unprecedented challenges on the IJB but has also presented the opportunity to be innovative and embrace new ways of working. The IJB recognizes this and has completed an initial lessons learned exercise to start building on these positive changes.

## Significant audit risk

137. Our audit plan identified a significant risk to financial management under our wider scope responsibilities.

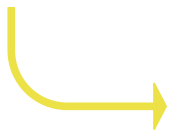
### Value for money: Performance

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 IJB's Statement of Intent is the development of a performance management framework.

The IJB has developed metrics that will be reported to every meeting of the Board. However, as reported in our 2018/19 Annual Audit Report, further work is still required to fully develop and embed the performance management framework. In June 2019, the Board approved a new committee structure including the establishment of the Performance and Delivery Committee. The committee first met in September 2019 and reviewed their Terms of Reference and core duties.

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. The establishment of a Performance and Delivery Committee with a clear purpose and remit is a key step in developing a robust performance management framework.

*Noted in the 2019/20 External Audit Plan*

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138. Delivery against local and national targets is presented to the Performance and Delivery Committee on a bi-monthly basis. Further work is required to refine the format and structure of performance reports, as outlined below, 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. We will continue to monitor the development of this framework in 2020/21 as a significant risk area.



## Performance Framework

139. 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.
140. In June 2019 the Board approved the terms of reference for a Performance and Delivery committee as part of the new governance structure. The purpose and function of the committee is to;
- Provide assurance that the IJB is meeting commitments;
  - Oversee a performance and progress reporting framework and supporting processes
  - Receive progress reports from accountable officers on finance, duty of care, quality, variations and other relevant matters.
141. The committee conducted its first meeting in September 2019 and met bi-monthly until all committee meetings were suspended in April 2020. Approved minutes of each meeting are presented to the Board.

## Performance reporting

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. Performance reports are significant in length with the most recent committee report in excess of 60 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 succinctly 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. The Strategic Plan 2019-2022 identifies the need to develop an integrated performance management framework that better reflects progress against priorities. The IJB notes this as an area where further work is still required and has committed to developing this by April 2021 with the Annual Government Statement. We will continue to monitor progress in developing this as part of our 2020/21 audit work.

Refer to Appendix 2

## Performance during 2019/20

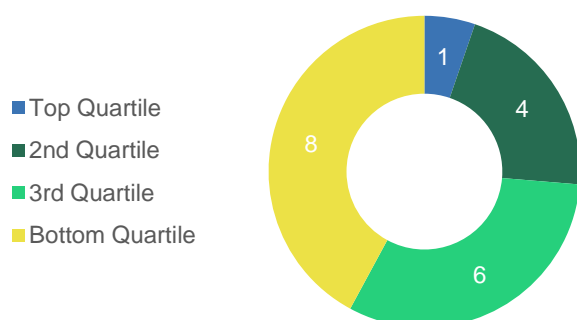
146. In line with the requirements of the Public Bodies (Joint Working) Act 2004, the IJB prepares an annual public performance report that considers progress against both the nine National Health and Wellbeing

Outcomes and the key priorities identified within their strategic plan.

147. The COVID-19 pandemic has impacted the collection of data in some cases as outlined by the IJB in their 2019/20 performance report. Data relating to nine of the national indicators should have been published in April 2020 as part of the Scottish Health and Care Experience Survey. However, publication has been delayed and so the performance is based on the latest available data (2017/18). For the remaining indicators, data is not available for the final quarter of 2019/20. Hence the performance report is based on data for the 2019 calendar year instead.

148. The performance report compares the IJB's performance against 19 core national indicators to the Scottish average and ranks the IJB compared to other authorities. As Exhibit 9 demonstrates, performance continues to be mixed compared to other integration authorities.

**Exhibit 9: Edinburgh IJB performance against the core national indicators**



Source: Edinburgh IJB Annual Performance Report 2019/20

149. The IJB is ranked in the bottom quartile for eight (42%) of the 19 indicators. For the following four indicators, the IJB is ranked between 28th and 30th:

- Percentage of adults supported at home who agreed they felt safe
- Percentage of adults supported at home who agreed that their health and social care services seemed to be well co-ordinated
- Emergency readmissions to hospital within 28 days of discharge
- Proportion of last 6 months of life spent at home or in a community setting

150. For the nine indicators where 2019 data was available, the IJB reported;

- For five indicators, performance had improved compared to the prior year;
- For two indicators, performance had fallen but was still above the Scottish average; and
- For two indicators, performance had fallen and is behind the Scottish average.

### Delayed discharges

The IJB has historically underperformed against their delayed discharges target (the number of days people spend in hospital when they are ready to be discharged) but reported a significant improvement in the 2019/20 annual performance report.

151. In March 2020 partnerships were asked to prepare mobilisation plans in response to the COVID-19 pandemic with the aim of creating capacity and

space within hospitals. As associated target to reduced delayed discharges was set across Scotland.

152. The partnership identified a number of actions to reduce delays, free up beds in acute services and develop capacity within the community. This had a significant impact on performance and the IJB reported an improvement of 27% compared to 2018/19.
153. However, the IJB continues to significantly underperform compared to the Scottish average (50% higher) and remains in the bottom quartile, ranking 27th compared to other integration authorities (2018/19: ranked 31st).
154. Partnerships across Scotland managed to reduce delayed discharges, A&E attendances and hospital admissions in March and April as the pandemic hit. A national lessons learned exercise was completed in July 2020 highlighting local initiatives and examples of good practice that could support a sustainable improvement in performance. The report recognises the need to continue working collectively to ensure learning is spread at all levels across health and social care.

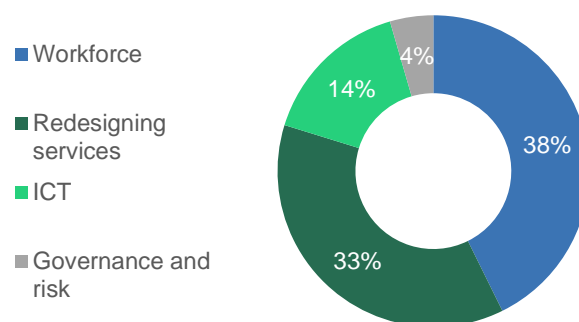
### Impact of COVID-19 on service delivery

155. COVID-19 has had a significant impact on operations and service delivery. Given the scale of the required response, some services have been stopped or reduced to allow resource to be refocus 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.

156. To assess the impact and effectiveness of the immediate response, the Partnership completed a lessons learned exercise in May 2020 to identify areas for improvement and share good practice. Over the three week exercise, 296 lessons were submitted by various service areas who had to adapt operational delivery or key process.
157. Consistent themes emerged from the information gathered and lessons were grouped into four main categories as summarised in Exhibit 10. The Partnership recognise that this in an iterative process and have continued to capture further lessons. This will be kept until regular review and actions will be shared with the relevant individuals.

#### Exhibit 10: COVID-19 Lessons Learned



Source: COVID-19 Lessons Learned report

158. A key priority for the Partnership is to ensure the timely, efficient and appropriate resumption of service delivery in areas where this had been reduced or stopped. To oversee this process a Project Board was established in May 2020 tasked with considering the Scottish Government's route map to managing the COVID-19

crisis and assessing the implications of this on service delivery.

159. For services that had stopped or been reduced, managers have collated project plans outlining the initial impact on services, what could be reintroduced with social distancing or a blended approach and what service re-design or transformation opportunities have arisen.
160. This information is currently being collated into an overarching plan for resuming services. Key milestones have been set, aligned to the phases identified in the Scottish Government's route map for transitioning out of lockdown. A RAG rating will be used to highlight any key risks that need mitigating and the Project Board will consider this on a weekly basis.
161. It is important that the Board's strategic and operational decision continue to be driven by the need to improve services and outcomes. The reinstatement of the Performance and Delivery committee in August 2020 should provide clearer oversight and more focused scrutiny of performance during this period.

# Appendices



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## Appendix 1: Respective responsibilities of the Board and the Auditor

### Responsibility for the preparation of the annual accounts

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).

#### **In preparing the annual accounts, the Chief Financial Officer is responsible for;**

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

#### **The Chief Financial Officer is also responsible for;**

- keeping proper accounting records which are up to date; and
- taking reasonable steps for the prevention and detection of fraud and other irregularities.

## Auditor responsibilities

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

- they give a true and fair view in accordance with applicable law and the 2019/20 Code of the state of the affairs of the body as at 31 March 2020 and of its income and expenditure for the year then ended;
- they have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2019/20 Code;
- they have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, the Local Authority Accounts (Scotland) Regulations 2014 and the Local Government in Scotland Act 2003;
- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate or the Chief Financial Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about its ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue;
- the audited part of the Remuneration Report has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014;
- the information given in the Management Commentary is consistent with the financial statements and has been prepared in accordance with statutory guidance issued under the Local Government Scotland Act 2003; and
- the information given in the Annual Governance Statement and Statement of Financial Control is consistent with the financial statements and has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016).

### **We are also required to report, 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 accounting records; or
- we have not received all the information and explanations we require for our audit or there has been a failure to achieve a prescribed financial objective.

## Wider scope of audit

The special accountabilities that attach to the conduct of public business, and the use of public money, mean that public sector audits must be planned and undertaken from a wider perspective than in the private sector. This means providing assurance, not only on the 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 audit dimensions.

## Independence

International Standard on Auditing (UK) 260 "Communication with those charged with governance" requires us to communicate on a timely basis all facts and matters that may have a bearing on our independence.

## Confirmation of independence

We confirm that we will comply with FRC's Revised Ethical Standard (June 2016). In our professional judgement, the audit process is independent and our objectivity has not been compromised in any way. In particular there are and have been no relationships between Azets and the IJB, its elected members and senior management that may reasonably be thought to bear on our objectivity and independence.



## Appendix 2: Action Plan

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

### Action plan grading structure

To assist the IJB in assessing the significance of the issues raised and prioritising the action required to address them, the recommendations have been rated.

Rating	Assessment rationale
<b>Grade 5</b>	<ul style="list-style-type: none"><li>• Very high risk exposure - Major concerns requiring immediate attention.</li></ul>
<b>Grade 4</b>	<ul style="list-style-type: none"><li>• High risk exposure - Material observations requiring management attention.</li></ul>
<b>Grade 3</b>	<ul style="list-style-type: none"><li>• Moderate risk exposure - Significant observations requiring management attention.</li></ul>
<b>Grade 2</b>	<ul style="list-style-type: none"><li>• Limited risk exposure - Minor observations requiring management attention</li></ul>
<b>Grade 1</b>	<ul style="list-style-type: none"><li>• Efficiency / housekeeping point.</li></ul>

## Follow up of prior year recommendations

We deem all five open recommendations raised within our 2016/17 and 2017/18 annual audit reports to be ongoing. Details are given below.

### 1. Medium term financial plan

Initial rating	Issue & recommendation	Management comments
<b>Grade 4</b>	<p><b>Observation</b></p> <p>The IJB is forecasting a funding shortfall at current services levels of almost £117 million by 2022-23</p> <p><b>Recommendation</b></p> <p>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.</p>	<p>Accepted.</p> <p><b>Responsible officer:</b> Chief Finance Officer</p> <p><b>Implementation date:</b> March 2019</p>

Current status	Audit Update	Management response
<b>Ongoing</b>	<p>Ongoing work has been halted as a result of the emerging pressures of COVID-19 and the need for partners to rework their own medium term financial plans in response. Management have committed to working closely with partners and developing the medium term financial strategy by December 2020. It is important that such a strategy is completed in accordance with this revised timetable.</p>	<p>Accepted.</p> <p><b>Responsible officer:</b> Chief Finance Officer</p> <p><b>Implementation date:</b> December 2020</p>

## 2. Assurance Framework

Initial rating	Issue & recommendation	Management comments
<b>Grade 2</b>	<p><b>Observation</b></p> <p>During our audit, we noted a number of areas where there was a lack of clarity of requirements for reporting and monitoring performance and improvement plans.</p> <p>We noted that the Board has committed to reviewing the governance arrangements during 2018.</p> <p><b>Recommendation</b></p> <p>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.</p>	<p>Accepted.</p> <p><b>Responsible officer:</b> Chief Officer</p> <p><b>Implementation date:</b> March 2019</p>
Current status	Audit Update	Management response
<b>Ongoing</b>	<p>As reported to the Audit and Assurance Committee in March 2020, work is still ongoing to develop an Assurance Framework and the Board has approved the approach for doing so.</p>	<p>Accepted.</p> <p><b>Responsible officer:</b> Chief Officer</p> <p><b>Implementation date:</b> December 2020</p>

### 3. Recovery Plan

Initial rating	Issue & recommendation	Management comments
Grade 3	<p><b>Observation</b></p> <p>We noted that reporting on the Improvement Plan is predominantly narrative in nature and it may therefore be difficult for Board members to scrutinise the scale and pace of improvement.</p> <p><b>Recommendation</b></p> <p>The Board should ensure that action plans to deliver improvement actions are;</p> <ul style="list-style-type: none"> <li>- Reported on a regular basis, using succinct format which include a clear assessment of progress against actions</li> <li>- Framed in SMART terms</li> </ul>	<p>Accepted.</p> <p><b>Responsible officer:</b> Chief Officer</p> <p><b>Implementation date:</b> January 2019</p>
Current status	Audit Update	Management response
Ongoing	<p>The Return to Transformation report outlines progress against key milestones for each of the seven phase one projects. Whilst this 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.</p>	<p>Accepted. As part of the annual review of the current strategic plan the six strategic priorities will be re-examined and adjusted as required as we enter the next planning cycle from January 2021. Measures of effectiveness (MoE) will then be created which directly support these strategic priorities, which in turn will provide the required high-level performance framework. Output from the transformation programme will then be mapped to the MoE.</p> <p>However, we will still be required to capture our performance against the mandated MSG 6 and the National Indicators on a regular basis and as part of the Annual Performance Report.</p> <p><b>Responsible officer:</b> Head of Strategic Planning</p> <p><b>Implementation date:</b> March 2021</p>

## 4. Performance

Initial rating	Issue & recommendation	Management comments
<b>Grade 4</b>	<p><b>Observation</b></p> <p>The IJB's performance against a number of key indicators continues to fall below target, despite intervention actions to date. A vision for the future has been set out in the Statement of Intent but strategic support is needed from the Board's partners to deliver transformational change.</p> <p><b>Recommendation</b></p> <p>The Board should work with partners to ensure that sufficient financial and leadership capacity is available to deliver sustained improvement</p>	<p>Accepted.</p> <p><b>Responsible officer:</b> Chief Officer</p> <p><b>Implementation date:</b> Ongoing</p>
Current status	Audit Update	Management response
<b>Ongoing</b>	<p>A number of areas showed poor performance in 2019/20 and the IJB is continuing to work with partners to support the delivery of sustainable improvement.</p> <p>The Performance and Delivery Committee has operated since September 2019 and scrutinised performance information at each meeting. 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 Board is continuing to develop an integrated set of performance measures that better reflects progress against strategic priorities and we will therefore continue to monitor progress during our 2020/21 audit.</p>	<p>Accepted. As output from the transformation programme is produced, associated Directions will be issued by the EIJB. A Directions tracker is managed by the Performance and Delivery Committee.</p> <p>A high-level performance framework will be produced that directly aligns to the EIJB priorities. A scorecard will be considered to supplement this framework.</p> <p><b>Responsible officer:</b> Head of Strategic Planning</p> <p><b>Implementation date:</b> March 2021</p>

## 5. Workforce planning

Initial rating	Issue & recommendation	Management comments
<b>Grade 4</b>	<p><b>Observation</b></p> <p>The integration scheme requires the IJB to develop an integrated workforce plan for the city.</p> <p>The IJB has not yet developed an integral workforce plan, and as a result is not meeting the requirement of the integration scheme. Without a documented plan in place, the IJB cannot demonstrate that a strategic overview is being taken over the risks the city faces in relation to workforce supply and demand challenges, communication, staff engagement and training needs to support the implementation of the strategic plan.</p> <p><b>Recommendation</b></p> <p>The IJB should develop an integrated workforce plan for the city.</p>	<p>This is captured in the 2016-17 directions issued to CEC and NHS Lothian. Direction 19 requires:</p> <p>"the City of Edinburgh Council and NHS Lothian are directed to work with the Edinburgh Health and Social Care Partnership to:</p> <p>a. produce and implement a workforce development strategy that supports the delivery of the strategic plan; taking account of the National Health and Social Care Workforce Plan;</p> <p>b. ensure that any business cases developed in relation to the strategic plan clearly set out any ICT implications."</p> <p><b>Responsible officer:</b> Chief Nurse</p> <p><b>Implementation date:</b> Initial workforce strategy will be presented to IJB in December 2018.</p>

Current status	Audit Update	Management response
<b>Ongoing</b>	<p>Workforce and cultural development was identified as a priority phase one project in the Transformation Programme. However, per the IJB's progress report, Return to Transformation (July 2020), this was assessed as an underdeveloped and delayed project. Action plans have been revised to ensure the workforce strategy is developed during 2020/21 and we recommend that this is actioned as a priority.</p>	<p>Agreed. A workforce plan will be submitted to the Scottish Government in line with their timetable (currently March 2021). In parallel, the 'enabling' programme board will develop a workforce strategy.</p> <p><b>Responsible officer:</b> Chief Finance Officer</p> <p><b>Implementation date:</b> Workforce plan will be submitted to the Scottish Government as required. Initial workforce strategy will be presented to IJB by December 2021.</p>

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

Date: 16 October 2020

Dear Sirs

**Edinburgh Integration Joint Board**

This representation letter is provided in connection with your audit of the annual accounts of Edinburgh Integration Joint Board (the IJB) for the year ended 31 March 2020 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the 2019/20 Code).

I can confirm to you, in respect of the financial statements of the IJB for the year ended 31 March 2020, the following:-

**Annual accounts and accounting records**

1. I have fulfilled my responsibilities for preparing financial statements which give a true and fair view in accordance with the 2019/20 Code and for making accurate representations to you.
2. I have provided you with:
  - access to all information of which I am aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
  - additional information that you have requested from me for the purpose of the audit; and
  - unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
3. All transactions have been recorded in the accounting records and are reflected in the financial statements.
4. Except as disclosed in the financial statements, the results for the year were not materially affected by:
  - any change in accounting policies;
  - transactions of a type not usually undertaken by the IJB;
  - circumstances of an exceptional or non-recurrent nature; or
  - charges or credits relating to prior periods.





5. I have reviewed going concern considerations and am satisfied that it is appropriate for the financial statements to have been drawn up on the going concern basis. In reaching this opinion I have taken into account all relevant matters of which I am aware, including the expected impact of COVID-19, and have considered a future period of at least one year from the date on which the financial statements were approved.
6. I confirm the financial statements are free of material misstatements, including omissions.

### **Fraud**

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

### **Compliance with laws and regulation, and contractual agreements**

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

### **Accounting estimates and judgements**

13. In my opinion, the significant assumptions that have been used in the financial statements are reasonable.
14. In my opinion the significant assumptions used by the IJB in making accounting estimates are reasonable.

### **Related parties**

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



16. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards as adopted by the European Union and as interpreted and adapted by the 2019/20 Code.
17. In particular, I am not aware of any elected member, connected person, or officer with a disclosable interest in a transaction with the IJB at any time during the year other than as indicated in the financial statements.

#### **Assets and liabilities**

18. I have disclosed to you all known actual or possible litigation or claims whose effects should be considered when preparing the financial statements and that they have been accounted for and disclosed in accordance with International Financial Reporting Standards as adopted by the European Union and as interpreted and adapted by the 2019/20 Code.
19. I am not aware of any IJB plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
20. The IJB has no plans to abandon activities.
21. I have recorded or disclosed, as appropriate, all liabilities, both actual and contingent, and all guarantees that I have given to third parties.

#### **Subsequent events**

22. All events subsequent to the date of the financial statements and for which the 2019/20 Code requires adjustment or disclosure have been adjusted or disclosed. Should any material events occur which may necessitate revision of the figures included in the financial statements or inclusion in the notes thereto, I will advise you accordingly.

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

Yours faithfully

**Moirra Pringle**

**Chief Finance Officer**

On 16 October 2020



# REPORT

## Internal Audit Annual Opinion 2019/20

### IJB Audit and Assurance Committee

15 September 2020

#### Some Improvement Required

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.

#### Executive Summary

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 2020.

IA paused delivery of the 2019/20 annual plan in March 2020 recognising the need for management to focus on immediate implementation of Covid-19 resilience arrangements.

As a result, 75% of the 2019/20 EIJB IA annual plan (three of four planned audits) has been completed to support the 2019/20 IA annual opinion. The impact of this reduced level of assurance is outlined at paragraph 16 in the main report.

Consequently, the 2019/20 opinion is a 'limited' opinion, recognising that the plan has not been fully completed, and that it is not possible to pre-empt the potential outcomes of the remaining 'Strategic Planning – Capital and Workforce Planning' audit. It is also important to note that completion of the remaining audit could potentially have resulted in a different annual opinion outcome.

This approach is aligned with guidance from relevant professional bodies, and was also discussed and agreed at the July EIJB Audit and Assurance Committee meeting.

Internal Audit (IA) considers that some improvement is required to the EIJB control environment and governance and risk management



	<p>frameworks and is reporting an 'amber' rated opinion (see <a href="#">Appendix 1</a>), with our assessment towards the top of this category.</p> <p>This assessment reflects an improvement in comparison to the 2018/19 significant enhancements required 'red' rated Internal Audit annual opinion, with our assessment towards the middle of that category.</p> <p>Our opinion is based on the outcomes of the three audits completed as part of the 2019/20 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 as per 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 <a href="#">Appendix 6</a>.</p>
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<b>Recommendations</b>	<p>It is recommended that the Audit and Assurance Committee:</p> <ol style="list-style-type: none"> <li>1. note the final 'some improvement required' amber rated IA opinion for the year ended 31 March 2020.</li> <li>2. review and scrutinise the outcomes of the audit of 'Progress towards addressing national integration recommendations and proposals' completed in July 2020 to support the annual opinion.</li> </ol>
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## 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

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

## Main Report

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### 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 are usually completed annually (three by the Council and one by NHSL). In 2019/20 three audits were completed; two by the Council and one by NHSL, reflecting the impacts of the Covid-19 pandemic. The role of Chief Internal Auditor for the EIJB is performed by the Council's Chief Internal Auditor.
6. 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](#).
7. 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.
8. The EIJB IA plan for 2019/20 was based on the November 2018 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. The 2019/20 IA annual plan was approved by the EIJB Audit and Assurance Committee in March 2019.
9. 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.

10. 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.
11. 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.
12. 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 are subject to ongoing review and scrutiny by the Council's Governance, Risk and Best Value Committee.
13. 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.

#### **Impact of a Limited 2019/20 Internal Audit Annual Opinion**

14. The 2019/20 IA annual opinion is a 'limited' opinion based on 75% completion (three of a total of four planned audits) of the 2019/20 annual plan, which is directly attributable to the impacts of the Covid-19 pandemic. The limited opinion recognises that it is not possible to pre-empt the potential outcomes of the remaining 'Strategic Planning – Capital and Workforce Planning' audit, and that completion of the audit could potentially have resulted in a different annual opinion outcome.
15. This approach is aligned with Institute of Internal Audit (IIA) Covid-19 guidance; and the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Internal Audit Standards Advisory Board (IASAB) joint guidance in relation to conformance with the PSIAS during the Covid-19 pandemic, and was also discussed and agreed at the July 2020 EIJB Audit and Assurance Committee meeting.
16. The overall impact of the 25% reduction in completion of the 2019/20 annual plan is reduced assurance on the following two EIJB high rated inherent or original (pre-controls) risks included in the current (November 2019) version of the EIJB risk register:
  - Risk 4 - risk that IJB has insufficient asset planning arrangements because of lack of a capital plan leading to failure or delays in delivering the strategic plan

- Risk 6 - that IJB directions are not delivered because of lack of workforce strategy leading to mismatch between workforce requirements and availability.

### Basis of Opinion

17. Our opinion is based on the outcomes of three audits included in the 2019/20 EIJB Internal Audit annual plan; and the status of EIJB open and overdue IA findings as at 31 March 2020.
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 2020.

### Internal Audit 2019/20 Annual Opinion

19. Based on limited (75%) completion of the 2019/20 annual plan, 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.
20. This opinion reflects the outcomes of three EIJB audits completed in 2019/20, with two assessed as 'effective / significant assurance' (green), and one assessed as 'some improvement required' (amber). Further detail is included at [Appendix 3, table 2](#).
21. We have also observed an improving trend in the percentage of open EIJB IA findings that were overdue as at 31 March 2020 in comparison to the 2018/19 financial year however, further action is required to fully address the risks associated with the remaining two of the three historic EIJB IA findings that were reopened in June 2018 and remained open as at 31 March 2020. Further information is included at [Appendix 4](#).
22. Some improvement is also evident in the control environment and governance and risk management frameworks applied by both the Council and NHSL to relevant Partnership activities that either directly impact on core IJB activities, or impact on ancillary IJB activities (refer [Appendix 3, table 3](#) and [Appendix 3, table 4](#)), with a decreasing trend in the proportion of high rated findings raised, and the proportion of open IA Health and Social Care Partnership findings owned by the Council that were overdue as at 31 March 2020 (refer [Appendix 4](#)). It should be noted, however, that this assessment is based on a limited 2019/20 annual IA opinion for the Council (based on 72% plan completion) which highlights that this resulted in provision of reduced assurance on adult health and social care services. Further detail is included at .
23. Whilst an audit of the EIJB risk management framework was not completed in the current plan year, 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. This potential conflict is likely to be further exacerbated by the impacts of Covid-19 on the EIJB's overall financial position during financial year 2020/21.

24. It should also be noted that the EIJB risk register has not been refreshed since November 2019. Whilst it is recognised that there is normally no significant change in the overall EIJB risk profile, financial risk has increased significantly due to Covid-19. It is also important to note that the impacts of Covid-19 has resulted in delays in refreshing the risk register.

### Audit Outcomes

25. Completion of the three EIJB audits included in the 2019/20 EIJB IA annual plan provided assurance on 10 of the 12 risks included in the November 2019 EIJB risk register. No assurance was provided on 2 of the 7 High rated risks (risks 4 and 6 as described at paragraph 16 above) as the planned audit of 'Strategic planning – capital and workforce planning' was not completed due to Covid-19.
26. 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](#).
27. Two of three completed EIJB audits (Directions Setting and Progress Towards Addressing National Integration Recommendations and Proposals) had overall significant assurance / effective (green) outcomes, whilst the Savings and Transformation Programmes audit had was an overall 'some improvement required' (amber) outcome. A total of 3 IA findings (2 Medium and 1 Low) were raised from these reviews. Further detail is included at [Appendix 3, table 2](#). A copy of the Directions Setting and Progress Towards Addressing National Integration Recommendations and Proposals report is included for review and scrutiny at Appendix 8, whilst the Directions Setting and Savings and Transformation Programmes audit reports were presented at the March 2020 Committee.
28. A total of 18 Council audits have been identified that may be of interest to the EIJB Audit and Risk Committee. Of these, 10 include control gaps that have a direct impact on core IJB activities; and 8 include control gaps that have an impact on ancillary IJB activities. An overall report assessment of 'significant improvement required' (red) was the outcome for 8 of the audits; with a 'some improvement required' (amber) assessment for a further 8; and an 'effective' (green) assessment for the remaining 2. A total of 51 Internal Audit findings (33% High; 51% Medium and 16% Low) were



raised. Links to the reports that have been published are included at [Appendix 3, table 3](#).

29. A total of 11 NHS Lothian audits have been identified that may be of interest to the EIJB Audit and Risk Committee. Of these 5 include control gaps that have a direct impact on core IJB activities; and 6 include control gaps that have an impact on ancillary IJB activities. An overall report assessment of limited assurance (amber), which is the equivalent of a red rated audit for the Council, was the outcome for 2 audits with moderate (yellow) for 2 audits and a significant assurance assessment (green) for the remaining 7 audits. A total of 30 Internal Audit findings (7% High; 53% Medium and 40% Low) were raised. Links to these reports on the NHS website are included at [Appendix 3, table 4](#) where published.

#### **Status of Internal Audit Findings**

30. Details on the status of open and overdue Internal Audit findings for the EIJB and the Council is included at [Appendix 4](#).
31. No information has been provided by NHS Lothian in relation to progress with implementing findings raised as part of the relevant Partnership audits included in their Internal Audit plans, and position with open and overdue IA findings is not reflected in the NHS Lothian Internal Audit Annual Report and Opinion.
32. As at 31 March 2020, the EIJB had a total of 22 open Internal Audit findings (10 High; 11 Medium; and 1 Low). Two of the 22 open findings (both High) are historic findings that were reopened in June 2018. Of the 22 open findings, 12 (55%) were overdue (7 High and 5 Medium) as at 31 March 2019, including the two remaining historic findings. Further detail is included at [Appendix 4](#).
33. As at 31 March, the Health and Social Care Partnership (the Partnership) was also working towards closure of 18 open Internal Audit findings (6 High; 11 Medium and 1 Low) that were raised from relevant Council IA reviews. Of these open findings 15 (83%) comprising 5 High and 10 Medium rated findings were overdue as at 31 March 2020. Further detail is included at [Appendix 4](#).

#### **Comparison with prior year outcomes**

34. The 2019/20 amber 'some improvement required' assessment reflects a significant improvement in comparison to 2018/19 when a 'significant enhancements required' (red) rated opinion was reported, with our assessment towards the middle of the category.
35. The improved opinion outcome is supported by an improvement of the outcomes of the three EIJB audits in completed in 2019/20 (67% green and 33% amber) in

comparison to 2018/19 (50% red and 50% amber) and 2017/18 where all three audits completed were assessed as 'significant enhancements required' (red). This is also supported by a reduction in the proportion of High rated audit findings raised (none in 2019/20; 25% in 2018/19 and 89% in 2017/18). Further detail is included at [Appendix 3, table 2](#).

36. There has also been improvement in the outcomes of the Council audits completed and identified as being of interest to the EIJB with reports rated as 'significant improvement required' (red) decreasing proportionately across the last three years (2019/20 – 44%; 2018/19 – 50%; and 2017/18 - 67%), and a reduction in the proportion of high rated findings raised in the last year (2019/20 – 33%; 2018/19 – 47%; and 2017/18 – 38%). It is important to note that this analysis is based on a limited IA annual opinion for the Council (72% plan completion) that resulted in reduced assurance on adult health and social care services, and that completion of the Council audits could potentially have resulted in a different annual opinion outcome. Further detail is included at [Appendix 3, table 3](#).
37. In contrast, the proportion of NHSL audits completed and identified as being of interest to the EIJB with a 'limited assurance' (red) outcome has increased proportionately in comparison to 2018/19, with 18% in 2019/20 and 7% in 2018/19. In 2017/18, 2 audit reports were identified with a combination of 'no assurance' (the equivalent of a 'critical or black assessment for the Council) that included two 'critical' rated findings, and 'limited assurance (the equivalent of a 'significant improvement required' or red assessment for the Council). This is offset by a decrease in the proportion of high rated findings raised across the last three years (7% in 2019/20; 13% in 2018/19 and 43% in 2017/18). Further detail is included at [Appendix 3, table 4](#).
38. We have also noted a decreasing trend in the percentage of open EIJB IA findings that were overdue as at 31 March 20, with 55% overdue in 2019/20 in comparison to 88% in 2018/19, and 82% in 2017/18, and a decrease in the proportion of overdue High rated findings (70% in 2019/20 in comparison to 80% in 2018/19, and 70% in 2017/18). Further detail is included at [Appendix 4](#).
39. The percentage of relevant Partnership IA findings that were overdue as at 31 March 2020 (83%) remains broadly aligned with prior years (86% as at 31 March 2019, and 80% as at 31 March 2017). Further detail is included at [Appendix 4](#).

#### **Internal Audit Independence**

40. 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.

41. Neither the Council or the NHSL audit teams consider that we have faced any significant threats to our independence during 2018/19, nor do we consider that we have faced any inappropriate scope or resource limitations when completing our work.
42. IA independence for NHS Lothian was confirmed in the Internal Audit Annual Report and Opinion 2019/20 that was presented to the NHS Lothian Audit and Risk Committee in June 2020 (refer Appendix 5).
43. 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 2020 presented at the Governance Risk and Best Value committee on 18 August 2020.

#### **Conformance with Public Sector Internal Audit Standards**

44. Both the City of Edinburgh Council and NHSL IA teams have fully conformed with PSIAS requirements during 2019/20 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 and June respectively.

### **Implications for Edinburgh Integration Joint Board**

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#### **Financial**

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

#### **Legal / risk implications**

46. 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**

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

#### **Environment and sustainability impacts**

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

#### **Quality of care**

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

## Consultation

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50. 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
51. The IA annual opinion has also been discussed agreed with EIJB senior management.

## Report Author

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**Chief Internal Auditor**

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## Background Reports

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1. [Public Sector Internal Audit Standards](#)
2. [City of Edinburgh Council Internal Audit Annual Opinion for the year ended 31 March 2020](#)
3. [CIPFA and IASAB joint guidance in relation to conformance with the PSIAS during the Covid-19 pandemic](#)

## Appendices

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- |            |   |
|------------|---|
| Appendix 1 | <b>Internal Audit opinion types</b>   |
| Appendix 2 | <b>Classifications Applied to Internal Audit Findings</b>   |
| Appendix 3 | <b>Internal Audit reports that form the basis of and inform the 2018/19 Internal Audit Opinion</b>  |
| Appendix 4 | <b>Open and Overdue Internal Audit Findings as at 31 March 2019</b>                                 |
| Appendix 5 | <b>NHS Lothian Annual Report and Opinion</b>  |
| Appendix 6 | <b>Limitations and responsibilities of Internal Audit and management responsibilities</b>           |
| Appendix 7 | <b>Final report: Progress towards addressing national integration recommendations and proposals</b> |

## 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	
<b>1 Effective</b> <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>	<b>2 Some Improvement Required</b> <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>
<b>3 Significant Improvement Required</b> <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>	<b>4. Inadequate'</b> <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>
NHS Lothian Assurance Categories Applied to EIJB Internal Audit Reports	
<b>1 Significant Assurance</b> <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>	<b>2 Moderate Assurance</b> <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>
<b>3 Limited Assurance</b> <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>	<b>3 No Assurance</b> <i>The Board cannot take any assurance from the audit findings. There remains a significant amount of residual risk.</i>



## Appendix 2 - Classifications Applied to Internal Audit Findings

City of Edinburgh Council	
Rating	Assessment rationale
<b>Critical</b>	<p>A finding that could have a:</p> <ul style="list-style-type: none"> <li>• <b>Critical</b> impact on operational performance; or</li> <li>• <b>Critical</b> monetary or financial statement impact; or</li> <li>• <b>Critical</b> breach in laws and regulations that could result in material fines or consequences; or</li> <li>• <b>Critical</b> impact on the reputation or brand of the organisation which could threaten its future viability.</li> </ul>
<b>High</b>	<p>A finding that could have a:</p> <ul style="list-style-type: none"> <li>• <b>Significant</b> impact on operational performance; or</li> <li>• <b>Significant</b> monetary or financial statement impact; or</li> <li>• <b>Significant</b> breach in laws and regulations resulting in significant fines and consequences; or</li> <li>• <b>Significant</b> impact on the reputation or brand of the organisation.</li> </ul>
<b>Medium</b>	<p>A finding that could have a:</p> <ul style="list-style-type: none"> <li>• <b>Moderate</b> impact on operational performance; or</li> <li>• <b>Moderate</b> monetary or financial statement impact; or</li> <li>• <b>Moderate</b> breach in laws and regulations resulting in fines and consequences; or</li> <li>• <b>Moderate</b> impact on the reputation or brand of the organisation.</li> </ul>
<b>Low</b>	<p>A finding that could have a:</p> <ul style="list-style-type: none"> <li>• <b>Minor</b> impact on the organisation's operational performance ; or</li> <li>• <b>Minor</b> monetary or financial statement impact; or</li> <li>• <b>Minor</b> breach in laws and regulations with limited consequences; or</li> <li>• <b>Minor</b> impact on the reputation of the organisation.</li> </ul>
<b>Advisory</b>	A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.

NHS Lothian	
Rating	Definition
<b>Critical</b>	A fundamental failure or absence in the design or operating effectiveness of controls, which requires immediate attention
<b>High</b>	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.
<b>Medium</b>	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
<b>Low</b>	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

## Appendix 3 - Internal Audit reports that form the basis of and inform the 2019/20 Internal Audit Opinion and Open Internal Audit Findings

Table 1: Summary of Internal Audit reports	No of Findings Raised				
	No of Audits	High	Medium	Low	Totals
EIJB Audit Reviews	3	-	2	1	3
City of Edinburgh Council Audit Reviews	14	17	26	8	51
NHS Lothian Audit Reviews	11	2	16	12	30
<b>Total 2019/20</b>	<b>28</b>	<b>19</b> <b>(23%)</b>	<b>44</b> <b>(52%)</b>	<b>21</b> <b>(25%)</b>	<b>84</b> <b>(100%)</b>
<b>Total 2018/19</b>	<b>33</b>	<b>27</b> <b>(27%)</b>	<b>57</b> <b>(56%)</b>	<b>17</b> <b>(17%)</b>	<b>101</b> <b>(100%)</b>
<b>Total 2017/18</b>	<b>14</b>	<b>29</b> <b>(44%)</b>	<b>26</b> <b>(39%)</b>	<b>11</b> <b>(17%)</b>	<b>66</b> <b>(100%)</b>

Table 2: EIJB Internal Audit Reports	No of Findings Raised				
	Overall Report Rating	High	Medium	Low	Totals
Directions Setting (NHSL)	<b>Significant Assurance</b>	-	-	-	-
Savings and Transformation Programmes	<b>Some Improvement Required</b>	-	1	1	2
Progress Towards Addressing National Integration Recommendations and Proposals	<b>Effective</b>	-	1	-	1
<b>Total 2019/20 – 3 reports</b>		-	<b>2</b> <b>(67%)</b>	<b>1</b> <b>(33%)</b>	<b>3</b> <b>(100%)</b>
<b>Total 2018/19 – 4 reports (2 significant enhancements (red), 2 moderate assurance / generally adequate (amber))</b>		<b>3</b> <b>(25%)</b>	<b>9</b> <b>(75%)</b>	-	<b>12</b> <b>(100%)</b>
<b>Total 2017/18 – 3 reports (all significant enhancements / no assurance (red))</b>		<b>8</b> <b>(89%)</b>	<b>1</b> <b>(11%)</b>	-	<b>9</b> <b>(100%)</b>

**Table 3: City of Edinburgh Council Internal Audit Reports**

				Findings Raised			
		*Impact	Overall Report Outcome	High	Medium	Low	Totals
1.	Brexit Impacts – supply chain management (not yet published)	Direct	Some Improvement Required	-	2	1	3
2.	<a href="#">Implementation of Assurance Actions and Annual Governance Statements</a> (refer paper 8.1 Appendix 4)	Indirect	Significant Improvement Required	1	2	-	3
3.	<a href="#">Validation of Implemented Management Actions Supporting Closed Internal Audit Findings</a> (refer paper 8.1 Appendix 4)	Direct	Some Improvement Required	1	1	1	3
4.	Health and Safety – Life Safety (not yet published)	Direct	Significant Improvement Required	3	-	2	5
5.	Unsupported Technology (Shadow IT) (not yet published)	Direct	Significant Improvement Required	2	-	-	2
6.	<a href="#">Risk Management</a> (refer paper 8.1 Appendix 4)	Direct	Significant Improvement Required	2	3	-	5
7.	<a href="#">Retention of Social Work Case Records (Looked After and Accommodated Children)</a> (refer paper 8.3 Appendix 5)	Direct	Some Improvement Required	-	3	-	3
8.	<a href="#">CGI sub contract management</a> (refer paper 8.3 Appendix 4)	Indirect	Some Improvement Required	-	1	1	2
9.	CGI partnership management and governance (not yet published)	Indirect	Some Improvement Required	-	1	-	1
10.	Digital Services - Change Initiation (not yet published)	Indirect	Some Improvement Required	-	1	1	2
11.	<a href="#">Digital Services - Incident and Problem Management</a> (refer paper 8.3 Appendix 7)	Indirect	Effective	-	-	1	1
12.	<a href="#">Revenue budget setting and management</a> (refer paper 8.3 Appendix 6)	Indirect	Some Improvement Required	-	4	-	4
13.	<a href="#">Model and Intelligent Automation Risk</a> (refer paper 8.1 Appendix 4)	Indirect	Some Improvement Required	1	-	1	2
14.	Employee Lifecycle and Payroll for the 2018/19 Financial Year (not yet published)	Direct	Effective	-	1	-	1
15.	<a href="#">Policy management framework</a> (refer paper 8.1 Appendix 4)	Direct	Significant Improvement Required	2	2	-	4
16.	Social Media Accounts (not yet published)	Indirect	Significant Improvement Required	1	2	-	3



17.	<a href="#">Localities (Health and Social Care)</a> (refer paper 8.3 Appendix 8)	Direct	Significant Improvement Required	2	-	-	2
18.	<a href="#">Health and Safety - Lone Working (Health and Social Care)</a> (refer paper 8.1 Appendix 4)	Direct	Significant Improvement Required	2	3	-	5
<b>Total 2019/20 – 18 reports (8 Significant Improvement Required; 8 Some Improvement Required; 2 Effective)</b>				<b>17</b> <b>(33%)</b>	<b>26</b> <b>(51%)</b>	<b>8</b> <b>(16%)</b>	<b>51</b> <b>(100%)</b>
Total 2018/19 – 14 reports (7 Significant Enhancements; 7 Generally Adequate)				17 (47%)	14 (39%)	5 (14%)	36 (100%)
Total 2017/18 - 9 reports (6 Significant Enhancements; 3 Generally Adequate)				19 (38%)	22 (44%)	9 (18%)	50 (100%)

**Table 4: NHS Lothian Internal Audit Reports**

				Findings Raised				
		*Impact	Overall Report Outcome	Critical	High	Medium	Low	Totals
1.	<a href="#">Staff Satisfaction</a>	Indirect	Moderate Assurance	-	-	3	2	5
2.	<a href="#">Quality Strategy</a>	Indirect	Limited Assurance	-	1	-	1	2
3.	<a href="#">Information Governance - GDPR</a>	Direct	Significant Assurance	-	-	-	1	1
4.	<a href="#">Waiting Times</a>	Direct	Significant Assurance	-	-	-	1	1
5.	<a href="#">Acute Prescribing</a>	Direct	Significant Assurance	-	-	-	1	1
6.	<a href="#">Patient Funds –Adults with Incapacity</a>	Indirect	Moderate Assurance	-	1	5	-	6
7.	<a href="#">Adverse Events - Duty of Candour</a>	Direct	Significant Assurance	-	-	5	-	5
8.	<a href="#">Early Careers and Apprenticeships</a>	Direct	Significant Assurance	-	-	-	-	-

9.	<a href="#">Financial Controls –Treasury and Cash Management</a>	Indirect	Significant Assurance	-	-	-	2	2
10.	<a href="#">Hospital Sterilisation and Decontamination Unit</a>	Indirect	Significant Assurance	-	-	2	3	5
11.	Consort Parking Arrangements (not yet published)	Indirect	Limited Assurance	-	-	1	1	2
Total 2019/20 – 11 reports (2 limited assurance; 2 moderate assurance; 7 significant assurance)				-	2 (7%)	16 (53%)	12 (40%)	30 (100%)
Total 2018/19 – 15 reports (1 limited assurance; 6 moderate assurance; 8 significant assurance)				-	7 (13%)	34 (64%)	12 (23%)	53 (100%)
Total 2017/18 – 2 reports (1 no assurance; 1 limited assurance)				2 (28.5%)	3 (43%)	2 (28.5%)	-	7 (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 2020

	Number of open Internal Audit findings				
	Critical	High	Medium	Low	Total
EIJB open findings	-	10	11	1	22
EIJB overdue findings (2018/19: 88% of open findings were overdue)		7 (70%)	5 (45%)	-	12 (55%)
City of Edinburgh Council Health and Social Care Partnership open findings	-	6	11	1	18
City of Edinburgh Council Health and Social Care Partnership overdue findings (2018/19: 86% of open findings were overdue)	-	5 (83%)	10 (91%)	-	15 (83%)
<b>Total Open Findings 2019/20</b>	-	<b>16</b>	<b>22</b>	<b>2</b>	<b>40</b>
<b>Total Overdue Findings 2019/20</b>	-	<b>12 (75%)</b>	<b>15 (68%)</b>	-	<b>27 (68%)</b>
<b>Total Open Findings 2018/19</b>	-	<b>12</b>	<b>16</b>	<b>2</b>	<b>30</b>
<b>Total Overdue Findings 2018/19</b>	-	<b>10 (83%)</b>	<b>14 (88%)</b>	<b>2 (100%)</b>	<b>26 (87%)</b>
<b>Total Open Findings 2017/18</b>	-	<b>10</b>	<b>20</b>	<b>4</b>	<b>34</b>
<b>Total Overdue Findings 2017/18</b>	-	<b>7 (70%)</b>	<b>17 (85%)</b>	<b>4 (100%)</b>	<b>28 (82%)</b>

## **Internal Audit**



### **Internal Audit Annual Report and Opinion 2019/20**

June 2020

This report has been prepared solely for internal use as part of NHS Lothian's internal audit service. No part of this report should be made available, quoted or copied to any external party without Internal Audit's prior consent.

## **Contents**

1. Introduction	1
2. Internal audit work performed	2
3. Summary of reports by control objective and action grade	4
4. Performance of Internal Audit	9
5. Overall internal audit opinion	10
Appendix 1 – Summary of Internal Quality Assurance Assessment	11
Appendix 2 - Definition of ratings	13

# 1. Introduction

The Scottish Public Finance Manual (SPFM) requires that:

*“An annual audit assurance is provided to the Accountable Officer through the professional opinion of the Head of Internal Audit (or equivalent) on the adequacy and effectiveness of the governance, risk management and internal control system operating in the organisation. That opinion is contained in an annual report from the Head of Internal Audit to the organisation’s Audit Committee, and forms part of the assurance required by the Accountable Officer to enable them to sign a Governance Statement to be provided alongside the accounts for which they are directly responsible.”*

The Public Sector Internal Audit Standards (PSIAS) require that:

*“The Chief Audit Executive (Head of Internal Audit) must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.”*

*“The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation’s framework of governance, risk management and control.”*

- 1.1 To meet the SPFM and PSIAS requirements, this Annual Report summarises our conclusions and key findings from the internal audit work undertaken at NHS Lothian during the year ended 31 March 2020, including our overall opinion on NHS Lothian’s internal control system (as related to our work completed and the three key areas of governance, risk and internal control).

## Acknowledgement

- 1.2 We would like to take this opportunity to thank all members of management and staff for the help, courtesy and co-operation extended to us during the year.

## 2. Internal audit work performed

### Scope and responsibilities

#### Management

2.1 It is management's responsibility to establish a sound internal control system. The internal control system comprises the whole network of systems and processes established to provide reasonable assurance that organisational objectives will be achieved, with particular reference to:

- risk management;
- the effectiveness of operations;
- the economic and efficient use of resources;
- compliance with applicable policies, procedures, laws and regulations;
- safeguards against losses, including those arising from fraud, irregularity or corruption; and
- integrity and reliability of information and data.

#### Internal audit

2.2 Internal Audit assists management by examining, evaluating and reporting on the controls, based on internal audit's risk assessment, in order to provide an independent assessment of the adequacy of the internal control system. To achieve this, Internal Audit should:

- analyse the internal control system and establish a review programme;
- identify and evaluate the controls which are established to achieve objectives in the most economic and efficient manner;
- report findings and conclusions and, where appropriate, make recommendations for improvement;
- provide an opinion on the reliability of the controls in the system under review; and
- provide an assurance based on the evaluation of the internal control system within the organisation as a whole.

### Planning process

2.3 In order to provide an annual assurance statement supporting the Governance Statement, we consider NHS Lothian's activities and systems, as aligned to key risks, within the scope of our internal audit reviews.

2.4 Our internal audit plans are designed to provide the Audit and Risk Committee with assurance that NHS Lothian's internal control system is effective in managing NHS Lothian's key risks and value for money is being achieved. Our plans are therefore linked to the NHS Lothian Corporate Risk Register.

2.5 Internal Audit has a three-year strategic Internal Audit Plan which agreed in consultation with senior management and formally approved by the Audit & Risk Committee, alongside annual internal audit plans.

- 2.6 The Annual Internal Audit Plan is subject to revision throughout the year to reflect changes in NHS Lothian's risk profile.
- 2.7 We have planned our work so that we have a reasonable expectation of detecting significant control weaknesses. However, internal audit can never guarantee to detect all fraud or other irregularities and cannot be held responsible for internal control failures.
- 2.8 Our internal audit activity is planned in accordance with the capacity and capability within the internal audit team and is managed to an agreed internal audit budget. Internal audit do not undertaking testing of all NHS Lothian internal controls.

## **Coverage achieved**

- 2.9 The Internal Audit Plan comprises 745 days per annum. During the year we flexed the plan to take account of emerging risks and additional requests, with the Audit and Risk Committee updated during the year. The Internal Audit Plan originally contained 25 reviews; however, eight reviews were deferred to 2020/21, those were Regional Planning – Diabetes Service, Unscheduled Care, Savings Plans, Brexit/Business Continuity, Operational areas – service Redesign, Waiting Times – Patient Risk, Governance and Risk Management. These have been agreed with the Audit and Risk Committee. These reviews were deferred due to a number of reasons including: re-assessment of the plan related to NHS Lothian risks; review of activity to available internal audit resource; the emergence of the Covid-19 pandemic and the need to re-align priorities and the ongoing work in year on the RHCYP Project (internal control and governance). The Audit and Risk Committee were kept updated through progress reports in year to the committee and approved all changes to the plan.
- 2.10 Of the remaining reviews, we completed 13 of these during 2019/20, with one further review at draft report stage (Workforce Planning). In addition to the reviews carried out in accordance with the 2019/20 plan, we have undertaken additional internal audit work into NHS Lothian's contractual arrangements with Consort over the management of parking at the RIE, and internal control and governance arrangements over the Royal Hospital for Children and Young People project (up to July 2019).
- 2.11 We can confirm that no restrictions were placed on our work by management.

## **Reports**

- 2.12 We have prepared a report for each of the internal audit reviews completed and presented these reports to the Audit and Risk Committee.
- 2.13 Where relevant, all reports contained management action plans detailing responsible officers and implementation dates. The reports were fully discussed and agreed with management prior to submission to the Audit and Risk Committee.
- 2.14 We made no critical or significant recommendations that were not accepted by management.



### 3. Summary of reports by control objective and action grade

3.1 14 internal audit reports have been issued in 2019/20, as summarised in the tables below. In addition, two reports which were deferred from the 2018/19 plan were reported in the period and have been included in the below Tables.

Summary of Reports Deferred from 2018/19 (and therefore including in the 2019/20 annual report and opinion)

Review	Control objective – level of assurance				Critical	High	Medium	Low
Staff Satisfaction	Significant	Moderate	Moderate	Moderate	-	-	3	2
Review	Control objective – level of assurance				Critical	High	Medium	Low
Quality Strategy	Limited		No assurance rating		-	1	-	1
Review	Control objective – level of assurance				Critical	High	Medium	Low

Summary of Reports from 2019/20 plan:

Review	Control objective – level of assurance					Critical	High	Medium	Low
Information Governance - GDPR	Significant	Significant	Significant	Significant	Significant	-	-	-	1
Review	Control objective – level of assurance					Critical	High	Medium	Low
Property Transaction Monitoring	Significant	Significant	Significant	Significant	Significant	-	-	-	-
Review	Control objective – level of assurance					Critical	High	Medium	Low
Waiting Times	Significant	Significant	Significant	Significant	Significant	-	-	-	-
Review	Control objective – level of assurance					Critical	High	Medium	Low

Acute Prescribing	Significant	Significant	Significant	-	-	-	1
Review	Control objective – level of assurance			Critical	High	Medium	Low
Patient Funds – Adults with Incapacity	Moderate	Limited	Moderate	-	1	5	-
Review	Control objective – level of assurance			Critical	High	Medium	Low
Midlothian IJB	Moderate	Moderate	Moderate	-	-	4	-
Review	Control objective – level of assurance			Critical	High	Medium	Low
Edinburgh IJB	Significant	Significant	Moderate	Significant	-	-	-
Review	Control objective – level of assurance			Critical	High	Medium	Low
Duty of Candour	Significant	Significant	Significant	Significant	-	-	2
Review	Control objective – level of assurance			Critical	High	Medium	Low
Early Careers and Apprenticeships	Significant	Significant		-	-	-	-

Review	Control objective – level of assurance					Critical	High	Medium	Low
East Lothian IJB	Moderate	Significant	Significant	Significant		-	-	2	3
Review	Control objective – level of assurance					Critical	High	Medium	Low
Financial Controls – Treasury and Cash Management	Significant	Significant	Significant	Significant	Significant	-	-	-	2
Review	Control objective – level of assurance					Critical	High	Medium	Low
Hospital Sterilisation and Disinfection Unit	Moderate	Significant	Moderate	Significant	Significant	-	-	2	3
Review	Control objective – level of assurance					Critical	High	Medium	Low
Consort Parking Arrangements	Limited					-	1	1	-

The definitions used to grade reports, control objectives and individual actions are set out in Appendix 2.

We also completed during the year a review of the governance processes for managing the staff lottery. As a result of emerging risks and clarification from the CLO the staff lottery was cancelled. Therefore, this event superseded our need to report to Committee. However, we did update the Committee in our progress report and management updated the Committee routinely on the action that was being taken.

Lastly in May 2020 we completed a review of the NHS Lothian governance arrangements during Covid19. We did not identify any findings and concluded good governance principles had been applied.

## Commentary

- 3.2 During the year we identified certain higher risk findings across our work.
- 3.3 We reported limited assurance against control objectives for four audits in year– Quality Strategy, Staff Lottery, Patient funds – Adults with Incapacity and the Consort Parking Review.
- 3.4 In each case we have agreed a management response to these recommendations, and the action has been or is being implemented.
- 3.5 During the year we reported three high risk findings from our reviews of the Quality Strategy, Patient Funds – Adults with Incapacity and Consort Parking arrangements.
- 3.6 Within the Quality Strategy Report we recommended that management put in place an Implementation/Delivery Plan to support the Quality Strategy. This plan would act as a control over the implementation of the strategy detailing progress, accountability and ownership of each of the programmes/networks as well as other appropriate aspects of the strategy. However, we have been advised by the Chief Quality Officer that most of the programme was to be suspended for a period of time and restarted when the current circumstances allow.
- 3.7 In relation to the Patients Funds Review we reported a recommendation that management confirm that the relevant documentation is in place for the Adults with Incapacity patients and that patients' withdrawal amounts are subject to review in line with relevant guidance. This action is being taken forward with management and progress captured in our follow up reporting.
- 3.8 The Consort Parking Arrangements report recommended that NHS Lothian should consider recovering the profit share of £71,553 as a result of the inclusion of these non-allowable costs from financial year 2014/15 to present. Including a full review of costs should be undertaken to confirm the existence, accuracy and allowability of costs within the profit and lost statements from financial year 2014/15 to present. This report was finalised on the 10 June 2020, with a target date for this action set at 30 September 2020.
- 3.9 Throughout the year we follow up on the implementation of all internal audit recommendations and can report good progress by management in implementing recommendations.
- 3.10 In considering the higher risks identified in our internal audit reporting during 2019/20 we consider none of these to be significant enough to impact on NHS Lothian achieving its strategic priorities and/or pervasive that the run throughout NHS Lothian as an organisation.

## 4. Performance of Internal Audit

### Independence

- 4.1 PSIAS require us to communicate on a timely basis all facts and matters that may have a bearing on our independence.
- 4.2 We can confirm that the staff members involved in each 2019/20 internal audit reviews were independent of NHS Lothian's operational processes and their objectivity was not compromised in any way.

### Conformance with Public Sector Internal Audit Standards

- 4.3 The Chief Internal Auditor has completed an internal quality assessment of the service provided by the internal audit service, using guidance issued by H M Treasury.
- 4.4 The results of this assessment confirm that the internal audit service "generally conforms" to the Public Sector Internal Audit Standards, which are based on the International Standards for the Professional Practice of Internal Auditing. An independent external quality assessment of compliance with PSIAS will be required to be undertaken during 2020/21.

### Performance against Internal Audit performance indicators

- 4.5 We have a suite of internal audit performance indicators which we track and formally report to the Audit and Risk Committee quarterly and are in the process of assessing these and updating these to ensure they remain relevant for 2020/21. Focus on ensuring achievement of all KPIs will continue to be a focus for 2020/21, and any proposed changes or updates to KPIs will be brought to the Audit and Risk Committee for approval.

# 5. Overall internal audit opinion

## Basis of opinion

- 5.1 The internal audit service at NHS Lothian is required to provide the Audit and Risk Committee with assurance on the systems of internal control. In giving an opinion it should be noted that assurance can never be absolute. The most that the internal audit service can provide is reasonable assurance that there are no major weaknesses in the whole system of internal control.
- 5.2 In assessing the level of assurance to be given, internal audit has taken into account:
- All reviews undertaken as part of the 2019/20 internal audit plan;
  - Matters arising from previous reviews and the extent of management's follow-up action; and
  - The effect of any significant changes in NHS Lothian's objectives or systems.

## Internal Audit Opinion

- 5.3 Overall, Internal Audit's work indicates that NHS Lothian has a framework of controls in place that provides **reasonable assurance** regarding the effective and efficient achievement of the organisation's objectives and the management of key risks.
- 5.4 While we did identify a number of high-risk findings as part of our reviews, we do not consider these, either collectively or on an individual basis, as being fundamental to the achievement of the NHS Lothian strategic objectives. Those findings do not warrant specific inclusion in the Governance Statement. All actions were agreed and NHS Lothian has demonstrated good progress in implementing internal audit recommendations, and a number of the high risks identified during the year have been closed off.
- 5.5 At the time of writing this the work on the RHCYP project (internal control and governance) was yet to be concluded. Therefore, the opinion does not take into account this review. Recommendations arising will be captured and reflected in the 2020/21 internal audit opinion.
- 5.6 Based on our work completed we can conclude sufficient arrangements are in place, in the areas Internal Audit has reviewed, to promote value for money and secure regularity and propriety in the administration and operation of NHS Lothian controls.

**Chief Internal Auditor**

**22 June 2020**

# Appendix 1 - Definition of ratings

## Findings and management actions ratings

Finding Ratings	Definition
<b>Critical</b>	A fundamental failure or absence in the design or operating effectiveness of controls, which requires immediate attention
<b>High</b>	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.
<b>Medium</b>	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.
<b>Low</b>	Minor non-compliance has been identified with the operating effectiveness of a control, however the design of the control is effective

## Report ratings and overall assurance provided

Report Ratings	Definition	When Internal Audit will award this level
<b>No assurance</b>	The Board cannot take any assurance from the audit findings. There remains a significant amount of residual risk.	The controls are not adequately designed and / or operating effectively, and immediate management action is required as there remains a significant amount of residual risk (for instance one Critical finding or a number of High findings)
<b>Limited assurance</b>	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>This may be used when:</p> <ul style="list-style-type: none"> <li>There are known material weaknesses in key control areas.</li> <li>It is known that there will have to be changes that are relevant to the control objective (e.g. due to a change in the law) and the impact has not been assessed and planned for.</li> </ul> <p>The controls are deficient in some respects and require management action (for instance one 'high' finding and a number of other lower rated findings)</p>
<b>Moderate assurance</b>	<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.</p> <p>There remains a moderate amount of residual risk.</p>	<p>In most respects the "purpose" is being achieved. There are some areas where further action is required, and the residual risk is greater than "insignificant".</p> <p>The controls are largely effective and, in most respects, achieve their purpose with a limited number of findings which require management action (for instance a mix of 'medium' findings and 'low' findings)</p>
<b>Significant assurance</b>	<p>The Board can take reasonable assurance that the system(s) of control achieves or will achieve the control objective.</p> <p>There may be an insignificant amount of residual risk or none at all.</p>	<p>There is little evidence of system failure and the system appears to be robust and sustainable.</p> <p>The controls adequately mitigate the risk, or weaknesses are only minor (for instance a low number of findings which are all rated as 'low' or no findings)</p>

## **Appendix 6 - 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 2019 to 31 March 2020. 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 2019/20 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 2020. 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.





# ***Edinburgh Integration Joint Board***

## **Internal Audit**

### **Progress towards addressing national integration recommendations and proposals**

Final Report

6 July 2020

EIJB1902

**Effective**

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 EIJB's objectives should be achieved.

# Contents

1. Background and Scope	1
2. Executive summary	4
3. Detailed findings	5
Appendix 1: Basis of our classifications	9
Appendix 2: Areas of audit focus	10

This internal audit review is conducted for the Edinburgh Integration Joint Board under the auspices of the 2019/20 internal audit plan approved by the Audit and Assurance Committee in March 2019. The review is designed to help the Edinburgh Integration Joint Board assess and refine its internal control environment. It is not designed or intended to be suitable for any other purpose and should not be relied upon for any other purpose. The City of Edinburgh Council accepts no responsibility for any such reliance and disclaims all liability in relation thereto.

The internal audit work and reporting has been performed in line with the requirements of the Public Sector Internal Audit Standards (PSIAS) and as a result is not designed or intended to comply with any other auditing standards. Although there is a number of specific recommendations included in this report to strengthen internal control, it is management's responsibility to design, implement and maintain an effective control framework, and for the prevention and detection of irregularities and fraud. This is an essential part of the efficient management of the Edinburgh Integrated Joint Board of the issues and weaknesses arising from this audit does not absolve management of this responsibility. High and Critical risk findings will be raised with senior management and elected members as appropriate.

# 1. Background and Scope

## Background

The Edinburgh Integration Joint Board (EIJB) was established in April 2016 under the Public Bodies Joint Working Act 2014 (the Act) and is responsible for commissioning, directing, and governing the activities of the Edinburgh Health and Social Care Partnership (the Partnership).

The Partnership comprises NHS Lothian (NHSL), and the City of Edinburgh Council (the Council) who work together to deliver health and social care services for adults across the City in line with applicable legislation and regulations and as directed by the EIJB.

### National progress reports

In 2018/19, the outcomes of two national reviews were published which considered progress made towards integrating health and social care services across Scotland.

#### Audit Scotland

In November 2018, Audit Scotland published an [update on progress with health and social care integration](#) national performance audit. This review followed the [initial December 2015 review](#) which focused on the initial transition period following the creation of integration authorities (IAs).

The 2018 report acknowledged that IAs are operating in an extremely challenging environment, and that whilst progress had been made in several areas through the introduction of more collaborative methods of service delivery, significant scope for improvement remained. The following six areas of improvement were identified:

- Commitment to collaborative leadership and building relationships
- Integrated finances and financial planning
- Effective strategic planning for improvement
- Agreed governance and accountability arrangements
- Ability and willingness to share information
- Meaningful and sustained engagement

Appendix 5 of the 2018 report also summarises progress with recommendations made in the December 2015 review.

The report recognises that a range of partner bodies including the Scottish Government, COSLA, NHS Boards, Local Authorities and IAs are responsible for delivering improvements, however Chief Officers are responsible for monitoring and reporting on all actions.

In February 2019, the Chief Officer presented a [report](#) to the EIJB which detailed each of the recommendations, the agency responsible for delivery and initial activity taking place in Edinburgh. The report advised that Chief Officers from the Lothian IJBs were working with their respective partner bodies to scope and understand their responses to the recommendations and that an update would be provided to the EIJB in six months.

#### Ministerial Strategic Group

In February 2019, the Ministerial Strategic Group (MSG) for Health and Community Care published the outcomes of their leadership group's [review of Progress with Integration of Health and Social Care](#). The MSG report noted agreement with the six key areas identified by Audit Scotland and set out 25

proposals which the leadership group agreed to take forward in order to commit to improving the integration of health and social care services across Scotland. Completion timeframes of circa 12 months or less were also allocated to the proposals. The MSG report was presented to the EIJB in [March 2019](#), with agreement that an update would be provided within three months.

Following publication, the MSG issued a self-assessment template to all IJB partners to gain an understanding of local progress. The self-assessment required partners to rate themselves against each of the 25 proposals set out in the report, assessing progress against each as either not yet established; partly established; established; and exemplary. Partners were required to submit supporting evidence to verify rating assessments and detailed action plans where improvement or action was needed.

A single partnership assessment was completed by the EIJB, NHS Lothian and the City of Edinburgh Council and presented to the EIJB in [May 2019](#). Three proposals were not rated as they will be delivered by national bodies, and the following ratings were applied against the remaining 22 proposals:

- 0 not yet established;
- 12 partly established;
- 10 established and;
- 0 exemplary.

### Joint approach to monitoring

Due to the similarity of the outcomes from both the Audit Scotland and MSG reports, the EIJB agreed to monitor progress against the actions included in both reports using a joint action plan. This revised plan was presented to the EIJB in [February 2020](#) with agreement that a further update report would be provided in December 2020.

The MSG leadership group also published a [progress update](#) in November 2019, which provided a national update on those actions which had an original timescale of 6 months (or less) for implementation. The report advised that the MSG leadership group would continue to meet every six weeks to review progress and provide direction and advice on the implementation of actions. This was also presented to the EIJB February 2020.

## Scope

The objective of this review was to assess whether the EIJB has established appropriate governance and operational processes to support collation; implementation; and oversight of relevant recommendations and proposals made by Audit Scotland and the MSG in 2018/19.

This included monitoring progress with implementation of partner organisations and other third parties in relation to the adult health and social care support (where appropriate) and services delivered for the Partnership.

Our areas of audit focus as detailed in our terms of reference are included at Appendix 2.

Testing was performed across the period November 2019 to June 2020.

### Limitations of Scope

Progress with implementation of actions arising from the Care Inspectorate's inspection of services for older people recommendations published in June 2017, was excluded from the scope of this review as this was due to be covered by a separate Council audit of implementation of assurance actions and their linkage to annual governance statements completed in February 2020. However, Partnership

management advised that they did not have capacity to support the audit work and instead provided narrative outlining the processes that the Partnership applies to ensure ongoing management and oversight of second and third line assurance findings. These processes have not been review and validated by internal audit.

**Reporting Date**

Our audit work concluded on 5 June 2020 and our findings and opinion are based on the conclusion of our work as at that date.

## 2. Executive summary

Total number of findings: 1

### Summary of findings raised

**Medium**

1. Implementation framework

### Opinion

#### Effective

Whilst some moderate control weaknesses were identified in the design and effectiveness of the implementation framework established to support the Edinburgh Integration Joint Board's (EIJB) implementation of national integration recommendations, the controls in place have been adequately designed, providing assurance that risks are being managed, and that the EIJB's objectives of addressing national recommendations through the joint action plan (the Plan) should be achieved.

Our review confirmed that whilst processes have been established to monitor progress with implementation of Plan actions, there are a number of areas where the rationale for decisions or the process applied is not clear. Most notably, there is currently no clearly documented rationale confirming why two national recommendations and their three associated improvement actions are not specifically included in the Plan.

Consequently, one Medium rated finding has been raised highlighting the need to expand; formalise and document the existing processes established to monitor progress with implementation of Plan actions designed to address national integration recommendations

Further information is included at Section 3.

#### Areas of good practice

- A first draft MSG self-assessment was prepared by the Chief Officer and circulated to all required stakeholders for comments. Feedback was captured within a tracker document that recorded details of all feedback received for each proposal, enabling the self-assessment to be updated (where appropriate) to reflect stakeholder input and perspective.
- Recognising that the MSG financial related proposals required specialist input, the EIJB consulted with Chief Finance Officers from across the four Lothian IJBs. This enabled benchmarking of actions in progress against the other IJBs, and discussion on self-assessment good practice. The draft EIJB self-assessment was subsequently updated to reflect the outcomes of this exercise.
- The decision to combine the MSG and Audit Scotland actions into one joint action plan has streamlined the ongoing monitoring process. The joint action plan breaks down the improvement actions identified in the initial self-assessment into workable milestones and clearly states where implementation dates have been revised.
- Review of both the EIJB and the Partnership's most up to date risk registers confirmed that risks related to delivering improvement actions from both the MSG and Audit Scotland reports, were clearly reflected within the two documents, demonstrating effective management consideration of the risks associated with the national recommendations.

## 3. Detailed findings

### 1. Implementation framework

Medium

Review of arrangements established to monitor progress with implementation of recommendations and proposals raised in national reports and a sample of 13 of the actions included in the Joint Action Plan (the Plan) confirmed that:

1. Review and comparison of the MSG self-assessment submission and the Plan identified that proposals 6.2 and 6.3 (and the three associated improvement actions) are not included in the Plan. Management advised that this was due to the three improvement actions, identified to implement these proposals, being addressed as part of other actions included within the Plan under other proposals. Review of papers and minutes, however, did not identify any reference to 6.2 and 6.3 being removed or the rationale for their exclusion.
2. Whilst several key considerations were found to have been made, which includes areas of good practice, the approach taken to the MSG and Audit Scotland reports has not been formalised or documented to ensure a consistent approach when responding to further national improvement reports. Examples of this include;
  - Both the MSG and Audit Scotland reports were presented to the EIJB for consideration on a timely basis but there is not a formal procedure by which the EIJB agree which reports they will consider as part of their forward work programme.
  - Our review of the EIJB and Partnership risk registers found all risks associated with report findings to be included, however an explicit review of risk registers was not undertaken by management to identify any potential gaps.
  - Consultation of the completion of the MSG self-assessment with key stakeholders was extensive and an example of good practice. The consultation approach is not documented, however, to ensure a consistent approach for future national report outcomes.
  - The EIJB participated in benchmarking and practice sharing with other IJBs and Chief Officers, this approach has not been documented to ensure similar exercises are completed in future.
3. Implementation actions were either existing actions that were already being delivered, or actions planned as part of current work transformation streams or programmes. Limited evidence was available to demonstrate that the Partnership had considered whether any new actions were required to deliver the joint MSG/AS proposals and that resources, systems, data management and funding requirements required to support their delivery had been considered. Management advised this was because both reports had been in development for some time, and that none of the outcomes were unexpected, enabling the EIJB to anticipate outcomes and progress implementation.
4. The Plan had not been compared with existing outstanding assurance actions such as those raised by the Care Inspectorate or Internal Audit to identify similar risks and potential areas of overlap. Management advised this had been attempted previously for other reports, however resulted in an unwieldy and complex process. The value of ensuring there is oversight across all assurance actions was however acknowledged.
5. Five implementation actions included in the Plan were not [SMART](#) (Specific; Measurable; Achievable; Relevant and Timebound). Management advised that it was not always possible for all actions to be SMART as they were either linked to further actions and or programmes in their

infancy.

6. In the completion of the MSG self-assessment, the EIJB assessed progress against each proposal as either partially established or established. Whilst consultation was made on the content of the self-assessment, there was no documented approach or rationale for the allocation of this progress assessment. Additionally, progress against Plan actions is recorded as either 25%; 50%; 75% or 100% complete, management advised that this assessment is subjective based on completion of action milestones, however, no criteria has been established that clearly defines how implementation progress is assessed in percentage terms.
7. Plan delivery progress will be reviewed by the EIJB Audit and Assurance Committee in December 2020. Management advised that no review of progress was planned by the Partnership's Executive Management Team (EMT) prior to presentation to the Committee, as management oversight is obtained through other transformation programmes and work streams where regular updates are provided.
8. There is currently no review schedule confirming when the Plan delivery progress will be reviewed by the EMT. It is recognised that COVID-19 has significantly impacted EMT forward plans and agendas.

## Risks

The potential risks associated with our findings are:

- The full population of national integration recommendations is not addressed.
- Duplication of effort when implementing actions to address national integration and existing assurance recommendations.
- Lack of direction and focus where implementation actions have not been clearly defined.
- Subjectivity over when an action should be assessed as completed resulting in inconsistent and inaccurate implementation progress assessments.
- Insufficient evidence to support completion of actions.
- Implementation progress delays are not identified, and timely action taken to address any progress issues identified.

## 1.1 Recommendation: Documenting national assurance implementation framework arrangements

The EIJB should establish an implementation framework that details the end to end processes for responding to and monitoring implementation progress with recommendations and proposals from national reports.

The framework should capture and formalise the existing operational processes in addition to addressing the control gaps identified. This should include arrangements for the following:

### 1. Identification and initial review of national reports

- Advance discussion and agreement with the EIJB to confirm which national reports will be presented for review, and inclusion of these within the EIJB forward work programme.
- Review of national report outcomes to ensure any new or emerging strategic and operational risks are identified, with mitigating actions, ownership and implementation timeframes recorded in the EIJB or Partnership risk registers, where required.
- Review of national report outcomes to identify any correlation with current actions from other assurance providers and ensure that actions are effectively consolidated and coordinated across the Partnership.



## 2. Self-assessment and preparation of action plans

- Documenting the methodology and rationale for forming self-assessment ratings (e.g. 'partly established'/'established') including gathering sufficient supporting evidence to demonstrate accurate representation of the current position.
- Arrangements for engaging and capturing feedback from key stakeholders including partner organisations and any third parties to ensure that all improvement actions are recorded, with full consideration of any associated resources; systems; data / management information; and additional funding required to support implementation.
- Development of detailed action plans that include (where possible) clearly defined [SMART](#) actions; with narrative captured to detail where SMART actions are not appropriate and an agreement to revisit these actions and update to SMART actions where possible as progress is made, and they can be more clearly defined.
- Alignment with the EIJB strategic planning process to ensure improvement actions are incorporated where relevant.

## 3. Progress monitoring and reporting

- Planned frequency of review of progress by the Partnership Executive Management Team (EMT) and EIJB governance forums, with linkage to progress reporting monitored through other transformation programmes or workstreams or programmes detailed to ensure completeness.
- Regular benchmarking that compares the EIJB's progress against national and / or Lothian IJBs.
- Defined criteria for measuring and reporting implementation status and percentage progress of improvement actions to ensure progress is reported consistently and transparently.
- Ongoing validation process to ensure supporting information and data is collated and retained to evidence progress made and completion of actions.
- Procedure for revising agreed implementation timeframes, which should include consultation with the EIJB and national bodies where appropriate.

### 1.1 Agreed Management Action: National assurance implementation framework

We are pleased that the processes developed for monitoring progress with national recommendations and proposals have been recognised as largely effective and good practice. We acknowledge and agree with the internal audit recommendation to formalise and document these processes and will work over the next year to complete this work in line with the detailed points set out within the recommendation.

<b>Owner:</b> Judith Proctor, Chief Officer <b>Contributors:</b> Moira Pringle, Chief Finance Officer; Angela Ritchie, Senior Executive Assistant	<b>Implementation Date:</b> 30 June 2021
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### 1.2 Recommendation: Ministerial Strategic Group (MSG) self-assessment actions 6.2.and 6.3

Management should consider whether the self-assessment actions for the following national integration recommendations should be included within the Joint Action Plan for monitoring and reporting:

- Proposal 6.2 - Improved understanding of effective working relationships with carers, people using services and local communities is required.
- Proposal 6.3 - We will support carers and representatives of people using services better to enable their full involvement in integration.

The rationale for the decision to include or exclude these proposals from the Joint Action Plan should be documented and reported to the EIJB.

Where the decision is to exclude these proposals, the rationale should clearly document who is responsible for delivery of these actions and how and when progress will be reported to the EIJB and national bodies as part of the EIJB's wider response.

### 1.2 Agreed Management Action: MSG self-assessment actions 6.2 and 6.3

Agreed, we will review the rationale for excluding proposals 6.2 and 6.3 from the action plan and report this to the EIJB, advising how and when progress with these meeting these proposals will be captured and reported.

**Owner:** Judith Proctor, Chief Officer

**Contributors:** Moira Pringle, Chief Finance Officer; Angela Ritchie, Senior Executive Assistant, Katie McWilliam, Strategic Planning and Quality Manager

**Implementation Date:**  
31 December 2020

# Appendix 1: Basis of our classifications

Finding rating	Assessment rationale
<b>Critical</b>	<p>A finding that could have a:</p> <ul style="list-style-type: none"> <li>• <b>Critical</b> impact on the operational performance; or</li> <li>• <b>Critical</b> monetary or financial statement impact; or</li> <li>• <b>Critical</b> breach in laws and regulations that could result in material fines or consequences; or</li> <li>• <b>Critical</b> impact on the reputation of the EIJB which could threaten its future viability.</li> </ul>
<b>High</b>	<p>A finding that could have a:</p> <ul style="list-style-type: none"> <li>• <b>Significant</b> impact on operational performance; or</li> <li>• <b>Significant</b> monetary or financial statement impact; or</li> <li>• <b>Significant</b> breach in laws and regulations resulting in significant fines and consequences; or</li> <li>• <b>Significant</b> impact on the reputation of the EIJB.</li> </ul>
<b>Medium</b>	<p>A finding that could have a:</p> <ul style="list-style-type: none"> <li>• <b>Moderate</b> impact on operational performance; or</li> <li>• <b>Moderate</b> monetary or financial statement impact; or</li> <li>• <b>Moderate</b> breach in laws and regulations resulting in fines and consequences; or</li> <li>• <b>Moderate</b> impact on the reputation of the EIJB.</li> </ul>
<b>Low</b>	<p>A finding that could have a:</p> <ul style="list-style-type: none"> <li>• <b>Minor</b> impact on operational performance; or</li> <li>• <b>Minor</b> monetary or financial statement impact; or</li> <li>• <b>Minor</b> breach in laws and regulations with limited consequences; or</li> <li>• <b>Minor</b> impact on the reputation of the EIJB.</li> </ul>
<b>Advisory</b>	<p>A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.</p>

# Appendix 2: Areas of audit focus

The areas of audit focus and related control objectives included in the review are:

Audit Area	Control Objectives
1. Initial assessment	<p>1.1 A process has been established to ensure that the outcomes of national reviews impacting health and social care are identified and reviewed by management soon after their publication.</p> <p>1.2 National reports are presented to the EIJB on a timely basis.</p> <p>1.3 An evidence based self-assessment model has been established to accurately map the EIJB's current position against the recommendations and identify where improvements are needed.</p> <p>1.4 A comparison has been performed between national review outcomes and the existing EIJB and Partnership risk registers, with any new or emerging risks identified from the reviews incorporated (where appropriate).</p> <p>1.5 A comparison has been performed between national review outcomes and existing assurance recommendations made by (for example) Internal Audit or the Care Inspectorate to determine whether these can be effectively combined.</p>
2. Preparation and approval of action plans	<p>2.1 National review outcomes are shared and discussed with partner organisations and any third parties that support adult health and social care service delivery (including partners delivering hosted services, and services delivered using set aside budgets).</p> <p>2.2 A mapping exercise is performed (in conjunction with partners and third parties) to determine what actions are required to implement the recommendations, including resources; systems; data / management information; and additional funding requirements.</p> <p>2.3 Detailed action plans that are aligned with the national recommendations and proposals are established with roles, responsibilities and timeframes for implementation agreed with all partner organisations and relevant third parties and presented to and approved by the EIJB.</p> <p>2.4 The EIJB has considered whether any additional funding and new directions are required to support implementation of the recommendations through the agreed action plans.</p> <p>2.5 Where necessary, Improvement actions are incorporated into the EIJB strategic planning process.</p>
3. Progress Monitoring and reporting	<p>3.1 Progress against the implementation of actions is regularly and accurately reported to appropriate governance forums (for example the executive management team; and relevant EIJB governance forums).</p> <p>3.2 Where possible, reporting includes benchmarking EIJB's progress against national and / or Lothian IJBs.</p> <p>3.3 A process has been established to support regular and effective ongoing implementation progress monitoring across all parties responsible for implementation of action plans.</p> <p>3.4 When actions are reported as completed, arrangements are in place to ensure that actions are validated with supporting evidence available to</p>

demonstrate completion.

- 3.5 Where actions are not completed within the agreed timescale, there is engagement with national bodies and the EIJB requesting the extension of implementation dates or agreeing alternative action plans.