

# Notice of Meeting and Agenda



## Midlothian Integration Joint Board - Audit and Risk Committee

**Venue:** Virtual Meeting,

**Date:** Thursday, 01 September 2022

**Time:** 14:00

**Morag Barrow**  
**Chief Officer**

### **Contact:**

Clerk Name:	Mike Broadway
Clerk Telephone:	0131 271 3160
Clerk Email:	<a href="mailto:mike.broadway@midlothian.gov.uk">mike.broadway@midlothian.gov.uk</a>

### **Further Information:**

This is a meeting which is open to members of the public.

## **1 Welcome, Introductions and Apologies**

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## **2 Order of Business**

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Including notice of new business submitted as urgent for consideration at the end of the meeting.

## **3 Declaration of Interest**

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Members should declare any financial and non-financial interests they have in the items of business for consideration, identifying the relevant agenda item and the nature of their interest.

## **4 Minute of Previous Meeting**

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| <b>4.1</b> | Minute of Meeting held on 29 June 2022 For Approval | 3 - 8 |
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## **5 Public Reports**

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| <b>5.1</b> | MIJB Annual Audit Report to Members and the Controller of Audit – year ended 31 March 2022 - Report by EY, External Auditors | 9 - 40  |
| <b>5.2</b> | 2021/22 Audited Annual Accounts – Report by Chief Finance Officer  | 41 - 90 |
| <b>5.3</b> | Risk Register – Report by Chief Officer Place (Report to follow)   |         |
| <b>5.4</b> | CIPFA FM code self assessment – Report by Chief Finance Officer  | 91 - 98 |

## **6 Private Reports**

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No items for discussion

## **7 Date of Next Meeting**

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The next meeting will be held on Thursday 1 December 2022 at 2pm

# Midlothian Integration Joint Board



Meeting	Date	Time	Venue
Audit and Risk Committee	Thursday 29 June 2022	9.00am	Virtual Meeting held using MS Teams.

## Present (voting members):

Cllr Colin Cassidy (Chair)	Carolyn Hirst	Councillor Kelly Parry
Jock Encombe	Pam Russell (Independent Member)	

## Present (non-voting members):

Morag Barrow (Chief Officer)	Claire Flanagan (Chief Finance Officer)	Jill Stacey (Chief Internal Auditor)

## In attendance:

Grace Scanlin (EY, External Auditor)	Roxanne Watson (Executive Business Manager)	Mike Broadway (Clerk)

## Apologies:

Stephen Reid (EY, External Auditor)		

## Audit and Risk Committee

Thursday 29 June 2022

### 1. Welcome and introductions

The Chair, Councillor Colin Cassidy, welcomed everyone to this virtual meeting of the Audit and Risk Committee, following which there was a round of introductions.

### 2. Order of Business

The order of business was confirmed as outlined in the Agenda that had been previously circulated.

### 3. Declarations of interest

No declarations of interest were received at this stage of the proceedings.

### 4. Minutes of Meeting

4.1 The Minutes of Meeting of the Audit and Risk Committee held on 3 March 2022 was submitted and approved as a correct record.

### 5. Public Reports

Report Title/Summary	Decision	Action Owner	Date to be Completed/Comments
<b>5.1 Midlothian IJB Internal Audit Annual Assurance Report 2021/22 – Report by Chief Internal Auditor.</b>  The purpose of this report was to present the Internal Audit Annual Assurance Report 2021/22 for the Midlothian Integration Joint Board (MIJB) which included the Chief Internal Auditor's independent assurance opinion on the adequacy of the MIJB's overall control environment for the year ended 31 March 2022.	(a) Noted the assurances contained within the Report and that a further report on the recently adopted CIPFA Code would be brought to the September meeting;  (b) Agreed that the issue of the flow of information required by MIJB for assurance purposed be taken up with the Partners; and  (c) Approve the Midlothian Integration Joint Board Internal Audit Annual Assurance Report 2021/22.	Chief Finance Officer  Chief Officer/ Chief Internal Auditor  Chief Internal Auditor	September 2022

## Audit and Risk Committee

Thursday 29 June 2022

Report Title/Summary	Decision	Action Owner	Date to be Completed/Comments
<p>The report explained that the Public Sector Internal Audit Standards (PSIAS) required the MIJB's Chief Internal Auditor to prepare an annual report that incorporated the annual opinion on the adequacy and effectiveness of MIJB's framework of governance, risk management and control, a summary of the work that supports the opinion, and a statement on conformance with the PSIAS.</p> <p>Chief Internal Auditor, Jill Stacey, in presenting the report confirmed that based on their reviews, risk assessments and knowledge, the MIJB's governance arrangements, risk management and systems of internal control were operating satisfactorily, and that the work and opinion of Internal Audit had been used to inform the Chief Officer's Annual Governance Statement 2021/22.</p> <p>The Committee, in considering the Report, discussed the need for clarity regarding the flow of information from Partners to the MIJB on issues such as value for money/following the public pound, governance, risk, performance and internal control matters where they were the responsibilities of one of Partners but relevant to the MIJB for assurance purposes. Consideration was also given to the relevance and application of the recently adopted CIPFA Financial Management Code, 2021/22 in so far as it pertained to the operations of the MIJB.</p>			

## Audit and Risk Committee

Thursday 29 June 2022

Report Title/Summary	Decision	Action Owner	Date to be Completed/Comments
<p><b>5.2 Midlothian IJB Annual Governance Statement 2021/22 – Report by Chief Internal Auditor.</b></p> <p>The purpose of this report was to present the draft Annual Governance Statement 2021/22 of the Midlothian Integration Joint Board by the Chief Officer that would be published as part of the Annual Report and Accounts 2021/22.</p> <p>The report explained that the CIPFA/SOLACE Framework ‘Delivering Good Governance in Local Government’ (2016) urged authorities to review the effectiveness of their existing governance arrangements against their Local Code, and prepare an annual governance statement and compliance report. The MIJB had approved a revised Local Code of Corporate Governance, on recommendation from the Audit and Risk Committee, in April 2021.</p> <p>In terms of overall corporate governance it was the Chief Officer’s opinion that, although there are a few areas of work to be completed for full compliance with the Local Code, the overall governance arrangements of the MIJB were operating satisfactorily.</p> <p>Having heard from both the Chief Internal Auditor, Jill Stacey, and Chief Officer, Morag Barrow, who responded to Members’ questions and comments, the Committee discussed the Annual Governance Statement 2021/22.</p>	<p>(a) Agreed that the Annual Governance Statement 2021/22 reflected the risk environment and governance in place to achieve objectives, and acknowledged the actions identified by Management to improve internal controls and governance arrangements; and</p> <p>(b) Agreed that it be published as part of the Annual Report and Accounts 2021/22 of the Midlothian Integration Joint Board.</p>	<p>Chief Finance Officer</p>	<p>30 June 2022</p>

## Audit and Risk Committee

Thursday 29 June 2022

Report Title/Summary	Decision	Action Owner	Date to be Completed/Comments
<p><b>5.3 MIJB Draft Unaudited Annual Accounts 2021/22 – Report by Chief Finance Officer.</b></p> <p>The purpose of the report was to present the draft (unaudited) Annual Accounts of the MIJB for the year ending 31 March 2022 for consideration and approval.</p> <p>The report explained that MIJB was required to prepare a set of annual accounts for the financial year 2021/22. A draft of these accounts must be agreed by the MIJB before 30 June whereupon the draft must be published on the MIJB's website and presented to the MIJB's auditors for review.</p> <p>Having heard from Chief Finance Officer, Claire Flanagan, who responded to Members' questions and comments, the Committee discussed the unaudited Annual Accounts. It was felt that the position relating to committed reserves was well explained and that it would be beneficial in assisting understanding of the position regarding these and other related matters.</p>	<p>Agreed to approve the unaudited draft Annual Accounts 2020/21 for publication and submission to the external auditors for audit purposes.</p>	<p>Chief Finance Officer</p>	<p>30 June 2022</p>

### 6. Private Reports

No private business to be discussed at this meeting.

## Audit and Risk Committee

Thursday 29 June 2022

### 7. Any other business

Report Title/Summary	Decision	Action Owner	Date to be Completed/Comments
<b>7.1 Membership</b> The Committee, having noted that this was Jill Stacey's final meeting as Chief Internal Auditor joined the Chair in thanking Jill and in wishing her all the best for the future.	(a) Recorded an expression of thanks to Jill Stacey for her contributions as Chief Internal Auditor; and (b) Noted that the necessary steps were being taken to secure a suitable replacement.		

### 8. Date of next meeting

The next meeting of the Midlothian Integration Joint Board Audit and Risk Committee would be held on Thursday 1 September 2022 at 2 pm.

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

The meeting terminated at 9.54 am.



# Midlothian Integration Joint Board

**Annual Audit Report to Members  
and the Controller of Audit - year  
ended 31 March 2022**

**September 2022**

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<b>Financial statements audit</b>	Provide an opinion on audited bodies' financial statements  Review and report on, as appropriate, other information such as the annual governance statement, management commentary and remuneration report	09
<b>Wider scope dimensions</b>	Demonstrate compliance with the wider public audit scope by reviewing and providing judgements and conclusions on the audited body's: <ul style="list-style-type: none"> <li>• financial position and arrangements for securing financial sustainability</li> <li>• suitability and effectiveness of corporate governance arrangements</li> <li>• effectiveness of performance management arrangements in driving economy, efficiency and effectiveness in the use of public money and assets</li> </ul> We also conclude on the IJB's ability to demonstrate that it meets Best Value responsibilities to the Board	14
<b>Appendices</b>	Undertake statutory duties, and comply with professional engagement and ethical standards:  Appendix A: audited body's responsibilities  Appendix B: required auditor communications  Appendix C: independence and audit quality  Appendix D: Follow up of prior year recommendations  Appendix E: Timing and deliverables of the audit	26

## About this report

This report has been prepared in accordance with Terms of Appointment Letter from Audit Scotland dated 31 May 2016 through which the Accounts Commission has appointed us as external auditor of Midlothian Integration Joint Board (the IJB) for financial years 2016/17 to 2021/22. As a result of the impact of Covid-19 our appointment was extended by a further 12 months to include the financial year 2021/22. We undertake our audit in accordance with the Local Government (Scotland) Act 1973 and our responsibilities as set out within Audit Scotland's Code of Audit Practice. This report is for the benefit of the IJB and is made available to the Accounts Commission, the Controller of Audit and Audit Scotland. This report has not been designed to be of benefit to anyone except the recipients. In preparing this report we have not taken into account the interests, needs or circumstances of anyone apart from the recipients, even though we may have been aware that others might read this report.

Any party other than the Recipients that obtains access to this report or a copy (under the Freedom of Information Act 2000, the Freedom of Information (Scotland) Act 2002, through a Recipient's Publication Scheme or otherwise) and chooses to rely on this report (or any part of it) does so at its own risk. To the fullest extent permitted by law, Ernst & Young LLP does not assume any responsibility and will not accept any liability in respect of this report to any party other than the Recipients

## Complaints

If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with Stephen Reid who is our partner responsible for services under appointment by Audit Scotland, telephone 0131 777 2839, email sreid2@uk.ey.com. If you prefer an alternative route, please contact Hywel Ball, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, or with how your complaint has been handled, you can refer the matter to Vicki Bibby, Audit Scotland, 4th Floor, 102 West Port, Edinburgh, EH3 9DN. Alternatively you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

# Executive Summary: Key Conclusions from our 2021/22 audit

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We expect to issue an unqualified audit opinion on the IJB's 2021/22 financial statements

## Financial Statements

We have concluded our audit of the financial statements of Midlothian Integration Joint Board (IJB or the Board) for the year ended 31 March 2022. No audit adjustments were required to be made and there are no unadjusted differences that we are required to communicate. The draft financial statements required additional input from audit and the Chief Financial Officer to ensure that the quality was comparable with previous years. As a result, changes were made to a number of areas of the financial statements, including the management commentary and Annual Governance Statements. All supporting working papers were of a good quality. We concluded that the other information subject to audit, including the applicable parts of the Remuneration Report and the Annual Governance Statement were appropriate.

## Scope update

The IJB's Audit and Risk Committee considered our audit planning report at its meeting on 3 March 2022. At the meeting, we provided an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan.

Our Annual Audit Plan communicated that our audit procedures would be performed using a overall materiality of £1.6 million. We have assessed that this level of materiality remains appropriate for the actual outturn for the 2021/22 financial year. Performance materiality remains at 75% of overall materiality at £1.18 million.

## Going Concern

In accordance with the CIPFA Code of Practice on Local Government Accounting, the IJB prepares its financial statements on a going concern basis unless informed by the Scottish Government of the intention for dissolution without transfer of services or function to another entity. The Scottish Government introduced a National Care Service (Scotland) Bill to Parliament on 20 June 2022. Under these plans, the functions of the IJB would transfer to become the responsibility of a National Care Service by 2026. As a result, we remain satisfied that the going concern basis remains appropriate for the IJB.

It is a requirement under revised auditing standard ISA 570 that we consider and challenge of management's assessment of going concern, including testing of the adequacy of the supporting evidence we obtained. We had no matters that we are required to draw attention to within our opinion, and we were satisfied with the going concern disclosures within Note 1 to the financial statements.

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We continued to review and update our risk assessment throughout the audit, including the materiality level applied. No changes were required as a result of this review.

## Wider Scope and Best Value

We summarise the conclusions we reached in response to our work on the wider scope dimensions below.

### Financial Management



As in 2020/21, the IJB recorded a significant underspend during the year which allowed it to increase its reserves balances by £10.5 million. As a result, the IJB acknowledges that there is a need to review the Reserves Strategy to ensure that balances can be used to support the delivery of the Strategic Plan. Financial monitoring arrangements are robust, but we noted that as a result of interim Chief Finance Officer arrangements, the quality of financial forecasting reports to the Board were insufficient to support decision-making.

We note that the Chief Finance Officer is a shared resource, and that there is a need to review the corporate support arrangement to ensure that the IJB has sufficient financial capacity.

### Financial Sustainability



Underspends as a result of late funding allocations mean that the IJB has now exceeded its target level of reserves. Forecasts for 2023/24 and beyond continue to present a challenging outlook.

The IJB has developed a Strategic Plan 2022-25, which sets out an ambitious transformation during a period of significant uncertainty due to the implications of the National Care Service Bill and ongoing pandemic costs. The plan also recognises the challenges associated with an increasing and ageing population. Work continues to develop a Medium Term Financial Plan to support the delivery of the Strategy, but the Board has issued a Direction to Partners to make use of earmarked reserves during 2022/23 to make urgent progress against priorities within the Strategic Plan.

### Governance & Transparency



The IJB's Annual Governance Statement notes that governance arrangements continue to operate effectively, throughout 2021/22 and demonstrates good practice in reporting on progress against priority improvement actions for the IJB.

Changes to the arrangements for the Chief Internal Auditor present a risk that the Board will not receive the annual level of assurance on governance and risk management processes that it requires. Action is underway to secure resource with Midlothian Council.

### Value for Money



The IJB exercised powers granted under the Coronavirus (Scotland) Act 2020 to delay the publication of the Annual Performance Report for 2021/22. It will be published in October 2022.

The IJB has achieved all but one of its high level targets for 2020/21, and performance data for 2021/22 highlights further improvement in levels of emergency admissions, delayed discharges and unplanned bed days. Performance reporting is good and is supported by recent work on data quality.

## Best Value Conclusions

Our wider scope audit work, and the judgements and conclusions reached in these areas, contribute to our overall assessment and assurance on the Council's achievement of Best Value. The IJB has established an updated Strategic Plan following extensive consultation with its communities. The Board continues to invest in self-evaluation and performance reporting. As a result, we are satisfied that the IJB has established effective arrangements to allow it to demonstrate that it meets its Best Value responsibilities.

# Introduction

As a result of the impact of Covid-19, Audit Scotland and the Accounts Commission agreed to extend our appointment as external auditor of the IJB to 2021/22.

## Purpose of this report

In accordance with the Local Government (Scotland) Act 1973, the Accounts Commission appointed EY as the external auditor of Midlothian Integration Joint Board (the IJB or Board). Our appointment term was extended by 12 months, to financial year 2021/22. We undertake our audit in accordance with the Code of Audit Practice (the Code), issued by Audit Scotland in May 2016; Auditing Standards and guidance issued by the Financial Reporting Council; relevant legislation; and other guidance issued by Audit Scotland.

This Annual Audit Report is designed to summarise the key findings and conclusions from our audit work. It is addressed to both members of the IJB and the Controller of Audit, and presented to those charged with governance. This report is provided to Audit Scotland and is published on their website.

We draw your attention to the fact that our audit was not designed to identify all matters that may be relevant to the IJB. Our views on internal control and governance arrangements have been based solely on the audit procedures performed in respect of the audit of the financial statements and the other procedures performed in fulfilling our audit plan.

A key objective of our audit reporting is to add value by supporting the improvement of the use of public money. We aim to achieve this through sharing our insights from our audit work, our observations around where the IJB employs best practice and where practices can be improved. We use these insights to form our audit recommendations to support the IJB in improving its practices around financial management and control, as well as around key aspects of the wider scope dimensions of audit. Such areas we have identified are highlighted throughout this report together with our judgements and conclusions regarding arrangements, and where relevant recommendations and actions agreed with management.

## Our independence

We confirm that we have undertaken client and engagement continuance procedures, which include our assessment of our continuing independence to act as external auditor. Further information is available in Appendix B.



Scope and Responsibilities

The Code sets out the responsibilities of both the IJB and the auditor (summarised in Appendix A).

Financial statements audit

We are responsible for conducting an audit of the IJB’s financial statements. We provide an opinion as to:

- whether they give a true and fair view of the financial position of the IJB as at 31 March 2022 and its expenditure and income for the year then ended; and
- whether they have been properly prepared in accordance with the Local Government (Scotland) Act 1973 and the 2021/22 Code of Practice on Local Authority Accounting in the United Kingdom.

We also review and report on the consistency of the other information prepared and published along with the financial statements. We outlined the significant risks and other focus areas for the 2021/22 audit in our Annual Audit Plan, which was presented to the audit committee on 3 March 2021.

One significant risk was identified in relation to the risk of fraud in expenditure recognition, which includes the risk of management override of controls. We consider this risk to manifest itself through the manipulation of expenditure recognition. In addition, we continued to place increased focus on management’s assertion regarding the going concern basis of preparation in the financial statements. Our findings are summarised in Section 2 of this report.

We remain satisfied that the values reported in our Annual Audit Plan for planning materiality, performance materiality and our audit threshold for reporting differences remain appropriate.

Application of materiality

Our Annual Audit Plan explained that our audit procedures would be performed using a materiality of £1.6 million. We have considered whether any change to our materiality was required in light of the financial impact of Covid-19 and we remain satisfied that the materiality values reported within our Annual Audit Plan remain appropriate.

Our evaluation requires professional judgement and so takes into account qualitative as well as quantitative considerations. Factors which we consider include the perspectives and expectations of users of the financial statements as well as our risk assessment as to the likelihood of material misstatements arising in the financial statements.

Overall Materiality	Performance Materiality	Reporting Threshold
£1.6 million	£1.18 million	£120,000
1% of the IJB’s net expenditure	Materiality at an individual account level	Level that we will report to committee

As we outlined in our Annual Audit Plan, based on considerations around the expectations of financial statement users and qualitative factors, we apply lower materiality levels to the audit of the Remuneration Report and Related Party Transactions.

### **Wider Scope audit**

Under the Code of Audit Practice, our responsibilities extend beyond the audit of the financial statements. Due to the nature of the IJB, our wider scope work requires significant allocation of resources in the audit. The Code requires auditors to provide judgements and conclusions on the four dimensions of wider scope public audit:

- Financial management;
- Financial sustainability;
- Governance and transparency; and
- Value for money.

Our Annual Audit Plan identified one area of significant risk in relation to the wider scope dimensions, regarding the development of a robust Medium Term Financial Plan. Our findings are summarised in Section 3 of this report.

### **Best Value**

Our Annual Audit Plan outlined a requirement to comment on how effectively the IJB demonstrates that it meets its Best Value responsibilities. We continue to consider the IJB's arrangements against guidance issued by Audit Scotland, *Auditing Best Value – Integration Joint Boards (March 2018)*. We outline our assessment for 2021/22 in Section 3 of this report. We also draw attention to expected revisions to arrangements under the new Code of Audit Practice for 2022/23 and beyond.

# Financial Statements audit

## Introduction

The annual financial statements allow the IJB to demonstrate accountability for the resources that it has the power to direct, and report on its overall performance in the application of those resources during the year.

This section of our report summarises the audit work undertaken to support our audit opinion, including our conclusions in response to the significant and other risks identified in our Annual Audit Plan.

The plan highlighted one area that we identified as a fraud risk relating to the presumed risk of fraud in revenue and expenditure recognition, including through management override of controls. For the IJB, we consider this risk to manifest itself as an expenditure recognition risk.

## Compliance with Regulation

The Regulations were amended to allow the IJB to delay preparation of the financial statements. However, the draft financial statements were submitted for audit in line with planned timescales. The inspection notice was published in accordance with requirements.

The Local Authority Accounts (Scotland) Regulations 2014 set out the statutory requirements on the IJB to prepare financial statements, ensure their availability for public inspection and consideration by the board or a committee with an audit or governance remit. The IJB complied with the regulations and the normal timescale concerning preparation, publication and approval of its annual financial statements. We received the unaudited financial statements on 29 June 2022, in line with planned timescales.

The inspection notice was published by Midlothian Council, on the IJB's behalf, on 17 June 2022, in line with the requirements of the Regulations. No objections were received in relation to the financial statements.

## Audit Status

Our audit is substantially complete, subject to the receipt and review of the following outstanding areas:

- The NHS Lothian auditor confirmation letter (the due date for this is 26th August 2022);
- Revised financial statements in response to comments that we have provided to the Chief Finance Officer; and
- Responses to our letters to those charged with governance.

To date, we have identified no adjusted audit differences arising from the audit. Our overall audit opinion is summarised on the following page.



# Our audit opinion

## Element of opinion

## Basis of our opinion

## Conclusions

### Financial statements

- Truth and fairness of the state of affairs of the IJB at 31 March 2022 and its income and expenditure for the year then ended
- Financial statements in accordance with the relevant financial reporting framework and 2021/22 Code

We report on the outcomes of our audit procedures to respond to the most significant assessed risks of material misstatement that we have identified, including our judgements within this section of our report. We did not identify any areas of material misstatement.

We are satisfied that accounting policies are appropriate and estimates are reasonable

We have considered the financial statements against Code requirements, and additional guidance issued by CIPFA and Audit Scotland.

We have issued an unqualified audit opinion on the 2021/22 financial statements of the IJB.

### Going concern

- We are required to conclude and report on the appropriateness of the use of the going concern basis of accounting

We conduct core financial statements audit work, including review and challenge of management's assessment of the appropriateness of the going concern basis

Wider scope procedures including the forecasts are considered as part of our work on financial sustainability.

In accordance with the work reported on page 12, we have not identified any material uncertainties.

### Other information

- We are required to consider whether the other information in the financial statements is materially inconsistent with other knowledge obtained during the audit

The Chief Finance Officer is responsible for other information, included in the financial statements.

We conduct a range of substantive procedures on the financial statements and our conclusion draws upon Review of committee and board minutes and papers, regular discussions with management, our understanding of the IJB and the wider sector.

We are satisfied that the Annual Report meets the core requirements set out in the Code of Practice on Local Authority Accounting.

### Matters prescribed by the Accounts Commission

- Audited part of remuneration report has been properly prepared.
- Management commentary / annual governance statement are consistent with the financial statements and have been properly prepared.

- Reviewing the content of narrative disclosures to information known to us.
- Our assessment of the Annual Governance Statement against the Delivering Good Governance Code.

We have issued an unqualified opinion.

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

We are required to report on whether:

- there has been a failure to achieve a prescribed financial objective,
- adequate accounting records have been kept,
- financial statements and the audited part of the Remuneration Report are not in agreement with the accounting records, or
- we have not received the information we require.

We have no matters to report.

# Significant and fraud audit risks

Risk of Fraud in expenditure recognition, including through management override of controls

## What is the risk?

As we outlined in our Annual Audit Plan, ISA (UK) 240 requires us to assume that fraud risk from income recognition is a significant risk. In the public sector, we extend our consideration to the risk of material misstatement by manipulation of expenditure.

As there is no material judgement associated with the recognition of the IJB's funding from Midlothian Council and NHS Lothian, we have determined that the risk of revenue recognition does not materialise within this area.

## What judgements are we focused on?

For expenditure we focus on the risk in relation to the existence and occurrence of expenditure incurred by the IJB in commissioning services from the partners. There may be judgement in the timing of the recognition of expenditure.

## What did we do?

We undertake specific, additional procedures for income and expenditure streams where we identified a fraud risk. For 2021/22 our work included:

- We challenged management on how the IJB gains assurance over the expenditure it incurs and the basis of payments it makes to its partner bodies to deliver commissioned services. Management present financial information to the IJB that clarifies the source of information provided by each of the IJB partners. Reports to the IJB at the year end also made clear that the year end outturn represented the approval by the IJB of the final expenditure incurred in commissioning services from Midlothian Council and NHS Lothian.
- Review of additional revenue streams and cut-off testing for additional income received as a result of the Covid-19 outbreak.
- As part of the year end process, the IJB obtained written confirmation statements from the Director of Finance at NHS Lothian and Section 95 Officer at Midlothian Council of the spend by the respective bodies on delivering services, and hence their request for payment from the IJB to cover those costs. We obtained a copy of those confirmations and agreed figures within the financial statement to source documentation.
- *[We obtained independent confirmation from the appointed auditor at both Midlothian Council and NHS Lothian of the income and expenditure transactions recorded at their respective audited bodies. The confirmations agreed the income and expenditure amounts transacted in the year.]*

## Our conclusions

*[Subject to confirmation obtained from NHS Lothian's auditor],* our testing has not identified any material misstatements relating to revenue and expenditure recognition. We did not identify any areas of significant estimation or judgement as part of our audit work in these areas.

### **Risk of management override**

Our Annual Audit Plan recognises that under ISA (UK) 240, management is considered to be in a unique position to perpetrate fraud in financial reporting because of its ability to manipulate accounting records directly or indirectly by overriding controls that otherwise appear to be operating effectively. We respond to this risk on every engagement.

### **Risk of Fraud**

- We considered the risk of fraud, enquired with management about their assessment of the risks of fraud and the controls to address those risks. We also updated and developed our understanding of the oversight of those charged with governance over management's processes over fraud.

### **Testing on Journal Entries**

- We tested the appropriateness of manual journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements. We obtained all journals posted by management to record the transactions of the IJB, which are hosted on the Midlothian Council financial ledger. All of the journals for the IJB's transactions were posted at the year end and we reviewed all transactions in the course of our work.

### **Judgements and Estimates**

- We agreed with management's assessment that there are no material accounting estimates included in the financial statements. We confirmed the process for ensuring that there were no claims applicable to the IJB which required provision to be made as part of its participation in CNORIS (Clinical Negligence & Other Risks Indemnity Scheme).

### **Accounting Policies**

- We considered the consistency and application of accounting policies, and the overall presentation of financial information. We consider the accounting policies adopted by the IJB to be appropriate. There were no significant accounting practices which materially depart from what is acceptable under IFRS or the Code.

### **Our conclusions**

- We have not identified any material weaknesses in the design and implementation of controls around journal processing. We did not identify any instances of evidence of management override of controls.
- There was no disagreement during the course of the audit over any accounting treatment or disclosure and we encountered no significant difficulties in the audit.

# Going concern

Under the revised auditing standard, ISA 570, we are required to undertake greater challenge of management's assessment of going concern, including testing of the adequacy of the supporting evidence we obtained.

In accordance with the CIPFA Code of Practice on Local Government Accounting, the IJB prepares its financial statements on a going concern basis unless informed by the Scottish Government of the intention for dissolution without transfer of services or function to another entity. CIPFA bulletin 05 (issued at closure of the 2019/20 financial statements) states that while there is likely to be a significant impact of Covid-19 on local authority financial sustainability, the rationale for the going concern basis of reporting has not changed.

However, under the revised auditing standard, ISA 570, we are required to undertake greater challenge of management's assessment of going concern, including testing of the adequacy of the supporting evidence we obtained. Management's going concern assessment and associated disclosures cover the 12 month period from the date of approval of the financial statements, including the expected impact on the Five Year Financial Plan.

The IJB has received further financial support to meet the additional costs and unachieved savings associated with the pandemic in February 2022. As a result, the funding to date has exceeded the additional costs of Covid-19, and the balance has therefore been transferred to the IJB's reserves. This financial support has reduced the financial risk and uncertainty during the going concern period. The IJB holds earmarked reserves at 31 March 2022 of £17.6 million, and a further general reserve of £5.87 million. This exceeds the target reserves level of around £3 million outlined in the Board's Reserves Strategy.

The Integration Scheme sets out the process to be followed should the IJB overspend in any financial year. Where an unexpected overspend is likely, the Chief Officer should agree corrective action to mitigate the overspend. Where this does not resolve the gap, agreement must be made between the partners, to agree a recovery plan to balance the budget. Where this is unsuccessful and the IJB overspends at the year end, partners provide a voluntary additional one-off payment to reflect the level of overspend.

The IJB has therefore concluded that there are no material uncertainties around its going concern status and ultimately any costs will be met by the IJB's partners in line with the terms of the Integration Scheme.

## Our conclusions

- We are satisfied that the IJB remains a going concern.
- We have worked with management to enhance the going concern disclosures within the financial statements.

# Best Value and Wider Scope dimensions

Our wider scope audit work, and the judgements and conclusions reached in these areas, contribute to the overall assessment and assurance on the achievement of Best Value on page 24.

## Introduction

We are required to reach conclusions in relation to the effectiveness and appropriateness of the IJB's arrangements for the four wider scope audit dimensions, and draw upon these assessments to form conclusions on the IJB's ability to demonstrate Best Value in its activities. During 2021/22, the Audit and Risk Committee considered a self-assessment prepared by the Interim Chief Finance Officer against Audit Scotland's guidance on Best Value for IJBs. We draw upon this work within our conclusions on page 24.

Under the Code of Audit Practice, we apply our professional judgement to risk assess and focus our work on each of the wider scope dimensions. In doing so, we draw upon conclusions expressed by other bodies including the IJB's internal auditors and the Care Inspectorate, along with national reports and guidance from regulators and Audit Scotland. For each of the dimensions, we have applied a RAG rating, which represents our assessment on the adequacy of the IJB's arrangements throughout the year, as well as the overall pace of improvement and future risk associated with each dimension.

## The Wider Scope dimensions

### Financial Management:

- Considers the effectiveness of financial management arrangements, including financial capacity and resources, sound budgetary processes and whether the control environment and internal controls are operating effectively.

### Financial Sustainability:

- Considers the medium and longer term outlook to determine if financial planning is effective in supporting service delivery.

### Governance and Transparency:

- Considers the effectiveness of scrutiny and governance arrangements and the transparent reporting of financial and performance information.

### Value for Money ☐

- ☐ Considers whether value for money can be demonstrated in the use of resources and the focus on continuous improvement.

# Financial Management

Our overall assessment: **Amber**



## Financial Position

The IJB's financial outturn continued to be significantly impacted by the response to the Covid-19 pandemic throughout 2021/22. The IJB recorded an underspend of £10.52 million (2020/21: underspend of £8.37 million) as a result of:

- The late allocation of £9.5 million of additional funding from the Scottish Government to meet Covid-19 costs in 2022/23 and beyond;
- Additional funding to respond to winter pressures, totalling £1.8 million.

Due to the timing of the allocations, the IJB reserves continued to increase significantly. Audit Scotland note in their June 2022 [Financial Analysis of IJBs](#) that in 2020/21, all IJBs recorded an increase in their level of reserves. The with the overall reserve balance held by IJBs increased by £437 million (304 per cent) in 2020/21, primarily as a result of significant Covid-19 funding and the inability to complete programmes of activity during the pandemic.

Audit Scotland note that the total reserves balances held as a proportion of each individual IJB's net cost of services in 2020/21 varied between 2.2% and 12.2%. Midlothian's proportion in 2020/21 was 8.3%, putting it in the highest quartile of IJBs. As Exhibit 1 outlines, the IJB's overall reserves further increased from £12.99 million in 2020/21, to £23.5 million in 2021/22.

### Exhibit 1: The IJBs Reserves continued to rise in 2021/22, although the majority of reserves are earmarked for covid or planned improvement programmes



Source: Midlothian IJB Financial Outturn 2021/22

General, unearmarked reserves increased to £5.87 million, which equates to around 3.5% of expenditure, against the IJB's current reserves strategy of holding 2% of net expenditure. We consider that it remained appropriate to hold additional reserves during the period of uncertainty caused by the pandemic. However, at the outset of the financial year, as a result of the late additional allocation in February 2022, this balance increased to £9.7 million at March 2022. The IJB has recognised that there is now an opportunity to plan for the use of reserves to deliver financial sustainability and the aims within the Strategic Plan 2022-25.

The IJB has recognised that the use of reserves can support the delivery of the Strategic Plan.

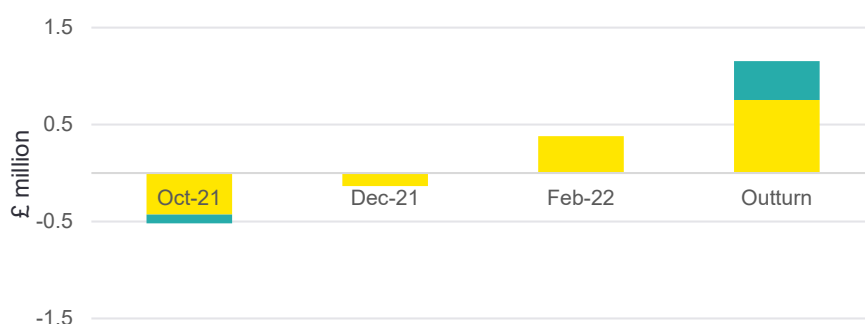


**Recommendation 1:** The IJB should ensure that, as in prior years, financial monitoring reports provide Board members with clarity on the forecast outturn position, and impact on reserves balances.

## Financial Monitoring arrangements

The IJB used interim arrangements to fulfil the role of Chief Finance Officer for most of the 2021/22 financial year, as the postholder was on maternity leave. As a result, changes were made to the content of quarterly financial monitoring reports to the Board. As we note in Exhibit 2, the forecast financial outturn position reported to the Board varied significantly throughout the year. We note that the Board's Chief Internal Auditor concluded that the budget monitoring process diminished during the year and that the financial information provided to the Board was insufficient to allow for effective budget monitoring.

Exhibit 2: The forecast financial outturn position varied significantly during the year



Source: Financial Monitoring reports to Midlothian IJB 2021-22

## Set Aside Arrangements

NHS Lothian serves Midlothian IJB and another four integration joint boards. For the majority of services provided by NHS Lothian, charges for core services are based on the net direct costs incurred for people who live in Midlothian. However, charges for hosted and set aside services (services that are delivered on a pan-Lothian basis) are based on the total actual costs for these service shared across four IJBs. Historically, the proportion allocated to Midlothian is around 10%.

Prior to the pandemic, work began to test and model the allocation of costs based on actual activity of each IJB. This work, led by NHS Lothian, remains in progress. Until this is resolved, there is a risk that Midlothian IJB costs are higher than usage, and that additional costs will be incurred in future years, with a corresponding impact on the medium term financial plan.

### **CIPFA Financial management code**

Compliance with the CIPFA Financial Management Code became a requirement for all local government bodies in 2021/22. The Code provides guidance for good and sustainable financial management and provides assurance that authorities are managing resources effectively. It requires organisations to demonstrate that the processes they have in place satisfy the principles of good financial management.

The IJB has recently prepared a full self-assessment against the Code which recognises that there remain areas for development, including the need to develop longer term financial planning. This has been identified as an area for improvement within the IJB's Annual Governance Statement.

### **Finance Capacity**

**Recommendation 2:** The IJB should review the adequacy of corporate support from Partners to ensure that it remains fit for purpose.

The IJB does not directly employ staff and instead relies upon its Partners to provide corporate and other support functions. The IJB has accountancy, risk management and performance support from both partners. We understand that Midlothian and East Lothian IJBs are now the only Boards to share a Chief Finance Officer. The Chief Finance Officer also fulfils a role within NHS Lothian. There are increasing demands on Chief Finance Officers across Scotland as a result of ongoing work on the cost impact of Covid-19, the need to respond to expectations about medium term financial planning, and preparation for the National Care Service. Similarly, there are increasing demands on procurement functions as a result of the need to support social care providers, including the distribution of sustainability payments.

As a result, in our view, the IJB should work with Partners to ensure that corporate support arrangements remain adequate and fit for purpose.



# Financial Sustainability

**Our overall  
assessment:  
Amber**



## National Care Service Bill

In June 2022, the Scottish Government published the National Care Service Bill. Proposals within the Bill would make Scottish Ministers accountable for adult social care in Scotland. The National Care Service will define the strategic direction and quality standards for community health and social care across Scotland.

Current IJB arrangements are expected to be replaced by local delivery boards. "Care Boards" which will work with the NHS, local authorities, and the third and independent sectors to plan, commission and deliver support and services for communities. Social care services currently provided in-house by local authorities, may continue under a commissioning arrangement with the care board. However, the care board may take over direct delivery, with staff transferring employment from the council to the care board.

The Bill explains that the detail of how the new service will work will be co-designed with people who have direct experience of social care services. The National Care Service is expected to be created in 2025/26. As a result of these changes, along with the ongoing impact of the pandemic, the IJB is responsible for strategic planning for health and social care during a significant period of uncertainty.

## Strategic Plan 2022-25

In April 2022, the Board approved the IJB's Strategic Plan for the period 2022-25. The Plan was subject to extensive consultation, including online surveys, focus groups interviews and events. The IJB estimates that over 2,500 participated in the consultation process.

The IJB's strategic aims continue to focus on:

- Increasing people's support and opportunities to stay well, prevent ill or worsening health, and plan ahead.
- Enabling more people to get support, treatment and care in community and home-based settings.
- Increasing people's choice and control over their support and services; and
- Supporting more people with rehabilitation and recovery.

Additional focus has been given in the 2022-25 plan to:

- Improving the ability to promote and protect people's human rights, including social and economic rights and meet our duties under human rights law, through our services and support.
- Expanding joint working, integration of services, and partnership work with primary care, third sector organisations, providers, unpaid carers, and communities to better meet people's needs.

The Plan recognises the challenges associated with the ongoing impact of the pandemic, and the increasing and ageing population within Midlothian but sets out ambitions to transform services over the next three years.

### Financial Planning

The IJB has recognised that the Strategic Plan must be supported by effective workforce and financial planning. All Health and Social Care Partnerships were required to submit 3-year Workforce Plans to the Scottish Government by 31 March 2022 which mapped out the medium-term needs of the workforce, including inequalities and areas of recruitment difficulty.

The IJB's Medium Term Financial Plan was based on the previous Strategic Plan and preceded the pandemic. Initial forecasts have been provided to the Strategic Planning Group and Board for the period to 2023/24. The IJB faces a significant continuing financial challenge, despite the level of reserves that the IJB held at 31 March 2022. As a result, the IJB has taken steps to ensure that a proactive, managed approach to using the reserves will be enacted to help ease pressure on the local health and care system whilst also beginning to accelerate the pace of transformation.

Recommendation 3: The IJB recognises that a Medium Term Financial Plan is vital to support the delivery of the Strategic Plan.

A Direction has been issued to Partners to provide clarity about the use of earmarked reserves where possible to support the delivery and transformation of delegated functions within the Strategic Plan.

Key costs pressures including the impact of likely pay settlements, general inflation and ongoing covid costs mean that uncertainty remains about the financial position for the remaining years of the Strategic Plan.

During 2021/22, the IJB recognised additional costs associated with the pandemic of £5.488 million, which included costs associated with:

- The opening of a additional ward in Midlothian Community Hospital (£1.3 million)
- Discharge to assess expansion (£1.13 million); and
- Covid prescribing pressures (£0.6 million).

The allocation of additional Covid-19 funding in February 2022 is understood to be a final position, and that no further funding will be available in 2023/24 and beyond.

# Governance and Transparency

**Our overall  
assessment:  
Green**



## Local Code of Corporate Governance

The IJB complies with the CIPFA framework for *Delivering Good Governance in Local Government*, in the preparation of its Annual Governance Statement (AGS). The AGS reports on the effectiveness of the governance framework throughout the financial year, and key areas of improvement for 2022/23 including:

- Demonstrating links within the Strategic Plan 2022-23 to local and national objectives and alignment of Directions;
- Updating the Financial Strategy to address significant deficits indicated in the Medium Term Financial Plan 2021/22 – 2024/25;
- Implementing the action arising from the IJB's self-assessment against the CIPFA Financial Management Code;
- Further developing the Performance Management Framework to define and align performance measures to key priorities and outcomes of the updated Strategic Plan; and
- Progressing workforce plans for all delegated services to reflect the updated Strategic Plan and significant budgetary pressures.

We reviewed the AGS against the required guidance and we were satisfied that it was consistent with both the governance framework and key findings from relevant audit activity, including the Chief Internal Auditor's Annual Assurance Report.

## Annual Assurance Report

The annual internal audit assurance report opinion and conclusion notes that the IJB's governance arrangements, risk management and systems of internal control are operating satisfactorily. During 2020/21, work conducted by internal audit to follow up previous recommendations found that a number of actions had been delayed as a result of the focus on the pandemic. Good improvement in completing actions was noted in 2021/22 despite the ongoing challenges. The Chief Internal Auditor did, however, note that:

- Appropriate medium term strategic or financial planning arrangements are not presently in place resulting in the Board being unaware of the financial measures that need to be taken to bring future budgets into balance and achieve financial sustainability; and that
- The budgetary monitoring process has degraded during the year and is not sufficient to allow for effective budget monitoring.

The IJB's own assessment of the effectiveness of governance arrangements acknowledges the ongoing work to address governance development areas, but concludes that the internal control environment provides reasonable and objective assurance that significant risks would be identified and mitigated. We were satisfied that the statement met the requirements and was materially consistent with both the governance framework and key findings from relevant audit activity.

The AGS continues to demonstrate good practice in reporting on progress against priority improvement actions for the IJB.

The IJB should continue to work with Midlothian Council to ensure that internal audit resource is prioritised to provide sufficient assurance in 2022/23.

### **Internal Audit Arrangements**

During 2021/22, the IJB noted that Midlothian and Scottish Borders Council had mutually agreed to conclude the arrangements for a shared internal audit service. We understand that the IJB's Chief Officer has engaged with Midlothian Council directly to ensure that internal audit arrangements are secured. However, no arrangements are yet in place, and the Audit and Risk Committee has been unable to approve the full programme of internal audit coverage in 2022/23 as the scope of a review to be undertaken by the NHS Lothian internal audit team has not yet been determined. In our view there is a risk that insufficient coverage will be provided by 31 March 2023 to allow the Annual Assurance Report to be prepared.

### **Integration scheme review**

Legislation requires that the Integration Scheme which governs the operations of the IJB is reviewed by the partners at least every five years. A review was initially scheduled to have been concluded by June 2020, and had begun at March 2020 but was impacted by the pandemic.

During 2021/22, the Partners' completed the review of the Integration Scheme and the proposal has been submitted to the Scottish Government for review and approval. The current Integration Scheme has remained in place throughout this period and we did not highlight any concerns with the current arrangements.

### **Audit Committee arrangements**

The Chair of the Audit and Risk Committee did not stand for the most recent local government elections in May 2022. As a result, the IJB was required to appoint a new Chair and new members have been appointed to the Committee. We note that the Chief Finance Officer has delivered training on the role of the audit committee to new members and to date there has been no impact on the effectiveness of the committee.

# Value for Money

**Our overall  
assessment:  
Green**



## Annual Performance Report

The IJB considered a draft Annual Performance Report for 2021/22 in August 2022. The Board will continue to exercise the powers granted to public authorities under the Coronavirus (Scotland) Act 2020 to delay the publication of the Annual Performance Report for 2021/22 to October 2022.

The Annual Performance Report will include explanation of the key areas of spend, financial challenges, and how the IJB works with communities, along with performance data from the Partnership.

## Performance Monitoring

The IJB has established improvement goals to allow it to monitor key indicators based on the recommendations made by the Scottish Government Ministerial Steering Group (MSG) for Health and Community Care. against the progress of the Strategic Plan. The improvement goals focus on reducing unscheduled hospital activity and shifting the balance of care, including use of institutional care. They are based on goals recommended by the Scottish Government Ministerial Strategic Group for Health and Community Care and improvement goals that were set by the IJB in April 2021. Exhibit [x] demonstrates that in 2020/21, all but one of the targets was achieved.

**Exhibit [1]: The Board receives detailed performance reports against key priorities on a quarterly basis.**

MSG Indicator	2020/21 Target (rate per 100,000)	2020/21 Performance	Target achieved	2021/22 to date / performance trend
1. A&E attendances	31,543	26,390	✓	33,053 - declining
2. Emergency admissions	9,207	9,207	✓	7,464 – improving
3. Unplanned bed days: (a) Acute (b) Geriatric long stay (c) Mental Health	60,888 13,733 15,910	57,459 14,122 12,511	✓ ✗ ✓	(a) 43,125 – improving (b) No data available (c) No data available
4. Delayed discharges	9,836	9,779	✓	8,249 - improving
5. Last 6 months of life in a large hospital	<8.7%	7.8%	✓	Provisional data improving
6. Balance of care (time at home)	>96.4%	97%	✓	No data

*Source: Quarterly performance reports presented to Midlothian IJB*

The IJB has invested reserve balances in in performance reporting and analysis to support the development of the Strategic Plan and a Partnership-wide Performance Framework.

## Performance Management

During 2021/22, the IJB agreed to allocate additional resource to improve the quality of performance reporting and analysis available to the Board. A Programme Manager and Data Analyst were recruited to allow the development of a performance “dashboard” for the Board, and greater focus to be given to evaluate the impact of the Strategic Plan and Directions.

A new Data Assurance and Governance Group is in place to oversee the development of a Partnership-wide Performance Framework. The membership of the group includes performance and finance team members and the remit includes examination of performance data to ensure that governance and quality standards are met. Each performance dashboard presented to the Board includes a summary of any data issues emerging from Partners.

# Best Value: Our assessment

**Our overall  
assessment:  
Amber**



## Best Value Self Assessment

As auditors to the IJB, we are required to comment on how effectively, in our view, the IJB demonstrates that it meets its Best Value responsibilities to the Board. In March 2022, the Audit and Risk Committee considered the IJB's self-assessment against guidance issued by Audit Scotland in March 2018, *Auditing Best Value – Integration Joint Boards*. The self-assessment notes work underway to:

- Develop longer term financial planning;
- Support further improvement of performance reporting to demonstrate progress against the Strategic Plan; and
- Arrangements in place to review services and identify improvements.

The IJB has also established a programme of self-evaluation to recognise that the partnership oversees very complex systems, and is responsible for the care of individuals with very complex needs. A series of workshops were held with board members in late 2021 – early 2022 to analyse performance and identify priorities for the Strategic Plan in greater detail, which included consideration of value for money.

We have drawn upon our wider scope work to conclude that the Board has continued to demonstrate strong partnership working and improved performance. Subject to the areas for development identified in relation to longer term financial planning, we are satisfied that the IJB has established effective arrangements to allow it to demonstrate that it meets its Best Value responsibilities.

## Future Best Value Focus

In July 2022, the Chair of the Accounts Commission wrote to the Chief Officer to outline revised arrangements for the approach to auditing Best Value in IJBs in 2022/23 and beyond. The Chair noted that in the period since the Commission agreed to introduce a new approach to auditing BV in IJBs the Scottish Government has made a commitment to deliver a National Care Service (NCS) before the end of this parliament, i.e. by end 2026. Under the current proposals IJBs will be reformed into local care boards, accountable to Scottish Ministers and the new bodies will therefore be audited by the Auditor General for Scotland.

This significant structural and organisational change, combined with wider issues associated with the proposed creation of the NCS, such as the need to consider the impact of planning for the introduction of the NCS on IJBs means that the Accounts Commission has taken the decision not to proceed with the planned roll out of a new approach to auditing Best Value in IJBs.

The Commission has instead agreed to undertake a broad-based programme of national and local audit work on IJBs.

### **Programme of Work on IJBs**

The Accounts Commission anticipate that future work on IJBs will include:

- a further joint national performance audit with the Auditor General for Scotland on progress with health and social integration (including the identification of good practice);
- national thematic performance audit work in areas such as social care workforce planning and commissioning;
- a continued focus on IJB risks and performance through annual audit reports; and
- audit work in conjunction with the Auditor General for Scotland on Scottish Government planning and preparations for the new NCS.

The new proposals have been designed to ensure that the Commission (and where appropriate the AGS) are providing robust independent oversight and public reporting at both national and local level on the current performance of IJBs as well as monitoring and reporting on the risks and challenges created by the proposed creation of the new NCS.





# Appendices

A – Code of Audit Practice: responsibilities

B – Independence and audit quality

C – Required communications with the audit committee

D – Audit Action Plan

# Appendix A: Code of Audit Practice Responsibilities

## Audited Body's Responsibilities

### Corporate Governance

Each body, through its chief executive or accountable officer, is responsible for establishing arrangements to ensure the proper conduct of its affairs including the legality of activities and transactions, and for monitoring the adequacy and effectiveness of these arrangements. Audited bodies should involve those charged with governance (including audit committees or equivalent) in monitoring these arrangements.

### Financial Statements and related reports

Audited bodies must prepare an annual report and accounts containing financial statements and other related reports. They have responsibility for:

- preparing financial statements which give a true and fair view of their financial position and their expenditure and income, in accordance with the applicable financial reporting framework and relevant legislation.
- maintaining accounting records and working papers that have been prepared to an acceptable professional standard and support their financial statements and related reports disclosures.
- ensuring the regularity of transactions, by putting in place systems of internal control to ensure that they are in accordance with the appropriate authority.
- maintaining proper accounting records.
- preparing and publishing, along with their financial statements, an annual governance statement, management commentary (or equivalent) and a remuneration report that are consistent with the disclosures made in the financial statements. Management commentary should be fair, balanced and understandable and also clearly address the longer-term financial sustainability of the body.
- Management, with the oversight of those charged with governance, should communicate clearly and concisely relevant information to users about the entity and its financial performance, including providing adequate disclosures in accordance with the applicable financial reporting framework.

Audited bodies are responsible for developing and implementing effective systems of internal control as well as financial, operational and compliance controls. These systems should support the achievement of their objectives and safeguard and secure value for money from the public funds at their disposal. They are also responsible for establishing effective and appropriate internal audit and risk-management functions.

### Standards of conduct / prevention and detection of fraud and error

Audited bodies are responsible for establishing arrangements for the prevention and detection of fraud, error and irregularities, bribery and corruption and also to ensure that their affairs are managed in accordance with proper standards of conduct by putting proper arrangements in place.

### Standards of conduct / prevention and detection of fraud and error

Audited bodies are responsible for putting in place proper arrangements to ensure that their financial position is soundly based having regard to:

- such financial monitoring and reporting arrangements as may be specified
- compliance with any statutory financial requirements and achievement of financial targets
- balances and reserves, including strategies about levels and their future use
- how they plan to deal with uncertainty in the medium and longer term
- the impact of planned future policies and foreseeable developments on their financial position.

### Best Value

Local authority bodies have a statutory duty, under the Local Government (Scotland) Act 1973 and associated statutory guidance, to make arrangements to secure best value through the continuous improvement in the performance of their functions.

# Appendix B: Independence and audit quality

Professional ethical standards, and the Terms of our Appointment, require us to communicate all significant facts and matters that have a bearing on EY's objectivity and independence as auditor of the IJB.

## Matters that we are required to communicate

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY), its directors and senior management and affiliates, and you, including all services provided by us and our network to you, and other services provided to other known connected parties that we consider may reasonably be thought to bear on our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 1 April 2020 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

## Confirmations

We are not aware of any inconsistencies between IJB's policy for the supply of non audit services and FRC Ethical Standard. We are not aware of any apparent breach of that policy.

We confirm that, in our professional judgment, Ernst & Young is independent, our integrity and objectivity is not compromised and we have complied with the FRC Ethical Standard.

We confirm that your engagement team (partners, senior managers and managers and all others involved with the audit) and others within the firm, the firm and network firms have complied with relevant ethical requirements regarding independence.

## Audit Fees

	2021/22	2020/21
<b>Component of fee:</b>		
<b>Total agreed auditor remuneration *</b>	<b>£19,250</b>	<b>£18,850</b>
Audit Scotland fixed charges:		
Pooled costs	<b>£2,010</b>	<b>£1,790</b>
Performance audit and best value	<b>£5,670</b>	<b>£5,650</b>
Audit support costs	<b>£1,030</b>	<b>£1,040</b>
<b>Total fee</b>	<b>£27,960</b>	<b>£27,330</b>

\* The expected fee for each body is a range set centrally by Audit Scotland, which assumes that it has sound governance arrangements in place and operating effectively throughout the year, prepares comprehensive and accurate draft financial statements and supporting schedules, and meets the agreed timetable for the audit. It also assumes there is no major change in respect of the scope of work in the year and an unqualified audit opinion resulting from the audit.

Matters that we are required to communicate

International Standard on Quality Control (UK and Ireland) 1 (ISQC1) requires that a system of quality control is established, as part of financial audit procedures, to provide reasonable assurance that professional standards and regulatory and legal requirements are being complied with and that the independent auditor's report or opinion is appropriate in the circumstances.

The EY 2020 UK Transparency Report can be accessed on our website at [https://www.ey.com/en\\_uk/who-we-are/transparency-report-2020](https://www.ey.com/en_uk/who-we-are/transparency-report-2020). This material is published to provide a timely and relevant source of information about EY in general, and our audit business in particular. This includes our Audit Quality Report.

The disclosures are extensive. For example, they explain our outlook and how we are structured and governed, including the role of our Independent Non-Executives and how we apply the requirements of the UK's Audit Firm Governance Code. We refer to the quality of our audits and our commitment to recruiting, developing and diversifying our people and talent pool. We also explain how we manage our risks and remain innovative and technologically advanced in what we do and how we do it.

Maintaining high audit quality across all of our engagements is of paramount importance to us. Our transformational Audit Quality Programme continues and is a part of the global EY Sustainable Audit Quality Programme (SAQ).

Our Audit Quality Board (AQB) continues to oversee all matters relating to audit quality and sets the agenda for the Audit Quality programme. The AQB meets monthly and also holds an annual strategy session. The AQB reports to the EY UK Board. The AQB receives regular updates on regulatory matters, results of internal and external reviews, results of root cause analysis, resourcing, the SAQ programme and pursuit approvals, as well as a comprehensive dashboard on quality measures.

Our Audit Quality Support Team (AQST), which started within the SAQ programme, reviews 40 to 50 audits each audit cycle providing challenge and guidance to the engagement teams. These are in-depth reviews carried out by experienced auditors independent of the audit team. AQST reviews enhance the quality of both the audit under review and other audits on which team members apply the lessons learned. The AQST has now become a business-as-usual function.

Audit Quality Framework / Annual Audit Quality Report

Audit Scotland's Appointments and Assurance Team are responsible for applying the new Audit Quality Framework across all financial audits and performance and Best Value audits. This covers the quality of audit work undertaken by Audit Scotland staff and appointed firms. The team are independent of audit delivery and provide assurance on audit quality to the Auditor General and the Accounts Commission.

We support Audit Scotland in their commitment to reporting on audit quality through responding to requests for information and providing the results of internal quality reviews undertaken in respect of relevant public sector audits in Scotland.

The most recent audit quality report which covers our work at the IJB since appointment can be found at <https://audit-scotland.gov.uk/publications/quality-of-public-audit-in-scotland-annual-report-202122>

# Appendix C: Required communications

Required communication	Our reporting to you
<b>Terms of engagement / Our responsibilities</b> <p>Confirmation by the audit committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.</p> <p>Our responsibilities are as set out in our engagement letter.</p>	<p>Audit Scotland Terms of Appointment letter – audit to be undertaken in accordance with the Code of Audit Practice</p>
<b>Planning and audit approach</b> <p>Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.</p> <p>When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.</p>	<p>Annual Audit Plan</p>
<b>Significant findings from the audit</b> <ul style="list-style-type: none"> <li>Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>Significant difficulties, if any, encountered during the audit</li> <li>Significant matters, if any, arising from the audit that were discussed with management</li> <li>Written representations that we are seeking</li> <li>Expected modifications to the audit report</li> <li>Other matters if any, significant to the oversight of the financial reporting process</li> </ul>	<p>Annual Audit Plan</p> <p>Annual Audit Report</p>
<b>Going concern</b> <p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> <li>Whether the events or conditions constitute a material uncertainty related to going concern</li> <li>Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>The appropriateness of related disclosures in the financial statements</li> </ul>	<p>Annual Audit Report</p>
<b>Misstatements</b> <ul style="list-style-type: none"> <li>Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation</li> <li>The effect of uncorrected misstatements related to prior periods</li> <li>A request that any uncorrected misstatement be corrected</li> <li>Corrected misstatements that are significant</li> <li>Material misstatements corrected by management</li> </ul>	<p>Annual Audit Report</p>
<b>Fraud</b> <ul style="list-style-type: none"> <li>Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity</li> <li>Any fraud that we have identified or information we have obtained that indicates that a fraud may exist</li> <li>A discussion of any other matters related to fraud</li> </ul>	<p>Annual Audit Report</p>

## Required communication

## Our reporting to you

### Related parties

Significant matters arising during the audit in connection with the entity's related parties including, when applicable:

- Non-disclosure by management
- Inappropriate authorisation and approval of transactions
- Disagreement over disclosures
- Non-compliance with laws and regulations
- Difficulty in identifying the party that ultimately controls the entity

No significant matters have been identified.

### Independence

Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence

Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:

- The principal threats
- Safeguards adopted and their effectiveness
- An overall assessment of threats and safeguards
- Information about the general policies and process within the firm to maintain objectivity and independence

Annual Audit Plan

This Annual Audit Report – Appendix B

### Internal controls

Significant deficiencies in internal controls identified during the audit

This Annual Audit Report – no significant deficiencies reported

### Subsequent events

Where appropriate, asking the audit committee whether any subsequent events have occurred that might affect the financial statements.

We have asked management and those charged with governance. We have no matters to report.

### Consideration of laws and regulations

- Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off
- Enquiry of the audit, risk and governance committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Committee may be aware of

Annual Audit Report or as occurring if material.

### Material inconsistencies

Material inconsistencies or misstatements of fact identified in other information which management has refused to revise

This Annual Audit Report



# Appendix D: Action Plan

## Classification of recommendations

**Grade 1:** Key risks and / or significant deficiencies which are critical to the achievement of strategic objectives. Consequently management needs to address and seek resolution urgently.

**Grade 2:** Risks or potential weaknesses which impact on individual objectives, or impact the operation of a single process, and so require prompt but not immediate action by management.

**Grade 3:** Less significant issues and / or areas for improvement which we consider merit attention but do not require to be prioritised by management.

No	Findings	Recommendation	Management Response
1	<p>We note that the Board's Chief Internal Auditor concluded that the budget monitoring process diminished during the year and that the financial information provided to the Board was insufficient to allow for effective budget monitoring.</p> <p><i>Grade 1</i></p>	<p>The IJB should ensure that, as in prior years, financial monitoring reports provide Board members with clarity on the forecast outturn position, and impact on reserves balances.</p>	<p>Agreed, due to a change in personnel financial monitoring reports differed from previous years.</p>
2	<p>There are increasing demands on Chief Finance Officers across Scotland as a result of ongoing work on the cost impact of Covid-19, the need to respond to expectations about medium term financial planning, and preparation for the National Care Service. Similarly, there are increasing demands on procurement functions as a result of the need to support social care providers, including the distribution of sustainability payments.</p> <p><i>Grade 2</i></p>	<p>The IJB should work with Partners to ensure that corporate support arrangements remain adequate and fit for purpose</p>	<p>Agreed, the IJB will discuss with its Partners the corporate support arrangements in place.</p>
3	<p>The IJB's Medium Term Financial Plan was based on the previous Strategic Plan and preceded the pandemic. Future updates should include an assessment about the appropriateness of the Reserves Policy.</p> <p><i>Grade 1</i></p>	<p>The IJB should ensure that longer term financial planning is in place to support the delivery of the Strategic Plan.</p>	<p>Agreed, a standalone longer term financial plan is currently being developed for the IJB.</p>

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**Thursday 1st September 2022 – 2pm**

## **2021/22 Audited Annual Accounts**

**Item number: 5.2**

### **Executive summary**

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*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, this committee will then recommend the annual accounts to the IJB.*

*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.*

#### **Board members are asked to:**

- 1. Note the report of the independent auditor*
- 2. Recommend the 2021/22 annual accounts to the IJB*

## 2021/22 Audited Annual Accounts

### 1 Purpose

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- 1.1 The IJB has prepared annual accounts for the financial year 2021/22; these have now been audited by the IJB's Independent Auditors. Their report has been presented to committee at a previous agenda item.

### 2 Recommendations

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- 2.1 As a result of this report Members are being asked to:-
- Note the report of the independent auditor
  - Recommend the 2021/22 annual accounts to the IJB

### 3 Background and main report

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- 3.1 As a body governed by section 110 of the Local Government Scotland Act (1973) and the appropriate regulations and subsequent Acts, the IJB must prepare a set of annual accounts. The accounts must fulfil the requirements of the Act and the regulations and must give a true and fair view of the IJB's financial position.
- 3.2 The accounts must then be reviewed by an Independent Auditor who will report their findings to this committee which will allow the auditors to bring any matters to the committee's attention. If there are no issues arising from the auditors' report then the committee can recommend acceptance and authorisation of the annual accounts to the IJB.
- 3.3 Having recommended the Annual Accounts to the IJB, these will be signed after the meeting of the IJB on the 15<sup>th</sup> September 2022.
- 3.4 The Annual Accounts (unsigned) are attached to this report.

### 4 Policy Implications

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- 4.1 There are no policy implications from this report.

### 5 Directions

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- 5.1 There are no implications on directions from this report.

## 6 Equalities Implications

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6.1 There are no equalities implications from this report

## 7 Resource Implications

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7.1 There are no resource implications from this report.

## 8 Risk

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8.1 The risks raised by this report are already included within the IJB risk register.

## 9 Involving people

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9.1 The IJB's annual accounts will be published on the IJB website.

## 10 Background Papers

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10.1 None.

<b>AUTHOR'S NAME</b>	Claire Flanagan
<b>DESIGNATION</b>	Chief Finance Officer
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<b>DATE</b>	September 2022

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### Appendices:

#### Appendix 1 – 2021/22 Annual Accounts





**Midlothian**  
**Health & Social Care**

# **Midlothian**

## **Integration Joint Board (IJB)**

# **Annual Accounts**

## **2021/22**

The Annual Accounts of Midlothian Integration Joint Board for the period from 1 April 2021 to 31 March 2022, 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 2021/22.

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# Audit Arrangements

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Under arrangements approved by the Accounts Commission of Local Authority Accounts in Scotland, the auditor with responsibility for the audit of the accounts of Midlothian Integration Joint Board for the period 1 April 2021 to 31 March 2022 is Stephen Reid, CA, CIPFA, Partner, Ernst and Young LLP, Atria One, 144 Morrison Street, Edinburgh, EH3 8EB.



# Management Commentary

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## Introduction

The management commentary considers the work that the IJB has undertaken during the financial year 2021/22 and then describes the financial performance for the financial year ended 31 March 2022. It further provides an overview of the key messages relating to the role, remit, members, objectives and the strategy of the Midlothian Integration Joint Board (IJB).

## The IJB's Operations for the Year 2021/22

### The Role and Remit of the IJB

The IJB is an Integration Authority set up under the Public Bodies (Joint Working) Act (2014). It is a 'body corporate', that is a separate legal entity. The IJB is constituted through its Integration Scheme which was prepared by Midlothian Council and NHS Lothian and presented to Scottish Ministers in March 2015. The Integration Scheme was approved by the Scottish Parliament in June 2015 and the first meeting of the IJB took place on 20 August 2015.

The IJB's role and responsibility is to plan for the delivery of the functions that have been delegated to the IJB by Midlothian Council and NHS Lothian. These functions are -

- Adult Social Care
- Primary Care Services (GP Practices, Community Dentists, Community Pharmacies and Community Opticians)
- Mental Health Services
- Physical and Learning Disabilities Services
- Community Health Services
- Community Hospital Services
- Unscheduled Care Services (services that are generally delivered from the Royal Infirmary of Edinburgh, the Western General Hospital and St. John's Hospital).

The IJB assumed formal responsibility for these functions in April 2016 including the budgets for the delivery of these functions. The strategic plan of each IJB must be reviewed and approved by the IJB every 3 years. The IJB has approved its second Strategic Plan which covers April 2019 to March 2022 and has prepared a further strategic plan covering the period from April 2022 to March 2025.

### Membership of Integration Joint Board

The IJB met virtually 9 times in 2021/22 for formal business meetings, there were two virtual workshops. The members of the IJB during 2020/21 were:

<b>Member</b>	<b>Nominated/Appointed by</b>	<b>Role</b>
Catherine Johnstone	Nominated by Midlothian Council	Voting Member
Carolyn Hirst	Nominated by NHS Lothian	Voting Member, Chair
Angus McCann	Nominated by NHS Lothian	Voting Member
Derek Milligan	Nominated by Midlothian Council	Voting Member, Vice Chair
Jim Muirhead	Nominated by Midlothian Council	Voting Member, Chair of Audit and Risk Committee
Mike Ash until June '21 then Jock Encombe	Nominated by NHS Lothian	Voting Member
Pauline Winchester	Nominated by Midlothian Council	Voting Member
Tricia Donald	Nominated by NHS Lothian	Voting Member
Morag Barrow	Appointed by the IJB	Chief Officer
Claire Flanagan until August '21, then David King 'till March 2022	Appointed by the IJB	Chief Finance Officer
Alison White until June '21 then Joan Tranent	Nominated by Midlothian Council	Chief Social Worker
Fiona Stratton	Nominated by NHS Lothian	Chief Nurse
Johanne Simpson	Nominated by NHS Lothian	Medical Practitioner
Hamish Reid	Nominated by NHS Lothian	General Practitioner
James Hill	Appointed by the IJB	MLC Staff Side Representative
Fiona Huffer until September '21 then Hannah Cairns	Appointed by the IJB	Head AHP
Lesley Kelly	Appointed by the IJB	Voluntary Sector Representative
Keith Chapman	Appointed by the IJB	User Representative/Carer Representative
Wanda Fairgrieve	Appointed by the IJB	NHS Staff Representative
Johanne Simpson	Nominated by NHS Lothian	Medical Practitioner

There have been changes to the IJB membership after 31<sup>st</sup> March 2022 and prior to the final signing of the 2021/22 Annual Accounts. Claire Flanagan resumed her role as Chief Finance

Officer in May 2022 and Val de Souza took up the role of Chair (replacing Carolyn Hirst) in September 2022.

## **Impacts of COVID-19 on Service Outcomes and Integration**

2021/22 is the second year of the COVID-19 pandemic and the IJB would like to sincerely thank the staff of NHS Lothian, Midlothian Council, the Primary Care services, the independent providers of social care and the voluntary organisations who have continued to deliver the functions that have been delegated to the IJB during a very difficult period.

COVID-19 has continued to disrupt patient journeys and service delivery in health and care settings and is delaying access to secondary care treatment which might otherwise reduce care requirements for individuals. The impact of the pandemic has also continued to constrain the work of the IJB in the delivery of its Strategic Plan. The IJB remains committed to supporting its partners (Midlothian Council and NHS Lothian) during this very difficult time, but it is hoped that in 2022/23 that the impacts of the pandemic become more manageable and that the IJB will be able to return to a more 'business as usual' position.

During the financial year, the IJB has expended around £5,488,000 to support the additional costs of health and social care generated by the COVID-19 pandemic and this has been funded through the IJB's COVID-19 reserve along with additional grants from the Scottish Government. In addition, the IJB has continued to support NHS Lothian with its remobilisation plan as part of the overall recovery of Health and Social Care services from the pandemic.

## **IJB's Vision and Objectives**

The IJB's vision and objections are laid out in the IJB's Integration Scheme and these are a reflection of the national agreed Health and Wellbeing outcomes. These are –

1. People are able to look after and improve their own health and wellbeing and live in good health for longer.
2. People, including those with disabilities or long term conditions or who are frail are able to live, as far as reasonably practicable, independently and at home or in a homely setting in their community.
3. People who use health and social care services have positive experiences of those services, and have their dignity respected.
4. Health and social care services are centred on helping to maintain or improve the quality of life of people who use those services.
5. Health and social care services contribute to reducing health inequalities.
6. People who provide unpaid care are supported to look after their own health and wellbeing, including to reduce any negative impact of their caring role on their own health and wellbeing.
7. People using health and social care services are safe from harm.

8. People who work in health and social care services feel engaged with the work they do and are supported to continuously improve the information, support, care and treatment they provide.
9. Resources are used effectively and efficiently in the provision of health and social care services.

The IJB also contributes to the achievement of the national criminal justice outcomes because the Parties have elected to delegate criminal justice social work.

## **Delivery of the IJB's current Strategic plan**

Allowing for the constraints and the operational impact of the COVID-19 pandemic on the IJB's partners, the IJB has continued to deliver its current strategic plan during the financial year. The Strategic Plan is delivered through the IJB's directions to the partners (Midlothian Council and NHS Lothian) and the IJB considered the delivery of these directions in detail at its April 2020 and December 2021 meetings and other matters pertaining to the delivery and the development of the Strategic plan have been discussed at other meetings. The IJB's Strategic Planning Group has met regularly during the financial year to reflect on and develop the IJB's Strategic Plan and this is discussed further below in the IJB's plan for future years.

The IJB categorises its services into three broad areas –

### **Core Services**

These are the local health and social care services within Midlothian and are operationally managed by the Health and Social Care Partnership which is a joint arrangement between Midlothian Council and NHS Lothian.

### **Hosted Services**

These being delegated functions that are operationally managed by other parts of NHS Lothian – for example in-patients mental health services provided at the Royal Edinburgh Hospital in Edinburgh

### **Set Aside Services**

These being delegated functions operationally managed by NHS Lothian in its Acute Division.

Details of all of the functions delegated to the IJB by NHS Lothian and Midlothian Council are laid out under the Role of the IJB below.

Within each of these areas the following developments have been driven forward by the IJB during the year.

## **Core Services**

### **Primary Care (GP Practices)**

The IJB continued to support the delivery of the Primary Care Implementation Plan in the twelve GP Practices within Midlothian. The transfer of vaccination programmes from GP practices to services delivered by the HSCP has continued. The HSCP and the GP Practices continue to work closely together to deliver an integrated local care service and the work to progress the memorandums of understanding (MOU) between the Scottish Government and the GP Practices is key in delivering the IJB's Primary Care Strategy. The MOU will lead to GPs being treated as specialist generalist medical staff to manage those patients who require their own specific input with a whole range of primary health care being delivered by the HSCP's staff, community pharmacists and other appropriate services.

### **Respite Services**

The Cowan Court Respite Flat (Cowan Court is a local care home) went live in November 2021 and this will support the IJB's respite strategy.

### **Wellbeing Service (Mental Health)**

As part of an overall development of mental health services in Midlothian, the wellbeing service is on track to support 800 people during the financial year, with 447 referrals being made in the first six months of the service.

### **Developments at Midlothian Community Hospital**

Midlothian Community Hospital plans were put in place to ensure that the site is fully utilised and that services were delivered locally. This supports the IJBs strategic direction of providing care closer to home for Midlothian residents. The Hospital wards care for a mix of patients including Mental Health and Hospital Based Complex Clinical Care.

One of the wards (Glenlee) was opened for 20 intensive rehabilitation beds. The ward is supported by a multi-disciplinary team, including nursing staff, medical staff occupational therapy, physiotherapy, and pharmacy. The creation of the additional beds enabled the transfer of patients from Acute services following a period of assessment and possible treatment. Within Glenlee, patients receive treatment and therapy which can only be delivered safely in a hospital ward setting. On completion of the hospital-based interventions patients are transferred on to a variety of settings including options for intermediate care, supported housing, long term care and transfer home.

### **Extra Care Housing**

As part of the IJB's strategy, extra-care housing is being developed at Newmills Road, Dalkeith with an estimated completion date of November 2022. This will provide care for older people with various levels of care and support needs allowing them to continue to live independently in a safe and secure environment with flexible care and support provided.

## **Support to Carers**

The IJB continues to develop its carers strategy and a monitoring and evaluation framework is now in place to deliver qualitative data regarding service delivery and qualitative data relating to outcomes for carers. The majority of carers provide care to a parent, closely followed by care to other relatives including spouses, children and siblings. They are most likely caring for someone with a physical health condition, who has dementia, or who is frail or elderly. Intensive caring can result in carers being more likely to experience ill health and feel isolated from family and friend. Carers support has a range of positive impacts from health, the provision of information, financial assistance, time away from caring, and learning new skills.

## **Avoiding patient falls**

An additional direction was issued by the IJB at its April 2021 meeting to support the delivery of the Midlothian Falls and Fracture Prevention Action Plan 2020-2022. This asked the partners to develop an integrated falls pathway across the HSCP and the Third Sector by December 2021.

## **Hosted Services**

The IJB has considered and supported phase II of the Royal Edinburgh Hospital business case, this was considered at its meeting in October 2021. The Royal Edinburgh Hospital (REH) is an in-patient facility for Mental Health patients in Edinburgh. NHS Lothian have been working on rebuilding this hospital and providing modern fit-for purpose accommodation and services for patients. As part of the overall IJB's Mental Health Strategy, the IJB has been successful in reducing the in-patient bed usage at the REH and now requires fewer beds than it used previously. The requirement for less in-patient beds aligns with work to provide community-based alternatives for supporting people. This is recognised in the phase II business case and the IJB was asked to agree to the proposed bed numbers (which it did) noting that financial releases will be available at the end of this development and that these resources can then be reinvested in local mental health services.

## **Set Aside Services**

The COVID-19 pandemic has generated serious pressures on the Acute Hospitals which support Midlothian Patients (the Royal Infirmary of Edinburgh and the Western General Hospital). This has not stopped the IJB's work on reducing its use of acute beds and reducing attendances at the Emergency Department but the IJB recognises the pressure on the Acute system caused by the pandemic and has concentrated on reducing that pressures as much as possible. This work has been delivered by the HSCP who have been developing intermediate care services to reduce admissions and lengths of stay as much as possible.

A full, detailed examination of the work of the IJB in 2021/22 will be published in October 2022 as part of the IJB's Annual Performance Report. This will be on the IJB's website; <https://www.midlothian.gov.uk/mid-hscp/>

## **Review of the IJB's Strategic Plan and Preparation of the IJB's Strategic Plan for 2022-25**

A further key part of the work of the IJB in 2021/22 has been the development of the Strategic Plan covering the period 2022 – 2025. This has been developed through the IJB's Strategic Planning Group and was presented to the IJB at its March 2022 meeting. This is further discussed below.

### **Other Issues**

There have been other further developments during the financial year which will impact on the future role of the IJB although the IJB has no influence over these events.

#### **National Care Service Bill**

In June 2022, the Scottish Government published the National Care Service Bill which proposes to establish a National Care Service and will make Scottish Ministers accountable for adult social care in Scotland.

Current IJB arrangements are expected to be replaced by local delivery boards, known as "Care Boards" which will work with the NHS, local authorities, and the third and independent sectors to plan, commission and deliver support and services for communities. Social care services currently provided in-house by local authorities may continue under a commissioning arrangement with the care board. However, the care board may take over direct delivery, with staff transferring employment from the council to the care board.

The National Care Service is expected to be established by the end of the current term of Parliament.

#### **Lothian Strategic Development Framework**

NHS Lothian has drawn up a strategic development framework which includes a range of functions which have been delegated to the IJBs. NHS Lothian and the Lothian IJBs have committed to work jointly to deliver the ambitions in the IJBs' Strategic Plans

### **IJB's Financial Performance in 2021/22**

For the financial year ending 31<sup>st</sup> March 2022, the IJB was underspent by around £10,519,000. However this position includes a significant range of additional funds from the Scottish Government that were made available to the IJB in 2021/22 but were either not able to be used in year or, in the case of support for COVID-19 costs to be carried forward into 2022/23. The funds to be carried forward in the IJB reserves are detailed in the analysis of reserves below. The 2021/22 financial position is further detailed below in the section describing the IJB's financial performance in 2021/22.



# Plans for Next Year and beyond

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## Development of a revised strategic plan – 2022-2025

As was discussed above, the IJB has been developing, through its Strategic Planning Group and individual strategic planning programmes, a revised Strategic Plan for 2022-2025. This plan will be delivered by the IJB's partners through the issuing of detailed directions. Of course, the delivery of change and the achievement of the IJB's objectives cannot be achieved within a one or two year timeframe and a number of directions from previous periods will still be relevant during 2022-2025 and these will be added to by revised and new directions. A revised process of the monitoring of the performance of the directions is being developed that will allow the IJB to more clearly understand the progress against the delivery of the directions and through those the delivery of the Strategic Plan. Progress with Directions is reported to the IJB every six months. To ensure all issued Directions are considered at each reporting point, a log has been created giving each action a reference number for tracking. This log will support effective reporting of progress and ensure that all previously issued Directions are also appropriately monitored. This will enable the IJB to maintain, and, where appropriate, adjust, the full programme of service delivery and redesign it is seeking to achieve through the work of its partners.

There are a range of areas wherein individual directions will include links to other elements of the strategic plan. Such cross-cutting and significant drivers for change include the frailty programme; the development of a falls programme; and the application of digital solutions. Only a small portion of the Public Health budget is delegated to the IJB and yet the objective of a strong programme of prevention and screening is dependent upon the skills and resources within Public Health. As such, the IJB are very committed to strengthening our joint working in this area.

The IJB is also keen to ensure the provision of good quality housing tailored to the needs of people with physical and mental health needs or disabilities is crucial to enabling people to manage as independently as possible. The plans to achieve this are laid out in the Housing Contribution Statement provided as an appendix to the Strategic Plan.

The Midlothian Strategic Plan 2022-2025 outlines the way ahead for the development of health and social care services in Midlothian. The Plan explains the IJB's objectives in the delivery of health and social care services and, within each section of the plan, outlines specific actions to be taken to improve the delivery of services aimed at prevention and early intervention; support and treatment; and responding to crises.

The IJB is only empowered to issue Directions regarding functions delegated to it as outlined in the Integration Scheme. However there is a very clear link between good health and wellbeing and ease of access to services which meet people's basic needs. These include good housing, income and employment and transport. The Housing Contribution Statement outlines the main changes planned in the delivery of good housing to support health and wellbeing. Alongside this, strong partnership working will continue to be crucial with non-delegated health services such as Public Health, Council services such as Lifelong Learning,

the wider Community Planning Partnership, and local people and communities. The IJB will continue to support its partners in these areas.

# The IJB's Financial Position: 31 March 2022

## Summary

For the year ending 31 March 2022, the IJB was underspent by £10.5m. That is the costs incurred in delivering the IJB's functions by Midlothian Council and NHS Lothian are less than the income that the IJB received from NHS Lothian and Midlothian Council.

	Income £000's	Expenditure £000's	Variance £000's
Midlothian IJB	£178,423	£167,904	£10,519

This is the second year that the IJB has been underspent. The underspend in 2020/21 was a reflection of the impact of the COVID-19 pandemic on the health and social care system. Although the system was under a huge pressure additional financial resources were made available to cover that pressure but the shortage of staff and the impact on the pandemic on the third party providers of social care meant that some planned programmes couldn't be undertaken and the, in financial terms, the IJB was underspend and carried this money forward in its reserves.

In 2021/22, the underspend has been generated by three main areas

1. Additional funds have been received in year from the Scottish Government to support the COVID-19 pandemic beyond those required in 2021/22. This has been part of a specific policy to allow the IJBs to be able to carry forward into 2022/23 adequate funds to cover the projected costs of supporting the COVID-19 pandemic in that year.
2. Additional support was made available by the Scottish Government in November 2021 to support Winter pressures, in total c. £1,839,000. The IJB has not been able to utilise these funds in year and they have been added to the IJB's earmarked reserves. In addition further investments were made by the Scottish Government through NHS Lothian, again the IJB has not been able to utilise these funds in year
3. Having taken account of funds to be moved to earmarked reserves, the IJB was left with an operational underspend of £1,149,000. This being, as was the case in 2020/21, largely because of the inability of the IJB to fully utilise its planned programmes through the demands and pressures from the COVID-19 pandemic. These funds have been moved to the IJB's general reserve.

## Reserves

The movement in the IJB's reserves and the makeup of that reserve is detailed below.

	Opening	Movement	Closing
	£000's	£000's	£000's
Covid	£5,492	£4,211	£9,703
Other Earmarked	£2,780	£5,158	£7,938
General	£4,721	£1,149	£5,870
<b>Total</b>	<b>£12,993</b>	<b>£10,518</b>	<b>£23,511</b>

In summary the balance in the IJB's reserves on 31/3/2022 is £23,511,000. This is made up of £9,703,000 for COVID-19 costs, £7,938,000 for earmarked reserves and £5,870,000 of general reserves. It is expected that the COVID-19 reserve will be utilised during 2022/23.

The earmarked reserves are for very specific projects and the IJB will be encouraging the partners to progress these projects, however some elements (for example Additional Capacity in Care at Home) will support broader work and the IJB is committed to ensuring that the earmarked funds which can be appropriately used to develop the IJB's services are used in that way. More detail on the earmarked reserves is shared below and within the notes to the accounts.

The IJB's general reserve is now in excess of the target set by the IJB's Reserves Policy. The Reserves Policy sets a prudent level of general reserve to hold to be 2% of the IJBs revenue budget. This level of general reserve would allow the IJB a degree of flexibility and financial resilience. The IJB is considering how the general reserve balance above this threshold can be used, albeit non-recurrently, to further develop work that will support the delivery of the Strategic Plan.

## 2022/23 Financial Outlook

The IJB set a balanced budget for 2022/23 at its March 2022 meeting, albeit using an indicative budget offer from NHS Lothian. The 22/23 Scottish Budget settlement included significant resources for the Integration Authorities to support further capacity and development in social care and these funds along with an appropriate utilisation of the IJB's reserves as discussed above allowed the IJB to set a balanced budget. That said, there are clearly a significant range of financial pressures impacting on the IJB's partners and the IJB is committed to supporting the partners in so far as the Integration Scheme allows.

## Analysis of the Financial Statements

The financial statements are all presented on a net basis. Therefore budget and expenditure values below include both income and expenditure.

	Health unaudited Budget £000's	Social Care unaudited Budget £000's	Health Expenditure £000's	Social Care Expenditure £000's	Variance £000's	Note
<b>Direct Midlothian Services</b>						
Community AHPS	£2,707		£2,789		-£82	
Community Hospitals	£5,716		£5,892		-£176	
District Nursing	£5,924		£5,876		£48	
General Medical Services	£33,883		£33,859		£23	
Health Visiting	£2,234		£2,222		£12	
Mental Health	£2,950		£2,826		£124	
Other	£1,260		-£4,876		£6,136	1
Prescribing	£19,102		£19,241		-£139	
Resource Transfer	£7,173		£7,173		-£0	2
Older People		£22,843		£19,001	£3,841	
Learning Disabilities		£16,549		£16,528	£21	
Mental Health		£1,177		£1,387	-£210	
Physical Disabilities		£3,538		£4,087	-£549	
Assessment & Care Management		£3,378		£2,987	£391	
Other		£3,113		£2,362	£752	3
<b>Midlothian Share of Pan Lothian</b>						
Set Aside	£20,549		£20,698		-£150	4
Mental Health	£2,662		£2,716		-£53	
Learning Disabilities	£1,416		£1,428		-£12	
GP Out of Hours	£3,144		£3,103		£41	
Rehabilitation	£879		£791		£88	
Sexual Health	£697		£676		£21	
Psychology	£847		£855		-£9	
Substance Misuse	£375		£364		£11	
Allied Health Professions	£1,622		£1,494		£128	
Oral Health	£1,854		£1,823		£31	
Other	£1,439		£1,210		£228	
Dental	£5,855		£5,855		£0	5
Ophthalmology	£1,742		£1,742		£0	5
Pharmacy	£3,796		£3,796		£0	5
	<b>£127,825</b>	<b>£50,598</b>	<b>£121,552</b>	<b>£46,352</b>	<b>£10,519</b>	

## Notes

1. Other includes £4.816m for the Social Care Fund. These are resources which the Scottish Government has directed to the IJB through NHS Lothian and are shown as health; however, these funds are then transferred to the Council and used to support the delivery of social care services.
2. Resource Transfer are funds for specific purposes which are transferred from health to social care. However, these remain part of the health budget and are reported there.
3. Other includes care for non-specific groups, substance misuse services and other management and performance costs.
4. Set Aside are the budgets for those functions delegated to the IJB which are managed by the Acute Services management teams within NHS Lothian. These services are :-
  - Accident and Emergency
  - Cardiology
  - Diabetes
  - Endocrinology
  - Gastroenterology
  - General Medicine
  - Geriatric Medicine
  - Rehabilitation Medicine
  - Respiratory Medicine
  - Various ancillary support services for the above

These services are delivered at the Royal Infirmary of Edinburgh, the Western General Hospital and St. John's Hospital.

5. In the Health system, expenditure to support the delivery of community dentistry, community opticians and community pharmacists is termed as 'non cash limited' (NCL) but is clearly part of the delivery of primary care services and these functions are delegated to the IJB. However, being NCL there is no budget as such but any expenditure incurred is supported in its entirety by the Scottish Government. The NCL values are not part of the budget setting process, there being no budget, but NHS Lothian has matched the NCL expenditure with income to cover this expenditure.

The charges (shown as expenditure above) made by Midlothian Council to the IJB are the net direct costs incurred in the delivery of social care services in Midlothian. The charges from NHS Lothian are based on the health budget setting model as agreed by the IJB. That is, charges for the core services (those services specifically for and delivered by the Midlothian partnership) are based on the net direct actual costs incurred in Midlothian. However, charges for hosted and set aside services (those services which are not generally managed by the Midlothian Partnership and are delivered on a pan-Lothian basis) are based on the total actual costs for these service shared across four IJBs per the budget setting model. The IJB share of the total actual costs incurred in 2020/21 for hosted services is 10% and, generally, 10% of the Lothian element of the set aside budgets and the non-cash limited budgets.

## Reserves

The IJB has reserves at the end of 2021/22 of £23.512m, compared to reserves of £12.933m in March 2021. The movement can be described as follows:

	Opening Balance £000's	Movement £000's	Closing Balance £000's
<b>Earmarked Reserves</b>			
COVID-19 Funding	5,492	4,211	9,703
Local Programmes	926	1,348	2,274
Primary Care Investment Fund	342	547	889
Alcohol and Drug Strategy	326	293	619
Community Support Fund	312	0	312
Technology Enabled Care	274	-66	208
Integrated Care Fund	218	181	399
Wellbeing Service	189	59	248
Action 15	102	38	140
EGIERDA Project	79	-30	49
Autism Strategy	12	0	12
Interim Care		603	603
Care at Home		934	934
Multi-disciplinary Teams		302	302
Older People's Transformation Board		22	22
Carers Act		679	679
Equally Safe Fund		29	29
Trauma Informed Practice		50	50
Additional MHO Capacity		80	80
DBI/Penumbra Funding		90	90
<b>Total Earmarked Reserves</b>	<b>8,272</b>	<b>9,370</b>	<b>17,642</b>
<b>General/Contingency Reserve</b>	<b>4,721</b>	<b>1,149</b>	<b>5,870</b>
<b>Total Reserves</b>	<b>12,993</b>	<b>10,518</b>	<b>23,511</b>

It should be noted that of the total reserve of c. £23.5m, £9.7m is to support the additional costs that have been and will be incurred by the IJB's partners (Midlothian Council and NHS Lothian) in supporting the COVID-19 pandemic. These, and other earmarked funds should be expended in 2022/23 and will not be available to the IJB for any other purpose.

## Key risks, challenges and uncertainties

The coronavirus pandemic remains a significant challenge with the ongoing uncertainty surrounding further waves and outbreaks. This brings challenges to all services and will remain at the forefront of our planning during the next 12 months. Despite the ongoing uncertainty of further COVID-19 outbreaks, partners are also focusing on addressing the wider health and care needs of the people of Midlothian. Both Health and Social Care will regularly update the IJB with detailed transformations plans on reshaping services to meet the needs of the new normal. The challenge for the IJB is to transform the delivery of its



delegated functions whilst supporting the delivery of financial balance within the financial resources available.

### **A growing and ageing population**

Midlothian is the second smallest Local Authority in mainland Scotland but the fastest growing. 12,000 new houses will be built in the next 3 years. This will pose challenges for all our health and social care services whilst also changing the face of some of the local communities. As people live for longer many more people will be living at home with frailty and/or dementia and/or multiple health conditions. An increasing number of people live on their own, and for some this will bring a risk of isolation.

### **Higher rates of long-term conditions**

Managing long-term conditions is one of the biggest challenges facing health care services worldwide, with 60% of all deaths attributable to them. Midlothian has a higher incidence than the national prevalence of cancer, diabetes, depression, hypertension, chronic obstructive pulmonary disease and asthma. Older people are more susceptible to developing long-term conditions; most over 65s have two or more conditions and most over 75s have three or more conditions. People living in areas of multiple deprivations are at particular risk with, for example, a much greater likelihood of early death from heart failure. They are also likely to develop 2 or more conditions 10-15 years earlier than people living in affluent areas. It is estimated that people with long-term conditions are twice as likely to be admitted to hospital and have a longer length of stay accounting for 80% of all GP visits and for 60% of hospital admissions.

(Data Source Midlothian Joint Needs Assessment, page 43 onwards:

[www.midlothian.gov.uk/downloads/file/3430/joint\\_needs\\_assessment\\_2019\\_final](http://www.midlothian.gov.uk/downloads/file/3430/joint_needs_assessment_2019_final))

### **High rates of mental health needs**

Many mental health problems are preventable, and almost all are treatable, so people can either fully recover or manage their conditions successfully and live fulfilling healthy lives as far as possible. The incidence of mental health issues in Midlothian, while similar to the rest of Scotland, is a concern. Living in poverty increases the likelihood of mental health problems but also mental health problems can lead to greater social exclusion and higher levels of poverty. People who have life-long mental illness are likely to die 15-20 years prematurely because of physical ill-health.

People place a high value on being able to access effective health services when they need them. People expect to receive high quality care services when these are needed whether as a result of age, disability or long term health conditions. Yet there are a number of pressures on our services.

## **Workforce pressures**

Two of the main areas of concern to the public in recent times have been difficulties in accessing primary care and not always receiving care at home despite being assessed as in need of the service. Recruitment and retention is a growing problem in health and social care. There is a shortage of GPs; a significant proportion of District Nurses are nearing retirement; while care at home providers find it difficult to attract and keep care at home workers despite measures such as the living wage and guaranteed hours. The aging population means these pressures will almost certainly increase. There is a clear need to plan ahead and find alternative solutions to ensure services are able to meet people's needs.

## **Acute hospitals**

The Acute hospitals that support the population of Midlothian (The Royal Infirmary of Edinburgh and the Western General Hospital) remain under significant demand pressures and exist, as do other social care and health services in a financially challenging environment. The IJB will continue to invest and develop community based alternatives that will minimise avoidable and inappropriate admissions.

## **Mitigation and management of the risks, challenges and uncertainties**

Of course, with the exception of COVID these uncertainties are known to the IJB and will be managed through its risk management system and, more importantly, through the delivery of its Strategic Plan. Although the population is growing, the Scottish Government's distribution model of resource allocation to both Councils and the NHS does take account of changes in population. That said, there is a lag between that change and the movement in population but this is not a new issue and both the council and NHS Lothian have developed mechanisms to mitigate this pressure.

The other uncertainties have been and will continue to be managed through the IJB's Strategic Plan (and the supporting Financial Plan) and the IJB's Strategic Planning Group discusses and develops transformational change and new integrated models of delivery of both social and health care.

**Val de Souza** , IJB Chair.

**Morag Barrow**, Chief Officer.

**Claire Flanagan**, Chief Finance Officer.

**Date:**

# Statement of Responsibilities

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## Responsibilities of the Integration Joint Board

The Integration Joint Board is required to:-

- Make arrangements for the proper administration of its financial affairs and to secure that the proper officer of the board has responsibility for the administration of those affairs (section 95 of the Local Government (Scotland) Act 1973). In this authority, that officer is the chief finance officer
- Manage its affairs to secure economic, efficient and effective use of 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)
- Approve the Annual Accounts

I confirm that these Annual Accounts were approved for signature at a meeting of the Audit & Risk Committee.

Signed on behalf of Midlothian Integration Joint Board.

**Val de Souza** , IJB Chair.

**Date:**

## **Responsibilities of the Chief Finance Officer**

The chief finance officer is responsible for the preparation of the IJB's Annual Accounts in accordance with proper practices as required by legislation and as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Accounting Code).

In preparing the Annual Accounts, the chief finance officer has:-

- Selected suitable accounting policies and then applied them consistently
- Made judgements and estimates that were reasonable and prudent
- Complied with legislation
- Complied with the local authority Code (in so far as it is compatible with legislation)

The chief finance officer has also:-

- Kept proper accounting records which were up to date
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the financial statements give a true and fair view of the financial position of the Midlothian Integration Joint Board as at 31 March 2022 and the transactions for the year then ended.

**Claire Flanagan**, Chief Finance Officer

**Date:**

# Remuneration Report

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## Introduction

This Remuneration Report is provided in accordance with the Local Authority Accounts (Scotland) Regulations 2014. It discloses information relating to the remuneration and pension benefits of specified IJB members and staff.

The information in the tables below is subject to external audit. The other sections of this report will be reviewed by Ernst & Young LLP and any apparent material inconsistencies with the audited financial statements will be considered as part of their audit report.

## Remuneration: IJB Chair and Vice Chair

The voting members of the IJB are appointed through nomination by Midlothian Council and NHS Lothian Board. Nomination of the IJB Chair and Vice Chair post holders alternates between a Councillor and a Health Board representative.

The IJB does not provide any additional remuneration to the Chair, Vice Chair or any other board members relating to their role on the IJB. The IJB does not reimburse the relevant partner organisations for any voting board member costs borne by the partner. Neither the Chair nor the Vice Chair appointments had any taxable expenses paid by the IJB in 2021/22 (PY: nil).

The IJB does not have responsibilities, either in the current year or in future years, for funding any pension entitlements of voting IJB members. Therefore no pension rights disclosures are provided for the Chair or Vice Chair.

NHS Lothian remunerates its non-executive members on a notional day basis. Those non-executive members of the NHS Lothian Board who are also Chairs or Vice Chairs of IJBs are given an additional notional day's remuneration in recognition of the additional time required to undertake those roles. This remuneration is £8,929 per annum (PY £8,842). Carolyn Hirst was the Chair of the IJB throughout 2021/22 and received an additional day of remuneration specifically for this role as Chair of the IJB.

## Remuneration: Officers of the IJB

The IJB does not directly employ any staff; however specific post-holding officers are non-voting members of the Board.

### Chief Officer

Under section 10 of the Public Bodies (Joint Working) (Scotland) Act 2014 a Chief Officer for the IJB has to be appointed and the employing partner has to formally second the officer to the IJB. The employment contract for the Chief Officer will adhere to the legislative and

regulatory framework of the employing partner organisation. The remuneration terms of the Chief Officer's employment are approved by the IJB.

The Chief Officer of the IJB is Morag Barrow, who is also the Director of Health and Social Care for Midlothian Council and the Joint Director of the Midlothian Partnership. It has been agreed that 50% of her total remuneration is to be shown in the accounts of the IJB as her remuneration as the Chief Officer of the IJB.

#### Chief Finance Officer

Although the costs of the Chief Finance Officer are not included in the charges made to the IJB by either partner, given the S95 role of the Chief Finance Officer and in the interests of transparency, the remuneration of the Chief Finance Officer is included below. The Chief Finance Officer is employed by NHS Lothian and has three roles – the IJB's Chief Finance Officer, the Chief Finance Officer of East Lothian IJB and an operational role in the NHS Lothian finance team as a Finance Business Partner. On that basis, one third of the total remuneration for Claire Flanagan is shown below.

#### Other Officers

No other staff are appointed by the IJB under a similar legal regime. Other non-voting board members who meet the criteria for disclosure are included in the disclosures below.

#### **Senior Employees: Salary, Fees & Allowances**

Name	2020/21 £	2021/22 £	FYE £
Morag Barrow	48,241	53,805	53,805
Claire Flanagan Note 1	25,000	22,640	25,000
David King Note 2	0	14,047	22,135

Note 1: During 2021/22 the Chief Finance Officer (Claire Flanagan) was on maternity leave between the start of August 2021 until the end of March 2022. Her role was fulfilled on an interim basis for the period from August 2021 to March 2022 by David King

Note 2: David King is retired but was paid on the NHS Lothian Staff bank (by NHS Lothian) on an ad hoc basis. David King also undertook the role of CFO in East Lothian IJB but did not undertake any duties as a finance business partner. NHS Lothian have provided the total costs of having employed David King during this time and half of these costs will be shown here (the other half shown in East Lothian IJB). David King is no longer an active member of the SPPA.

In respect of officers' pension benefits the statutory liability for any future contributions to be made rests with the relevant employing partner organisation. On this basis there is no pensions liability reflected on the IJB balance sheet for the Chief Officer or any other Officers.

The IJB however has responsibility for funding the employer contributions for the current year in respect of the officer time spent on fulfilling the responsibilities of their role on the IJB. The following table shows the IJB's funding during the year to support officers' pension benefits. The tables also shows the total value of accrued pension benefits which may include benefits earned in other employment positions and from each officer's own contributions.



**In year Pension Contributions:**

	For Year to 2021 £	For year to 2022 £
Claire Flanagan	£5,182	£5,504

**Accrued Pension Benefits:**

	Pension (Difference from 31 March 2021) £000's	Lump Sum (Difference from 31 March 2021) £000's	Pension (as at 31 March 2022) £000's	Lump Sum (as at 31 March 2022) £000's
Morag Barrow	0	0	21	54
Claire Flanagan	2	1	18	27

**Disclosure by Pay Bands**

Pay band information is not separately provided as all staff pay information has been disclosed in the information above.

**Exit Packages**

The IJB did not support nor did it direct to be supported by its partners, any exit packages during 2021/22 (2020/21: nil).

**Val de Souza**, IJB Chair.

**Morag Barrow**, Chief Officer.

**Date:**

# Annual Governance Statement 2021/22

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## Annual Governance Statement 2021/22

### Introduction

The Annual Governance Statement explains the MIJB's governance arrangements and system of internal control and reports on their effectiveness.

### Scope of Responsibility

The MIJB is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively.

To meet this responsibility, the MIJB has established arrangements for governance which includes a system of internal control. The system is intended to manage risk to support the achievement of the MIJB's policies, aims and objectives. Reliance is also placed on NHS Lothian and Midlothian Council's (the partners) systems of internal control that support compliance with both organisations' policies and promotes achievement of each organisation's aims and objectives, as well as those of the MIJB.

The system can only provide reasonable and not absolute assurance of effectiveness.

### The Governance Framework and Internal Control System

The Board of the MIJB comprises voting members, nominated by either NHS Lothian or Midlothian Council, as well as non-voting members including a Chief Officer appointed by the Board.

The current MIJB Local Code of Corporate Governance (MIJB Local Code), which was approved by the Board on 8 April 2021, sets out the framework and key principles, which require to be complied with, to demonstrate effective governance. The MIJB Local Code reflects the changing context of integration and is consistent with the principles and recommendations of the new CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government' (2016) and the supporting guidance notes for Scottish authorities. The overall aim of the Framework is to ensure that: resources are directed in accordance with agreed policy and according to priorities; there is sound and inclusive decision making; and there is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities.

The main features of the governance framework and internal control system associated with the seven core principles of good governance defined in the MIJB Local Code in existence during 2021/22 included:

#### **A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting rule of law**

The roles and responsibilities of Board members and statutory officers and the processes to govern the conduct of the Board's business are defined in the approved Scheme of Integration

(review and update in progress), which serves as the approved constitution, and Standing Orders to make sure that public business is conducted with fairness and integrity.

The Ethical Standards in Public Life (Scotland) Act 2000 provides for Codes of Conduct for local authority councillors and members of relevant public bodies. As a Public Body listed in schedule 3 of the Act, the MIJB is required to produce a Code of Conduct (review and revision in progress; the Code currently in place will continue to apply to the conduct of Members until such time as the revisions are approved).

The MIJB is dependent upon arrangements within the partner organisations for areas such as:

- ensuring legal compliance in the operation of services;
- handling complaints;
- ethical awareness training and whistleblowing policies and procedures;
- staff appointment and appraisal processes which take account of values and ethical behaviour;
- identifying, mitigating and recording conflicts of interest, hospitality and gifts; and
- procurement of goods and services which are sustainable, represent value of money and which reinforce ethical values.

Other areas where the MIJB places significant reliance on arrangements in place within the partner organisations are set out in the remainder of the statement.

The Chief Officer is responsible for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with.

Professional advice on the discharge of duties is provided to the Board by the MIJB Chief Officer supported by Chief Financial Officer, Chief Internal Auditor and Board Clerk as appropriate.

## **B. Ensuring openness and comprehensive stakeholder engagement**

Board meetings are held in public unless there are good reasons for not doing so on the grounds of confidentiality.

Unless confidential, decisions made by the Board are documented in the public domain.

Community engagement was encouraged as part of the development of the Scheme of Integration and the Strategic Plans of the Health and Social Care Integration Joint Board were developed following consultations with interested parties including members of the public.

## **C. Defining outcomes in terms of sustainable economic, social, and environmental benefits**

The vision, strategic objectives and outcomes are reflected in the Midlothian Health & Social Care Integration Joint Board Strategic Plan 2019-2022, which has been updated to reflect on-going assessment of need and priorities (Strategic Plan 2022-2025). Implementation is underpinned by the associated Directions, on which progress reports are presented to the Board.

Implications are considered during the decision making process within the standard report template covering Policy, Equalities, Resources, Risk, and Involving People.

## **D. Determining the interventions necessary to optimise the achievement of the intended outcomes**

In determining how services and other courses of action should be planned and delivered, the MIJB has a statutory responsibility to involve patients and members of the public.

The MIJB Strategic Plan is based on consultation during its review and update.

The MIJB has issued Directions to the partners for service delivery and for service redesign and recommissioning in line with the transformation programme.

## **E. Developing the entity's capacity, including the capability of its leadership and the individuals within it**

The MIJB Chief Officer is responsible and accountable to the Board for all aspects of management including promoting sound governance and providing quality information/support to inform decision-making and scrutiny.

Regular meetings are held between the Chief Officer and the Chair and Vice Chair of the MIJB. The MIJB Chief Officer also meets regularly with representatives from the partner organisations.

Members of the MIJB Board are provided with the opportunity to attend Development Sessions relevant to their role as part of their development programme.

There is an interim Workforce Plan for 2021/22 (3 year Workforce Plan 2022/25 is being developed) to ensure there are the right people, with the right skills, in the right place, at the right time to support the delivery of its strategic objectives and priorities.

## **F. Managing risks & performance through robust internal control & strong public financial management**

The MIJB Chief Officer has overall responsibility for directing and controlling the partnership to deliver health and social care services. The MIJB Board is responsible for key decision-making.

The MIJB has approved a Risk Management Strategy which includes: the reporting structure; types of risks to be reported; risk management framework and process; roles and responsibilities; and monitoring risk management activity and performance.

The MIJB Chief Financial Officer is responsible for the proper administration of all aspects of the MIJB's financial affairs including ensuring advice is given to the Board on all financial matters.

The MIJB's system of internal financial control is dependent upon the framework of financial regulations, regular management information (including Revenue Budget Monitoring reports to the Board), administrative procedures (including segregation of duties), management supervision and systems of delegation and accountability within the partner organisations.

The MIJB also relies upon the partners for:

- Counter fraud and anti-corruption arrangements; and
- Management of data in accordance with applicable legislation.

## **G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability**

The Shared Chief Internal Auditor of Midlothian Council is the MIJB's Chief Internal Auditor (to June 2022) whose role is to provide an independent and objective annual opinion on the

effectiveness of the MIJB's internal controls, risk management and governance. This is carried out in conformance with the Public Sector Internal Audit Standards.

The MIJB responds to the findings and recommendations of Internal Audit, External Audit, Scrutiny and Inspection bodies. The MIJB Audit and Risk Committee is integral to overseeing assurance and monitoring improvements in internal controls, risk management and governance.

Performance Reports were presented to the Board for monitoring and control of achievement of Local Improvement Goals. An Annual Performance Report for 2021/22 is being prepared to outline progress against strategic objectives over the year.

The Annual Accounts and Report for 2021/22 setting out the financial position in accordance with relevant accounting regulations is being prepared.

## **Review of Adequacy and Effectiveness**

The MIJB is required to conduct an annual review of the effectiveness of its governance framework.

The review was informed by: an annual self-assessment carried out by Internal Audit against the MIJB's Local Code of Corporate Governance; Internal Audit reports for the MIJB; External Audit reports for the MIJB; relevant reports by other external scrutiny bodies and inspection agencies; and relevant partners' (NHS Lothian and Midlothian Council) Internal Audit and External Audit reports.

In respect of the four improvement areas of governance identified by the MIJB in 2020/21, there have been developments during the year in three of these. Specifically, the significant work and consultation undertaken to prepare the updated Strategic Plan 2022-2025 (which was approved by the Board in April 2022), staff resources secured to progress the refresh of the Performance Management Framework, and the development of the Workforce Strategic Plan 2022-2025 by the Workforce Strategic Planning Group to ensure alignment with the updated Strategic Plan. These areas of improvement are not fully implemented and therefore continue to be noted in the section below, with enhancements added.

## **Improvement Areas of Governance**

The review activity outlined above has identified the following areas where further improvement in governance arrangements can be made to enhance compliance with the Local Code:

- 1 Demonstrate the linkages within the updated Strategic Plan 2022-2025 to local and national objectives and alignment of Directions.
- 2 Update the Financial Strategy to address significant deficits indicated in the Medium Term Financial Plan 2021/22 – 2024/25 and provide clarity on whether outcomes can be delivered on a sustainable basis within the resources that will be available, and implement actions arising from the self-assessment of compliance with the CIPFA Financial Management Code.
- 3 Further develop the Performance Management Framework to define and align performance measures to key priorities and outcomes of the Strategic Plan 2022-2025.
- 4 Progress workforce plans for all delegated services to reflect the Strategic Plan 2022-2025 and possible changes required to address significant budgetary challenges.
- 5 Formal approval of the updated Integration Scheme. Midlothian Council and NHS Lothian drafted a new scheme during the financial year which is currently out for consultation.

The implementation of these actions to enhance the governance arrangements in 2022/23 will be driven and monitored by the MIJB Chief Officer in order to inform the next annual review. Internal Audit work planned in 2022/23 is designed to test improvements and compliance in governance.

## **Conclusion and Opinion on Assurance**

It is our opinion that reasonable assurance can be placed upon the adequacy and effectiveness of the MIJB's governance arrangements and system of internal control, while recognising that further improvements are required to fully demonstrate compliance with the Local Code in order for the MIJB to fully meet its principal objectives. Systems are in place to regularly review and improve governance arrangements and the system of internal control.

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**Morag Barrow**  
Chief Officer MIJB

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**Val de Souza**  
Chair of the MIJB

# Independent Auditor's Report

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

### Reporting on the audit of the financial statements

#### Opinion on financial statements

We certify that we have audited the financial statements in the annual accounts of Midlothian Integration Joint Board ('the Integration Joint Board') for the year ended 31 March 2022 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Balance Sheet and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 (the 2021/22 Code).

In our opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2021/22 Code of the state of affairs of the Integration Joint Board as at 31 March 2022 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2021/22 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 six years. We are independent of the 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 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 concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

These conclusions are not intended to, nor do they, provide assurance on the Integration Joint Board's current or future financial sustainability. However, we report on the Integration Joint Board's arrangements for financial sustainability in a separate Annual Audit Report available from the [Audit Scotland website](#).

## **Risks of material misstatement**

We report in our Annual Audit Report the most significant assessed risks of material misstatement that we identified and our judgements thereon.

## **Responsibilities of the Chief Finance Officer and Midlothian Integration Joint Board Audit and Risk Committee for the financial statements**

As explained more fully in the Statement of Responsibilities, the Chief Finance 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 Finance 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 Finance Officer is responsible for assessing the 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 there is an intention to discontinue the Integration Joint Board's operations.

The Integration Joint Board Audit and Risk Committee 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 decisions of users taken on the basis of these financial statements.



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

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

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

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

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

## **Reporting on other requirements**

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

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

### **Other information**

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

Our responsibility is to read all the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we

identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

In our opinion, based on the work undertaken in the course of the audit:

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

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

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

- adequate accounting records have not been kept; or
- the financial statements and the audited part of the Remuneration Report are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit;
- there has been a failure to achieve a prescribed financial objective.

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.

Stephen Reid, for and on behalf of Ernst & Young LLP,  
Ernst & Young LLP  
Atria One  
144 Morrison Street  
Edinburgh  
EH3 8EX

September 2022

# Comprehensive Income and Expenditure Statement

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This statement shows the cost of providing services for the year according to accepted accounting practices. Where the impact on the General Fund is amended by statutory adjustments, this is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

## IJB Comprehensive Income and Expenditure Statement

	2020/21 Net Expenditure £000's	2021/22 Net Expenditure £000's
Health Care Services - NHS Lothian	£113,266	£121,552
Social Care Services - Midlothian Council	£43,735	£46,352
<b>Cost of Services</b>	<b>£157,001</b>	<b>£167,904</b>
Taxation and Non-Specific Grant Income	(£165,373)	(£178,423)
Surplus on Provision of Services	8,372	10,519

The Integration scheme lays out that the partners will provide corporate and other support to the IJB as required and will not charge for these services. These costs are not, therefore, included above.

# Movement in Reserves Statement

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The movement in reserves statement shows the value of the IJBs reserve and how this has grown during 2021/22, a large proportion of this reserve is earmarked for future projects and commitments.

## Movements in Reserves during 2021/22

	General Fund Balance £000's	Total Reserves £000's
<b>Opening Balance at 1 April 2021</b>	<b>£12,993</b>	<b>£12,993</b>
Total Comprehensive Income and Expenditure	£10,519	£10,519
Increase or Decrease in 2021/22	£10,519	£10,519
<b>Closing Balance at 31 March 2022</b>	<b>£23,511</b>	<b>£23,511</b>

# Balance Sheet

The Balance Sheet shows the value of the IJB's assets and liabilities as at the balance sheet date. The net assets (assets less liabilities) of the IJB are matched by the reserves held by the IJB.

## IJB Balance Sheet

	31 March 2021 £000's	31 March 2022 £000's	Note
<b>Current Assets</b>			
Debtors	£12,993	£23,511	7
Creditors: amounts falling due within one year	0	0	8
Total assets less current liabilities	£12,993	£23,511	
<b>Capital and Reserves</b>			
Earmarked Reserve	£8,271	£17,641	
General Reserve	£4,721	£5,870	
Total Reserves	£12,993	£23,511	

See Notes 7 and 8 at end of document in Notes to the Financial Statements.

**Claire Flanagan**, Chief Finance Officer.

**Date:**

# Notes to the Financial Statements

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## 1 Significant Accounting Policies

### General Principles

The Financial Statements summarise the IJB's transactions for the 2021/22 financial year and its position at the year-end of 31 March 2022.

The IJB was established under the requirements of the Public Bodies (Joint Working) (Scotland) Act 2014 and is a Section 106 body as defined in the Local Government (Scotland) Act 1973.

The Financial Statements are therefore prepared in compliance with the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22, supported by International Financial Reporting Standards (IFRS), unless legislation or statutory guidance requires different treatment.

The accounts are prepared on a going concern basis, which assumes that the IJB will continue in operational existence for the foreseeable future. The historical cost convention has been adopted.

### Basis of Preparation

The IJB financial statements for 2021/22 have been prepared on a going concern basis. The IJB was established under the requirements of the Public Bodies (Joint Working) (Scotland) Act 2014 and is a Section 106 body as defined in the Local Government (Scotland) Act 1973. In accordance with the CIPFA Code of Local Government Accounting (2021/22), the IJB is required to prepare its financial statements on a going concern basis unless informed by the relevant national body of the intention for dissolution without transfer of services or function to another entity. The accounts are prepared on the assumption that the IJB will continue in operational existence for the foreseeable future.

The IJB's funding from and commissioning of services to partners has been confirmed for 2022/23, and a medium term financial plan has been prepared through to 2025. The Scottish Government allocation has met all costs associated with the pandemic in 2021/22 (£5.488m). Additional support (£9.703m) has been transferred to reserves and is expected to be used to meet costs in 2022/23. Work is ongoing through the mobilisation plan prepared by the IJB at the request of the Scottish Government to quantify the impact of COVID-19 on the IJB's financial performance going forward. However, ultimately additional costs will be met by the IJB's partners in line with the integration scheme. Therefore the IJB considers there are no material uncertainties around its going concern status.

### Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when settlement in cash occurs. In particular:

- Expenditure is recognised when goods or services are received and their benefits are used by the IJB
- Income is recognised when the IJB has a right to the income, for instance by meeting any terms and conditions required to earn the income, and receipt of the income is probable
- Where income and expenditure have been recognised but settlement in cash has not taken place, a debtor or creditor is recorded in the Balance Sheet
- Where debts may not be received, the balance of debtors is written down

### Funding

The IJB is wholly funded through funding contributions from the statutory funding partners, Midlothian Council and NHS Lothian. Expenditure is incurred in the form of net charges by the partners to the IJB.

### Cash and Cash Equivalents

The IJB does not operate a bank account or hold cash. Transactions are settled on behalf of the IJB by the funding partners. Consequently the IJB does not present a 'Cash and Cash Equivalent' figure on the balance sheet.

### Debtors and Creditors

The funding balance due to or from each funding partner as at 31 March is represented as a debtor or creditor on the IJB's Balance Sheet. Where income and expenditure have been recognised but settlement in cash has not taken place, a debtor or creditor is recorded in the Balance Sheet.

### Employee Benefits

The IJB does not directly employ staff. Staff are formally employed by the partners who retain the liability for pension benefits payable in the future. The IJB therefore does not present a Pensions Liability on its Balance Sheet.

The IJB has a legal responsibility to appoint a Chief Officer. More details on the arrangements are provided in the Remuneration Report.

### Provisions, Contingent Liabilities and Contingent Assets

Provisions are liabilities of uncertain timing or amount. A provision is recognised as a liability on the balance sheet when there is an obligation as at 31 March due to a past event; settlement of the obligation is probable; and a reliable estimate of the amount can be made. Recognition of a provision will result in expenditure being charged to the Comprehensive Income and Expenditure Statement and will normally be a charge to the General Fund.

A contingent liability is a possible liability arising from events on or before 31 March, whose existence will only be confirmed by later events. A provision that cannot be reasonably estimated, or where settlement is not probable, is treated as a contingent liability. A contingent liability is not recognised in the IJB's Balance Sheet but is disclosed in a note where it is material.

A contingent asset is a possible asset arising from events on or before 31 March, whose existence will only be confirmed by later events. A contingent asset is not recognised in the



IJB's Balance Sheet but is disclosed in a note only if it is probable to arise and can be reliably measured.

The IJB has none of the above.

### Reserves

The IJB's reserves are classified as either Usable or Unusable Reserves.

The IJB's only Usable Reserve is the General Fund. The balance of the General Fund as at 31 March shows the extent of resources which the IJB can use in later years to support service provision. As noted above, the IJB has reserves of £ 23.511m at 31 March 2022.

The IJB's only Unusable Reserve is the Employee Statutory Adjustment Account. This is required by legislation.

### **IJB's useable reserve**

	2020/21 Closing Balance £000's
COVID-19 Funding	9,703
Local Programmes	2,274
Primary Care Investment Fund	889
Alcohol and Drug Strategy	619
Community Support Fund	312
Technology Enabled Care	208
Integrated Care Fund	399
Wellbeing Service	248
Action 15	140
EGIERDA Project	49
Autism Strategy	12
Interim Care	603
Care at Home	934
Multi-disciplinary Teams	302
Older People's Transformation Board	22
Carers Act	679
Equally Safe Fund	29
Trauma Informed Practice	50
Additional MHO Capacity	80
DBI/Penumbra Funding	90
<b>General Reserves</b>	<b>5,870</b>
<b>Total</b>	<b>23,511</b>

### Indemnity Insurance

The IJB has indemnity insurance for costs relating primarily to potential claim liabilities regarding Board member and officer responsibilities. NHS Lothian and Midlothian Council have responsibility for claims in respect of the services that they are statutorily responsible

for and that they provide. The IJB holds separate indemnity insurance through its membership of the CNORIS scheme, the charge for this in 2021/22 was £3,000 (PY £6,000).

Unlike NHS Boards, the IJB does not have any 'shared risk' exposure from participation in CNORIS. The IJB participation in the CNORIS scheme is therefore analogous to normal insurance arrangements.

Known claims are assessed as to the value and probability of settlement. Where it is material the overall expected value of known claims taking probability of settlement into consideration is provided for in the IJB's Balance Sheet.

The likelihood of receipt of an insurance settlement to cover any claims is separately assessed and, where material, presented as either a debtor or disclosed as a contingent asset.

There are no outstanding claims or any indications that any claims are to be made against the IJB.

## **2 Critical Judgements and Estimation Uncertainty**

The critical judgements made in the Financial Statements relating to complex transactions are:-

- The partner organisations have considered their exposure to possible losses and made adequate provision where it is probable that an outflow of resources will be required and the amount of the obligation can be measured reliably. Where it has not been possible to measure the obligation, or it is not probable in the partner organisations' options that a transfer of economic benefits will be required, material contingent liabilities have been disclosed (there are none)
- The Annual Accounts contains estimated figures that are based on assumptions made by the IJB about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates
- There are no items in the IJB's Balance Sheet at 31 March 2022 for which there is a significant risk of material adjustment in the forthcoming financial year

### Provisions

The IJB has not created any provisions in respect of compensation claims. It is not certain that all claims have been identified or that the historic level of settlement payments is a reliable guide for future settlements.

## **3 Subsequent Events**

In accordance with the requirements of International Accounting Standards 10, events after the reporting period are considered up to the date on which the accounts are authorised for

issue. This is interpreted as the date that the accounts were certified by the Chief Financial Officer following approval by the Audit and Risk Committee.

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Annual Accounts are authorised for issue. Two types of events can be identified.

- Adjusting events: Those that provide evidence of conditions that existed at the end of the reporting period. The Annual Accounts is adjusted to reflect such events.
- Non-adjusting events: Those that are indicative of conditions that arose after the reporting period and the Statements are not adjusted to reflect such events. Where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

## 4 Expenditure and Funding Analysis

Services specifically for Midlothian	2020/21 £000's	2021/22 £000's
Health	69,130	75,000
Social Care	43,735	46,352
Midlothian's share of Lothian Health Services (Hosted)	25,107	25,853
Midlothian's share of Lothian Health Services (Set Aside)	19,029	20,698
<b>Total</b>	<b>157,002</b>	<b>167,903</b>
Funded by: Midlothian Council	44,985	50,598
Funded by: NHS Lothian	120,388	127,825
<b>Total Funding</b>	<b>165,373</b>	<b>178,423</b>
<b>Surplus</b>	<b>8,372</b>	<b>10,519</b>

Expenditure above has been split into three main areas:

- Expenditure on those services delivered specifically for the population of Midlothian. These services are managed locally by the Midlothian Partnership
- Hosted Services – these are health services managed either by the Edinburgh, East Lothian and West Lothian Partnerships or managed by NHS Lothian on a pan-Lothian basis. These services included Mental Health Services, Learning Disability Services, Substance Misuse Services, Rehabilitation services, General Dental Services, General Pharmaceutical Services and General Ophthalmic Services. This is the IJB's agreed share of these services
- Set Aside Services – these are services delivered in the main acute hospitals (Royal Infirmary of Edinburgh, Western General Hospital and St. John's Hospital) and managed by NHS Lothian. This is the IJB's agreed share of these services

**5 Corporate Service** - Included in the above costs are the following corporate services:

	2020/21 £000's	2021/22 £000's
Staff (Chief Officer)	48	54
CNORIS	6	3
Audit Fee	27	28
<b>Total</b>	<b>81</b>	<b>85</b>

As noted above, the Chief Finance Officer is not charged to the IJB.

## 6 Related Party Transactions

As partners with the Integration Joint Board, both Midlothian Council and NHS Lothian are related parties and the material transactions with these bodies are disclosed in these accounts.

There are elements of expenditure which are shown against the NHS Lothian above but where the resources are used by the social care services delivered by Midlothian Council.

	2020/21 £000's	2021/22 £000's
NHS Lothian	113,266	121,552
Resource Transfer	(7,158)	(7,173)
Social Care Fund	(4,816)	(4,816)
<b>Net NHS Lothian Expenditure</b>	<b>101,292</b>	<b>109,563</b>
Midlothian Council	43,735	46,352
Resource Transfer	7,158	7,173
Social Care Fund	4,816	4,816
<b>Gross Social Care Expenditure</b>	<b>55,708</b>	<b>58,341</b>

Both Resource Transfer and the Social Care Fund are resources which are part of the NHS Lothian budget but these funds are used to deliver social care service supplied by Midlothian Council.

## 7 Short Term Debtors

	2020/21 £000's	2021/22 £000's
Funding due from NHS Lothian	5,626	11,898
Funding due from Midlothian Council	7,367	11,613
<b>Total</b>	<b>12,993</b>	<b>23,511</b>

## 8 Short Term Creditors

	2020/21 £000's	2021/22 £000's
Funding due to NHS Lothian	0	0
Funding due to Midlothian Council	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

## 9 VAT

The IJB is not VAT registered. The VAT treatment of expenditure in the IJB's accounts depends on which of the Partner agencies is providing the service as these agencies are treated differently for VAT purposes.

Where the Council is the provider, income and expenditure excluded any amounts related to VAT, as all VAT collected is payable to H.M. Revenue & Customs and all VAT paid is recoverable from it. The Council is not entitled to fully recover VAT paid on a very limited number of items of expenditure and for these items the cost of VAT paid is included within service expenditure to the extent that it is irrecoverable from H.M. Revenue and Customs.

Where the NHS is the provider, expenditure incurred will include irrecoverable VAT as generally the NHS cannot recover VAT paid as input tax and will seek to recover its full cost as income from the Commissioning IJB.





**Thursday 1<sup>st</sup> September 2022 at 2pm**

## **CIPFA Financial Management Code Self Assessment**

**Item number: 5.4**

### **Executive summary**

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*The Committee agreed to adopt the new CIPFA Financial Management Code in as far as it pertained to the operations of the IJB at the December 2021 meeting. This paper provides a self assessment against the principles laid out in the code and looks at the themes in the guidance and considers how these can be delivered by the IJB or its partners. It should be noted that the adoption of this guidance is an element in the overall achievement of best value.*

*The Committee is asked to*

- 1. Note the self assessment*
- 2. Note the actions for improvement.*

## CIPFA Financial Management Code Self Assessment

### 1 Purpose

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- 1.1 The purpose of this report is to consider how the CIPFA Financial Management (FM) guidance (21/22) as it pertains to the operations of the IJB and to provide a self assessment update on the principles in the code. It should be noted that the adoption of this guidance is an element in the assurance processes of the IJB in its delivery of best value.

### 2 Recommendations

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- 2.1 Members of the Audit and Risk Committee are therefore asked to:
- Note the self
  - Note the actions for improvement

### 3 Background and main report

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- 3.1 The FM Code produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability.
- 3.2 A paper was presented to the December 2021 meeting of the committee who approved that the code should be adopted and an update to the March 2022 committee.
- 3.3 The principles within the code are :-
- leadership
  - accountability
  - transparency
  - standards
  - assurance
  - sustainability



- 3.4 The summary of the self assessment is attached in Appendix 1 against the principles in code (those relating to IJB operations). This summary also highlights our areas for improvement
- 3.5 The IJB is required to deliver its delegated functions with regard to the principle of best value. The adoption of this guidance and this self assessment will provide an element of assurance as to the overall delivery of best value.

## 4. Directions

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- 4.1 There are no Directions implications arising from this report.

## 5. Equalities Implications

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- 5.1 There are no direct equalities implications arising from this report.

## 6. Resource Implications

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- 6.1 There are no further resource implications arising from this report

## 7. Risk

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- 7.1 Financial challenges are already recognised on the IJB's risk register

## 8. Involving People

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- 8.1 The IJB meets in public and the committees' papers and minutes are presented to the IJB

## 9. Background Papers

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- 9.1 CIPFA – Financial Management Code - December 2021 paper  
9.2 CIPFA – Financial Management Code - March 2022 paper

<b>AUTHOR'S NAME</b>	Claire Flanagan
<b>DESIGNATION</b>	Chief Finance Officer
<b>CONTACT INFO</b>	Claire.flanagan@nhslothian.scot.nhs.uk
<b>DATE</b>	September 2022

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Appendix 1 – Self assessment of the CIPFA code in relation to the IJB



Appendix 1 – Self assessment of the CIPFA code in relation to the IJB

Section	Standard	IJB	Assurance
1: The responsibilities of the Chief Finance Officer and Leadership Team	A: The leadership team is able to demonstrate that the services provided by the authority provide value for money	Yes	Strategic Plan and Directions.
	B: The authority complies with the CIPFA 'Statement on the Role of the Chief Officer in Local Government'	Yes	Annual Audit process.
2: Governance and financial management style	C: The leadership team demonstrates in its actions and behaviours responsibility for governance and internal control	Partial	IJB Audit & Risk Committee The IJB places reliance on partner's internal control.
	D: The authority applies the CIPFA/SOLACE 'Delivering Good Governance in Local Government: Framework (2016)'	Partial	The IJB code of conduct Where the framework pertains these are part of the IJB's own regulations
	E: The financial management style of the authority supports financial sustainability	Partly	The IJB is continuing to develop its multi-year balance financial plan. <b>ACTION : Multi year financial plan required</b>

3: Long to medium-term financial management	F: The authority has carried out a credible and transparent financial resilience assessment	Yes	<p>The IJB receives routine Finance Reports</p> <p>The IJB is developing its multi-year balance financial plan.</p> <p><b>ACTION : Multi year financial plan required</b></p>
	G: The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members	Yes	<p>The IJB receives routine Finance Reports</p> <p>The IJB is developing its multi-year balance financial plan.</p> <p><b>ACTION : Multi year financial plan required</b></p>
	H: The authority complies with the CIPFA 'Prudential Code for Capital Finance in Local Authorities'	Not applicable	
	I: The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans	Partly	<p>The IJB is continuing to develop its multi-year balance financial plan.</p> <p><b>ACTION : Multi year financial plan required</b></p>

4: The annual budget	J: The authority complies with its statutory obligations in respect of the budget setting process	Yes	The IJB Budget Offer paper.  The IJB sets an indicative budget before the start of the financial year.
	K: The budget report includes a statement by the chief finance officer in the robustness of the estimates and a statement on the adequacy of the proposed financial reserves	Yes	The IJB Budget Offer paper.  <b>ACTION : Ensure clear statement on this in future papers</b>
5: Stakeholder engagement and business plans	L: The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium-term financial plan and annual budget	Yes	IJB Strategic Plan consultations
	M: The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions	Yes	Performance Assurance & Governance meeting  Strategic Planning Group Directions
6: Monitoring financial performance	N: The leadership team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability	Not applicable	The operational management of the IJB's budget is undertaken by both partners. The IJB receives updates on the

			<p>financial position of its partners.</p> <p>Additional directions can be used if the financial issues are serious and threatening to the delivery of the Strategic Plan.</p>
	O: The leadership team monitors the elements of its balance sheet that pose a significant risk to its financial sustainability	Not applicable	The IJB's balance sheet does not have any assets, loans or doubtful debtors that pose a risk to the IJB.
7: External financial reporting	P: The chief finance officer has personal and statutory responsibility for ensuring that the statement of accounts produced by the local authority complies with the reporting requirements of the 'Code of Practice on Local Authority Accounting in the United Kingdom'	Yes	Annual accounts and annual audit report.
	Q: The presentation of the final outturn figures and variations from budget allows the leadership team to make strategic financial decisions	Yes.	<p>IJB receive high level strategic finance reports.</p> <p>Detailed outturn figure and variations is part of the IJBs annual accounts.</p>