

# Midlothian Integration Joint Board



Meeting	Date	Time	Venue
Audit and Risk Committee	Thursday 23 November 2023	10.00am	Virtual Meeting held using MS Teams.

**Present (voting members):**

Val de Souza (Chair)	Cllr Connor McManus	Nadin Akta
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**Present (non-voting members):**

Morag Barrow (Chief Officer)	Claire Flanagan (Chief Finance Officer)	Claire Gardiner (Audit Scotland, External Auditor)
Patricia Fraser (Audit Scotland, External Auditor)		

**In attendance:**

Gill Main (Integration Manager)	Alan Turpie	Gary Leadbetter (Democratic Services Officer)
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**Apologies:**

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# Audit and Risk Committee

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## 1. Welcome and Introductions

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The Chair welcomed everyone to the meeting.

## 2. Order of Business

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The Order of Business was as detailed in the agenda.

## 3. Declarations of interest

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No declarations of interest were received.

## 4. Minutes of Meeting

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- 4.1 The Minute of Meeting of the Audit and Risk Committee held on Thursday 7 September 2023 was submitted and approved as a correct record.
- 4.2 Matters Arising: None.

## 5. Public Reports

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### 5.1 MIJB Annual Audit Report – Year Ended 31 March 2023, report by Audit Scotland

Claire Gardiner, Audit Scotland, External Auditors presented the Midlothian Integration Joint Board (MIJB) Annual Audit Report – Year Ended 31 March 2023. Claire Gardiner provided apologies for the delay in the submission of the audit, explaining the difficulties presented around catching up to pre-Covid timescales noting this was not specific to MIJB. Claire Gardiner noted that the report was in two parts, the first providing conclusions on the financial statements audit work, noting that Audit Scotland intend to provide a clean, unmodified audit opinion and it further provides references to significant audit matters and unadjusted errors. Claire Gardiner noted that it also includes a letter of representation, which provides assurances from the MIJB with regard to key judgements on the annual report, including fraud. Claire Gardiner asked that, before the letter is approved, the Members of the Committee consider any knowledge of actual or alleged fraud, non-compliance with laws or regulations or post-balance sheet events.

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The Chair, Val de Souza, asked if the Members had any comments to provide on the request from Claire Gardiner. No comments or matters were raised.

Claire Gardiner then noted that the second part of the report was the Annual Audit Report and highlighting key messages including that:

- Exhibit 1 highlights that materiality has increased from planning, and this is in relation to the increase in gross expenditure.
- Exhibit 2 shows one significant audit matter in the year. The issue highlight is to correct the disclosures in the management commentary around social work and to improve the clarity for the reader. Audit Scotland is satisfied that the revised accounts are correct in this regard.
- Paragraph 19 highlights the risks identified as part of the Annual Audit Plan and outlines the work completed in year and the results of this. There were no issues arising from the audit work to date and there were no adjustments over the reporting threshold that the Committee needs to be aware of.
- Exhibit 4 notes that although the MIJB has a medium-term financial plan, updates are required to take into account revised funding levels and the 2023/24 recovery plan, and a recommendation has been made reflecting this at paragraph 37.
- Three other recommendations have been made in relation to the wider scope work, which are outlined in the Action Plan at Appendix 1. These cover the risks associated with the loss of a Chief Finance Officer and areas identified with scope for improvement with regards to disclosure of register of interests and formalising reporting of best value.

The Chair thanked Claire Gardiner for taking the Committee through the report and also for the explanation and apologies around the delay.

Claire Flanagan, Chief Finance Officer, explained that they had seen the recommendations prior to the meeting and had worked with Audit Scotland in coming up with the responses. Claire Flanagan noted that the recommendation around financial sustainability is on the to-do list and it is now just the timing of when the funding partners develop their own financial plans to allow a financial plan to be brought to the MIJB.

Morag Barrow, Chief Officer, queried whether there was an expectation to update the five-year financial plan on a monthly basis. Claire Gardiner explained that there is not expectation that this is done monthly and that Audit Scotland are comfortable with the current approach and plans. Noted that an annual process is sufficient.

Morag Barrow also noted that in Section 2, Paragraph 36, the wording states that “Since February, further increases in funding have been agreed by Midlothian Council” and queried what this was in reference to. Morag Barrow stated that there was one non-recurring allocation,

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but that this year there was a reduction in funding from Midlothian Council. Patricia Fraser, Audit Scotland, External Auditors, explained that they had thought that initially Midlothian Council had not agreed to the funding that was requested by the MIJB but during the year they had increased the funding. If this is incorrect, the paragraph can be updated. It was agreed that the wording would be updated to reflect that additional funding received from Midlothian Council was non-recurring.

Morag Barrow, providing an update on the Section 75 Officer, explained that David King, who has previously been Chief Finance Officer for East Lothian Council and Midlothian Council, will be covering the Chief Finance Officer / Section 75 Officer post until 31 March 2024 on an interim basis. Both partners are finalising a plan that Midlothian Council will pick up going forward. Claire Flanagan will present a paper at the next MIJB on 21 December 2023.

### Action:

- **Wording in Section 2, Paragraph 36 in the Annual Audit Report to be updated to reflect that additional funding received from Midlothian Council was non-recurring.**
- **Members noted the Report.**

### 5.2 2022/23 Audited Annual Accounts, report by Chief Finance Officer

Claire Flanagan, Chief Finance Officer, presented the 2022/23 Audited Annual Accounts for the MIJB. As a statutory body, the IJB is required to produce a set of annual accounts at the end of its financial year (31 March). These accounts are then reviewed by the IJB's external auditors who report their opinion of the IJB's annual accounts to the IJB's Audit and Risk Committee. This report having been agreed by the committee and presuming no outstanding issues, the IJBs annual accounts can then be approved.

The accounts will then be signed by the Chair of the IJB, the Chief Officer of the IJB and the Chief Finance Officer of the IJB after which they will be published.

Board members are asked to:

1. Note the report of the independent auditor.
2. Consider the 2022/23 annual accounts of the IJB.
3. Recommend approval of the accounts by Chief Officer in consultation with Chair and Vice-Chair in terms of Standing Order 15.1.

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Claire Flanagan highlighted the high-level points contained within the report, noting that:

- The summarising of the year end position resulted a deficit of £10.3million, which should be seen in the context of the following:
  - MIJB generated a surplus in the financial year 2021/22, which was the result of funding being allocated by the Scottish Government during 2021/22 for the use in 2022/23. A significant proportion of this equated to the Covid funding allocation. Therefore, the deficit is a result of the MIJB incurring expenditure against its ear-marked reserves and the return of Covid funding that was not required.
  - MIJB's financial performance against its in-year delegated budget, excluding ear-marked reserves did result in a small surplus, particularly within Social Care, so there was a small operational underspend within the Social Care budgets.
  - Overall, the Health budgets across the MIJB generated an overspend, therefore the partner NHS Lothian provided additional funding to the MIJB of £1.48 million. This is non-recurring financial support to break even all the Health budgets across the MIJB's delegated health services.

Claire Flanagan further highlighted that despite having a small operational underspend within the Social Care budgets, there are still significant areas of financial challenge and these budgets are the prescribing budgets and general medical services budgets. Claire Flanagan also noted that the Annual Governance Statement has now been included and the MIJB's Chief Internal Auditor is involved in developing the report and has provide reasonable assurance for the overall adequacy and provided some actions and scope for improvement within the document.

The Chair thanked Claire Flanagan for the report and opened it up to questions. No questions were received.

### Action:

- **Members approved the recommendations.**
- **Claire Flanagan, Chief Finance Officer, Morag Barrow, Chief Officer and Councillor McManus, Chair of the MIJB will sign the Audited Annual Accounts electronically.**

## 6. Private Reports

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No private business to be discussed at this meeting.

### **7. Date of next meeting**

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The next scheduled meeting will be held on Thursday, 7 December 2023 at 14:00pm.

**(Action: All Members to Note)**

The meeting terminated at 10:36am