Notice of Meeting and Agenda



Midlothian Integration Joint Board - Audit and Risk Committee

Venue: Committee Room,

Midlothian House, Dalkeith, EH22 1DN

Date: Thursday, 07 March 2019

Time: 14:00

Allister Short Chief Officer

Contact:

Clerk Name: Mike Broadway Clerk Telephone: 0131 271 3160

Clerk Email: Mike.Broadway@midlothian.gov.uk

Further Information:

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

1 Welcome, Introductions and Apologies

2 Order of Business

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

3 Declaration of Interest

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

4.1 Minute of meeting of 6 December 2018 submitted for approval 3 - 8

5 Public Reports

- 5.1 Scottish Government and COSLA Health and Social Care 9 12 Integration progress Review Report by Chief Officer
- 5.2 Audit Scotland Auditing Best Value Integration Joint Boards 13 16Report by Chief Finance Officer
- 5.3 Update on progress with delivery of Midlothian Integration Joint Board Internal Audit Annual Plan 2018/19 - Verbal Update by Chief Internal Auditor
- 5.4 External Audit Annual Plan 2018/19 Report by EY, External 17 42 Auditors
- **5.5** Risk Management Q3 update Report by Risk Manager 43 56
- **5.6** MIJB Internal Audit Annual Plan 2019-20 Report by Chief 57 62 Internal Auditor

6 Private Reports

No items to be discussed

7 Date of Next Meeting

The next meeting will be held on Thursday 6 June 2019 at 2pm

Minute of Meeting



Midlothian Integration Joint Board Audit and Risk Committee

Date	Time	Venue
Thursday 6 December 2018	1.00pm	Conference Room, Melville
		Housing, The Corn Exchange, 200
		High Street, Dalkeith, EH22 1AZ.

Present (voting members):

Cllr Jim Muirhead (Chair)	Angus McCann
Jane Cuthbert (Independent Member)	Alex Joyce

Present (non-voting members):

Allister Short (Chief Officer)	Claire Flanagan (Chief Finance Officer)
Jill Stacey (Chief Internal Auditor)	

In attendance:

Chris Lawson (Risk Manager)	Gordon Aitken (Democratic Services)
Mike Broadway (Clerk)	

Apologies:

Councillor Pauline Winchester	Stephen Reid (EY, External Auditor)
Sarah Croft (EY, External Auditor)	

Midlothian Integration Joint Board Audit and Risk Committee

Thursday 6 December 2018

1. Welcome and introductions

The Chair, Councillor Jim Muirhead welcomed everyone to this meeting of the Midlothian Integration Joint Board Audit and Risk Committee, following which there was a round of introductions.

2. Order of Business

The order of business was as set out in the Agenda.

3. Declarations of interest

No declarations of interest were received.

4. Note of Meeting

The Minutes of Meeting of the Midlothian Integration Joint Board Audit and Risk Committee held on 6 September 2018 was submitted. A correction to the minute was proposed with regards to item 5.5 which it was pointed out should read 'annual' plan rather than 'action' plan, also the date of the meeting was '2018' rather than '2017'. With the insertion of these adjustments the minute was thereafter approved as a correct record.

5. Public Reports

Report No.	Report Title	Presented by:
5.1	Internal Audit Recommendations – Progress Report	Jill Stacey

Executive Summary of Report

The purpose of this report was to:

- inform the MIJB Audit and Risk Committee of the number of recommendations raised by Internal Audit;
- note the MIJB Management's reported performance in addressing these issues by the agreed implementation; and
- highlight the main governance and financial risks where recommendations were found to be outstanding.

The report advised that of the 57 recommendations raised since the inception of the MIJB, 49 (86%) were recorded as complete, 2 (4%) had not yet reached their due date, and 6 (10%) were identified as being overdue. After reviewing all the recommendations, MIJB Management have established revised target dates for the 6 overdue recommendations.

Midlothian Integration Joint Board Audit and Risk Committee

Thursday 6 December 2018

Summary of discussion

Having heard from the Chief Internal Auditor who responded to Members' questions and comments, the Committee, in considering the revision of target dates, acknowledged that Management had advised that the target dates need to be revised due to the preparation of the 2019-22 Strategic Plan and complexities involved in addressing the risks. This led to a general discussion regarding whether some of the recommendations remained appropriate and whether rather than simply review the target dates consideration might also need to be given to reviewing the recommended action as well.

Decision

After further discussion, the Audit and Risk Committee agreed to

- note the content of this report;
- approve the revised implementation dates, on provision that the corresponding recommendation also be reviewed, in order to ensure that they remained appropriate; and
- note that Internal Audit would continue to monitor for completion of the outstanding recommendations and would provide updates to the MIJB Audit and Risk Committee.

Action

Chief Internal Auditor/Chief Finance Officer

Report No.	Report Title	Presented by:
5.2	Risk Register - Update	Chris Lawson

Executive Summary of Report

The purpose of this report was to provide the Audit & Risk Committee with an update on the MIJB Risk Register and the actions being taken to identify and manage risk in order to ensure the successful delivery of the MIJB's key objectives, as detailed in the Strategic Plan. The report also provided the Committee with an overview of the MIJB's operating context taking account of current issues, future risks and opportunities.

Summary of discussion

Having heard from the Risk Manager who responded to Members' questions, the Committee took the opportunity to review, and comment on, the contents of the current Risk Register. It was felt that it would be useful going forward if the extent of the risks could be quantified and that the narratives used were reviewed to ensure that they provided the necessary information.

Decision

The Audit and Risk Committee, after further discussion:-

Midlothian Integration Joint Board Audit and Risk Committee

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- noted the current Risk Register; and
- confirmed that the risks contained in the Risk Register reflected the current risks/opportunities facing the MIJB.

Action

Risk Manager/Chief Finance Officer

Report No.	Report Title	Presented by:
5.4	Audit Scotland Reports on Integration	Allister Short

Executive Summary of Report

This paper brought to the Audit and Risk Committee's attention, the findings of two recent Audit Scotland reports regarding progress with health and social care integration, namely 'Health and Social Care Integration –An Update on Progress' and 'NHS in Scotland 2018'.

Summary of discussion

Chief Officer, Allister Short in presenting the report to the Committee highlighted the key messages arising from the reports, viz –

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

and provided feedback from a development session involving NHS Lothian senior executive colleagues, IJB Chief Officers, chairs and vice chairs and Council Chief Executives within the Lothian area held on 4 December 2018 to discuss the reports in more detail.

Thereafter discussion took place on the potential benefits of a more collaborative approach to service provision, for example, the possible benefits that access to leisure facilities could potentially have on health issues like diabetes. The challenging being, being able to offer such services in the current financial climate and also being able to evidence the contribution/extent of the any saving accruing from them. Other issues such as a move to a longer term financial planning model and the ethos of "spend to save" were also discussed.

Decision

The Audit and Risk Committee:

 Noted the publication of the two Audit Scotland Reports on Integration and the key messages contained in them; and

Midlothian Integration Joint Board Audit and Risk Committee

Thursday 6 December 2018

 Noted the proposal to prepare a report for a future IJB meeting on how the Midlothian Partnership was performing in relation to the key recommendations of these reports.

Action

Chief Officer/Chief Finance Officer

Report No.	Report Title	Presented by:
5.5	Scottish Government Medium Term Health and Social Care Financial Framework	Claire Flanagan

Executive Summary of Report

The purpose of this report was to bring to the attention of the Audit and Risk Committee the recent publication by Scottish Government of its Medium Term Health and Social Care Financial Framework.

Summary of discussion

Claire Flanagan (Chief Finance Officer) provided the Committee with an overview of the key messages arising from the framework and having responding to Member's questions and comments, she confirmed that there was ongoing dialogue nationally with Chief Finance Officers, Scottish Government and COSLA to review and move the framework forward.

Decision

After discussion, the Audit and Risk Committee:

- Noted the publication by Scottish Government of its medium term health and social care financial framework; and
- Noted the key messages as a result of these reports

Action

Chief Finance Officer

6. Private Reports

No private business to be discussed at this meeting.

7. Date of next meeting

The next meeting of the Midlothian Integration Joint Board Audit and Risk Committee would be held on Thursday 7 March 2019 at 2.00 pm.

The meeting terminated at 2.00 pm.

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Midlothian Audit & Risk Committee



Thursday 7 March 2019 – 2pm

Review of progress with Integration

Item number: 5.1

Executive summary

The paper highlights the recent report from the Ministerial Strategic Group for Health and Community Care on the review of progress with Integration of health and social care.

Board members are asked to:

 Note the key points identified within the report and agree to receive an updated report setting out what progress has been made locally against the key recommendations within the report and the previous Audit Scotland report on Integration.

Report

Review of progress with Integration

1 Purpose

1.1 The paper highlights the recent report from the Ministerial Strategic Group for Health and Community Care on the review of progress with Integration of health and social care.

2 Recommendations

2.1 As a result of this report Members are asked to note the key points identified within the report and agree to receive an updated report setting out what progress has been made locally against the key recommendations within the report and the previous Audit Scotland report on Integration.

3 Background and main report

- 3.1 In May 2018, the then Cabinet Secretary for Health and Sport made a commitment to Parliament to undertake with COSLA a 'Review of Progress Under Integration Authorities'. Through the Ministerial Strategic Group, a small leadership group was commissioned to undertake this Review of Progress which has now concluded its deliberations and produced a set of proposed actions for driving forward health and social care integration.
- 3.2 Given the timing of this Review of Progress publishing its findings shortly after the Audit Scotland phase two report on integration, the actions are presented under headings of six key areas for improvement highlighted by Audit Scotland, which were discussed at the previous IJB meeting and are set below:

Key Points

- Shared and collaborative leadership must underpin and drive forward integration
- **Integrated finances** and financial planning focus on the practicalities of ensuring the arrangements legislated are used fully
- Maximising the benefit of health and social care services, depends on good planning across all the services in communities and hospitals
- Governance and accountability must be clear and commonly understood
- Understanding where progress and problems are arising in sharing information is key to delivering better care in different settings.
- Meaningful and sustained engagement has a central role to play in ensuring that the planning and delivery of services is centred on people.
- 3.3 MSG has created the expectation that every Health Board, Local Authority and IJB will take action to make progress within the local area, with support on offer. There is a reiteration to making integration work, recognising the need for difficult conversations to take place if required.

Midlothian Integration Joint Board

- 3.4 National improvement bodies, including Healthcare Improvement Scotland, Care Inspectorate and Improvement Service will work with the key partners to deliver the improvement support required to implement our proposals.
- 3.5 An update report on progress within Midlothian against the recommendations from the Audit Scotland report and the MSG review will be produced for the IJB meeting in March 2019 to allow for fuller discussion on the key issues and subsequently reported to Audit & Risk Committee for oversight and delivery.

4 Policy Implications

4.1 The issues outlined in this report relate to the integration of health and social care services and the delivery of policy objectives within the IJBs Strategic Plan.

5 Directions

5.1 There are no direct impact on the current Directions of the IJB.

6 Equalities Implications

6.1 There are no specific equalities issues arising from this update report.

7 Resource Implications

7.1 There are no direct resource implications arising from this report.

8 Risk

8.1 The key risks associated with the delivery of services and programmes of work are articulated and monitored by managers and, where appropriate, reflected in the risk register.

9 Involving people

9.1 There continues to be ongoing engagement and involvement with key stakeholders across the Partnership to support development and delivery of services.

10 Background Papers

https://www.gov.scot/publications/ministerial-strategic-group-health-community-care-review-progress-integration-health-social-care-final-report/

AUTHOR'S NAME	Allister Short
DESIGNATION	Chief Officer
CONTACT INFO	0131 271 3605
DATE	28 February 2019

Midlothian IJB Audit and Risk Committee



Thursday 7 March 2019 - 2pm

Audit Scotland Report – Auditing Best Value – Integration Joint Boards

Executive summary

Item number: 5.2

This report brings to the attention of the Committee the Audit Scotland Report on Auditing Best Value for IJBs.

Committee members are asked to:

- 1. Consider the publication of the report from Audit Scotland
- 2. Agree to a future extended Audit & Risk Committee to review the key messages in the report within the context of Midlothian IJB

Audit Scotland Report – Auditing Best Value – Integration Joint Boards

1. Purpose

This report lays out guidance to assist auditors with assessing best value within IJBs and therefore worth this committee being sighted on such guidance.

2. Recommendations

Committee members are asked to

- 1 Consider the publication of the report from Audit Scotland
- Agree to a future extended Audit & Risk Committee to review the key points in the report within the context of Midlothian IJB

3. Background and main report

3.1 This Audit Scotland guidance note was published in March 2018 and aims to assists auditors assessing best value within IJBs. The IJB should secure best value similar to other public sector bodies including health and central government. This publication can be viewed at

http://www.dg-change.org.uk/wp-content/uploads/2018/09/Agenda-Item-10-Appendix-1-Audit-Scotland-Report-Guidance-on-Best-Value.pdf

Key Messages:

- 3.2 The guidance note lays out the expectations that IJBs demonstrate achievement of best value within documents such as the strategic plan and the performance reports. It further notes that Auditors should assess best value reviews of parent bodies and whether this supports the delivery of best value from the IJB. Finally an appendix of Audit prompts are set out as follows.
 - 1. Who do you consider to be accountable for securing Best Value in the IJB?
 - 2. How do you receive assurance that the services supporting the delivery of the strategic plan are securing Best Value?
 - 3. Do you consider there to be sufficient buy-in to the IJB's longer term vision from partner officers and members?
 - 4. How is value for money demonstrated in the decisions made by the IJB?
 - 5. Do you consider there to be a culture of continuous improvement?
 - 6. Have there been any service reviews undertaken since establishment have improvements been identified? Is there any evidence of improvements in services and/or reductions in pressures as a result of joint working?

- 7. Have identified improvement actions been prioritised in terms of those likely to have the greatest impact?
- 8. What steps are taken to ensure that quality of care and service provided is not compromised as a result of costs saving measures?
- 9. Is performance information reported to the board of sufficient detail to enable value for money to be assessed?
- 10. How does the IJB ensure that management of resources (finances, workforce etc.) is effective and sustainable?
- 3.3 The key questions above provide a helpful prompt and framework for the Audit & Risk Committee to reflect on how effective Midlothian IJB is delivering against best value approaches. In order to explore this further, it is proposed to extend a future meeting of the Audit & Risk Committee to allow for more detailed consideration of the above questions within the context of the IJB.

4. Policy Implications

4.1 The framework focuses on supporting the implementation of the Public Bodies (Joint Working)(Scotland) Act 2014.

5. Equalities Implications

5.1 There are no equalities implications arising from this report

6. Resource Implications

6.1 There are no resource implications arising from this report.

7 Risks

7.1 There are no risks associated.

8 Involving People

8.1 There are no direct implications for involving people as a result of this report.

9 Background Papers

9.1 None

AUTHOR'S NAME	Claire Flanagan
DESIGNATION	Chief Finance Officer
CONTACT INFO	Claire.flanagan@nhslothian.scot.nhs.uk
DATE	February 2019

Midlothian Integration Joint Board Annual Audit Plan Year ending 31 March 2019

Audit and Risk Committee 7 March 2019



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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 2020/21. 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 (the Code), issued on 26 May 2016.

This report is for the benefit of the IJB and is made available to the Accounts Commission, the Controller of Audit and Audit Scotland (together the Recipients). 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 Steve Varley, 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 Diane McGiffen, 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



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") for the five year period 2016/17 to 2020/21.

This Annual Audit Plan, prepared for the benefit of IJB management and the Audit and Risk Committee, sets out our proposed audit approach for the audit of the financial year ending 31 March 2019, the third year of our appointment. In preparing this plan, we have updated our understanding of the IJB through planning discussions with management, review of relevant documentation and committee reports, and our general understanding of the environment in which the IJB is currently operating.

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 processes 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.

After consideration by the IJB, the plan is provided to Audit Scotland and published on their website.

Scope and responsibilities

We undertake our audit in accordance with the Code of Audit Practice (the Code), issued by Audit Scotland in May 2016; International Standards on Auditing (UK); relevant legislation; and other guidance issued by Audit Scotland. The Code sets out the responsibilities of both the IJB and the auditor, more details of which are provided in Appendix A.

Financial statement audit

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

- > whether they give a true and fair view of the financial position of the IJB as at 31 March 2019 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 2018/19 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 by the IJB along with its financial statements.

Wider scope audit

Our responsibilities extend beyond the audit of the financial statements. The Code requires auditors to provide judgements and conclusions on the four dimensions of wider-scope public audit. Our audit work over the wider scope audit dimensions compliments our financial statements audit.

Materiality				
Planning materiality £1.3 million	Materiality has been set at £1.3 million, which represents approximately 1% of the base expenditure for the year.			
Tolerable Error £975,000	Tolerable error has been set at £975,000, which represents 75% of materiality. We set at this level as there were no audit adjustments arising in the prior year financial statements.			
Summary of uncorrected differences £65,000	We will report all uncorrected misstatements relating to the primary financial statements greater than £65,000.			
	Other misstatements identified will be communicated to the extent that they merit the attention of the Audit and Risk Committee.			

Executive summary (continued)



Key contacts

Stephen Reid, Partner sreid2@uk.ey.com

Sarah Croft, Manager scroft@uk.ey.com

Whitney Stanton, Lead Senior wstanton@uk.ey.com

Ernst & Young LLP, 144 Morison Street, Atria One, Edinburgh EH3 8EX

Independence

We confirm that we have undertaken client and engagement continuance procedures, included in which is our assessment of our continuing assessment of our independence to act as your external auditor.

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report, providing an overview of our initial risk assessment and any change in risk profile in the year.

Financial statements audit

Risk / area of focus	Risk identified	Change from PY	Details
Risk of fraud in revenue and expenditure recognition	Fraud risk	No change	In accordance with ISA (UK) 240, we consider the presumed fraud risk in respect of improper income recognition. Due to the nature of funding to the IJB, we have rebutted the risk of fraud around income. We extend our work to consider the recognition of expenditure, in accordance with Practice Note 10, issued by the Financial Reporting Council, as applicable to public sector audit.
Misstatements due to fraud or error	Fraud risk	No change	As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud due to the ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that would otherwise appear to be operating effectively. For the IJB we consider this risk to manifest itself through the above revenue recognition risk around expenditure.

Wider scope audit			
Audit dimension	Risk identified	Change from PY	Details
Financial sustainability	Wider scope focus area	No change	Achieving financial sustainability continues to represent a significant challenge for the IJB. A key component to this is the requirement to establish longer term financial planning arrangements. We will consider the pace and degree of progress by the IJB in establishing longer term financial planning arrangements as part of our audit work as follow up to our recommendation in our 2017/18 Annual Audit Report.
Financial management	No specific risk focus	Reduced	We concluded last year that the IJB had established its core financial management arrangements, and that these were adequate for the current management of its financial activities. Actions to bring the budget back into balance are to be developed in accordance with the requirements of the Integration Scheme, and are due to be reported back to the IJB for ongoing monitoring. We will review the outturn position against the forecasts produced during the year to inform our view on the robustness of financial management and monitoring information.
Governance & transparency	No specific risk focus	No change	We have not identified a specific focus area in respect of the IJB's governance arrangements. Internal audit's opinion for 2017/18 was that overall, the IJB's governance arrangements, risk management and systems of internal control were adequate.

Executive summary (continued)



Wider scope audit (continued)			
Audit dimension	Risk identified	Change from PY	Detai ls
Value for Money	No specific risk focus	No change	Our work around value for money will consider the IJB's arrangements for delivering and reporting on the pace and scale of progress in improved outcomes through integration.



1. Audit context

1. Audit context



In accordance with the principles of the Code, our audit work considers key developments in the sector. We obtain an understanding of the strategic environment in which the IJB operates to inform our audit approach.

Local government environment

The Accounts Commission published their Local government in Scotland: Financial overview 2017/18 report in November 2018. Part three of this report focused on the financial outlook facing local authority bodies. The Accounts Commission's key message was that the environment remains challenging, with further real-terms reductions in funding and a range of cost and demand pressures on budgets.

Key messages included:

- Funding to the IJBs increased in 2017/18 by 3% in cash terms. Most of this additional funding came from the NHS and includes additional Scottish Government funding to the NHS for IJBs of £107 million.
- ➤ The majority of IJBs have underlying financial sustainability issues, with 11 out of 30 incurring deficits in 2017/18. A further eight would have incurred deficits without additional ('deficit') funding from their partners.
- Reserve positions vary significantly across the IJBs.
- Medium-term financial planning is not in place across most IJBs and further improvements to financial management are required.

Similarly, the Auditor General for Scotland produces an annual overview of the NHS in Scotland with the most recent report issued in October 2018. The report notes that while the challenges facing the NHS in terms of increasing costs, growing demand and the continued pressure on public finances are not new and have been reported before, the impact on the NHS in Scotland is intensifying. The report notes the NHS in Scotland is not in a financially sustainable position. NHS boards are struggling to break even, relying increasingly on Scottish Government loans and one-off savings.

A key message of the report is that healthcare is likely to look very different in future. Health and social care integration marks a significant change in how the different parts of the health and social care system work together and how the Scottish public will access and use services in future. The report recognises that the scale, complexity and inter-dependencies of health and social care make achievement of the required changes a long-term undertaking.

The report makes a number of recommendations for the Scottish Government, NHS Boards and also integration authorities. The detail of these, within the context of the report, can be found at: http://www.audit-scotland.gov.uk/uploads/docs/report/2018/nr_181025_nhs_overview.pdf. As part of our work around the value for money dimension of wider scope, we will review the IJB's arrangements for considering national reports, including evaluating the findings and implementing recommendations.

Scrutiny

While there is no formal Shared Risk Assessment (SRA) process for integration authorities, the Local Area Network (LAN) for the associated local authority considers health and social care outcomes, governance and partnership working as part of their assessment of the local authority. We are also the appointed auditor of Midlothian Council and act as the LAN-lead for the Midlothian Council SRA. The 2018/19 Local Scrutiny Plan did not highlight any significant scrutiny risk in relation to areas associated with the IJB, the main area of work being undertaken by Audit Scotland through performance audits around integration areas within local government.

1. Audit context



Headwinds in the public sector					
	Within the 2018/19 audit planning guidance, Audit Scotland identified a number of risk areas currently impacting the public sector in Scotland.				
EU Withdrawal	Continuing uncertainty exists around the detailed implications for the UK, and Scotland around EU withdrawal. While this continues, it is important for all public sector bodies to remain aware of, and consider the implications for them in areas such as funding, workforce and regulation.				
Changing landscape for public financial management	Scottish public finances are fundamentally changing, with significant tax-raising powers, new powers over borrowing and reserves, and responsibility for 11 social security benefits worth over £3 billion a year. This provides the Scottish Parliament with more policy choices but also means that the Scottish budget is subject to greater volatility, uncertainty and complexity.				
Dependency on key suppliers	It has become clear that the collapse of Carillion has had a significant impact across the public sector. This has brought into focus the risk of key supplier failure, including the risk of underperformance in suppliers that are experiencing difficult trading conditions.				
Care income, financial assessments and financial guardianship	The experience of a few local government audits indicates there may be wider issues with the systems and processes for collecting care income, undertaking financial assessments on individuals receiving care and financial guardianship. In some cases, responsibility for financial assessments on those receiving care has transferred from social care to finance, and this has revealed issues with backlogs of financial assessment and under-recovery of care charges over long periods (more than five years).				
Openness and transparency	There is an increasing focus on how public money is used and what is achieved. In that regard, openness and transparency supports understanding and scrutiny. This is a particular area of consideration in respect of the IJB's financial statements and its disclosures around the front end narrative of the financial statements, and the impact on the public of how it uses public money.				

Our audit response:

We will engage with management to understand how these, and other risks, are identified and managed to the extent that they may directly affect the IJB, including the extent of assurance obtained over the management of these risks by Midlothian Council and NHS Lothian.

Audit Scotland performance audits

In 2018, Audit Scotland completed its second performance audit of Health and Social Care Integration, published in November 2018, using data taken from the sector, including the IJB. The scope of the second audit, including following up on previous recommendations and considering governance arrangements, focused on how integration is changing the way services are planned and designed around the needs of local communities. The main conclusions from Audit Scotland were:

- ➤ While improvements in health and social care have begun to be delivered through changes to service delivery in some areas, there is still much more to be done in a very challenging environment;
- Financial planning is neither long term, integrated or focused on providing the best outcomes for those who need it. Key parts of the integration legislation remain unenacted in areas;
- > A number of significant barriers need to be addressed to improve the pace of change; and
- > Improvements must be made to engagement and shared learning across integrated bodies.

The report included a number of recommendations for all parties. Those for integration authorities focused on the alignment of strategic, operational and financial plans, reporting of best value and delivery of a more long term integrated financial planning arrangement. As part of our work around the value for money dimension of wider scope, we will review the IJB's arrangements for considering national reports, including evaluating the findings and implementing recommendations.



The IJB's Annual Accounts enables the IJB to demonstrate accountability for, and its performance in the use of its resources. They are prepared in accordance with proper accounting practice, which is represented by the 2018/19 Code of Practice on Local Authority Accounting in the United Kingdom.

Audit opinion

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

- > whether they give a true and fair view of the financial position of the IJB and its group as at 31 March 2019 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 2018/19 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 by the IJB along with its financial statements.

Audit approach

We determine which accounts, disclosures and relevant assertions could contain risks of material misstatement. Our audit involves:

- ldentifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- ➤ Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the IJB's internal control.
- ➤ Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- > Concluding on the appropriateness of management's use of the going concern basis of accounting.
- ➤ Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation. For 2018/19 this will include consideration of the application of the revised guidance for the production of IJB financial statements. This was issued for consultation in late 2018 and is anticipated to be finalised shortly for implementation.
- Obtaining sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the IJB to express an opinion on the consolidated financial statements. Reading other information contained in the financial statements, including the board's statement that the annual report is fair, balanced and understandable, the Audit and Risk Committee reporting appropriately addresses matters communicated by us to the Audit and Risk Committee and reporting whether it is materially inconsistent with our understanding and the financial statement.
- Maintaining auditor independence.
- > Substantive tests of detail of transactions and amounts. For 2018/19 we plan to follow a predominantly substantive approach to the audit as we have concluded this is the most efficient way to obtain the level of audit assurance required to conclude that the financial statements are not materially misstated.



Materiality

For the purposes of determining whether the financial statements are free from material error, in accordance with ISA (UK) 320 we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.

Estimated gross expenditure on provision of services = £227 million

Planning materiality £1.3 million Planning materiality (PM) – the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements. For planning purposes, materiality for 2018/19 has been set at £1.3 million. This represents approximately 1% of the IJB's projected expenditure for the year.

Tolerable Error £975,000 Tolerable error (TE) – materiality at an individual account balance, which is set so as to reduce to an acceptably low level that the aggregate of uncorrected and undetected misstatements exceeds PM. We have set it at £975,000 which represents 75% of planning materiality.

Summary of Audit Differences £65,000 Summary of Audit Differences (SAD) Nominal amount – the amount below which misstatements whether individually or accumulated with other misstatements, would not have a material effect on the financial statements. The Code requires that auditors report at no more than ± 0.25 million. We have set it at $\pm 65,000$, which represents 5% of planning materiality.

Our evaluation requires professional judgement and so takes into account qualitative as well as quantitative considerations implied in the definition. 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. Based on these considerations, we apply lower materiality levels to the following areas we consider to be material by nature rather than size:

- > Remuneration Report; and
- Related Party Transactions.

We will therefore review the disclosures related to the above areas in full rather than applying the materiality thresholds outlined above.

The amount we consider material at the end of the audit may differ from our initial determination. At the end of the audit we will form, and report to you, our final opinion by reference to all matters that could be significant to users of the financial statements, including the total effect of any audit misstatements, and our evaluation of materiality at that date.



We have set out the significant risks, including fraud risks, identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

Fraud risk - risk of fraud in expenditure recognition, including through management override of controls

What is the risk?

Under ISA 240 there is a presumed risk that income may be misstated due to improper recognition of income. In the public sector, this requirement is modified by Practice Note 10, issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

Given the nature of funding to the IJB from the Council or NHS, we rebut the assumed fraud risk in respect of the income. For expenditure we associate the recognition risk to the completeness and occurrence of expenditure incurred by the IJB in commissioning services, and any associated creditor balances held by the IJB at yearend, in particular through management override of controls.

We have not identified any other specific areas where management override will manifest as a significant fraud risk, however we will continue to consider this across the financial statements throughout the audit.

Our identified response to the risk

- Challenge management around how the IJB gains assurance over the expenditure incurred by its partner bodies, so that it can account for the recognition of expenditure to those bodies.
- Substantively test income and expenditure transactions as appropriate and material, in particular in respect of any reserve funding held by the IJB.
- Obtaining supporting documentation through independent confirmations of the expenditure incurred by the IJB's partners and those bodies auditors.
- Performing mandatory procedures including testing of all material journal entries and other adjustments in the preparation of the financial statements.

- Significant risks identified in the audit relate to the risk of fraud in expenditure recognition including the risk of misstatement due to fraud or error caused by management override of controls.
- ➤ We will report our findings in these areas to you within our 2018/19 Annual Audit Report.

3. Wider scope audit risks

3 Wider Scope Audit Risks



The Code sets out an expectation that 'significant' risks identified through our planning process that relate to the four wider scope dimensions of public audit, as identified in the Code, will be communicated with you. These are referred to in our report as 'Wider Scope Audit Focus Areas'.

Audit dimension	Risk assessment	Rationale and response
Financial sustainability considers the medium and longer term outlook to determine if planning is effective to support	Audit Focus Area	We concluded in our work in the prior year that achieving financial sustainability continued to represent a significant challenge for the IJB. Management has recognised a key component to this is the requirement to establish longer term financial planning arrangements.
service delivery. This will focus on the arrangements to develop viable and sustainable financial plans.		The IJB is continuing to consider its longer term strategic and financial planning processes and how to incorporate transformational change requirements of its partners within future directions.
ao.a, p.ao.		We will consider the pace and degree of progress by the IJB in its longer term financial planning as part of our audit work as follow up to our recommendation in our 2017/18 Annual Audit Report.
Financial management considers the effectiveness of financial management arrangements, including whether there is sufficient financial capacity and resources, sound budgetary processes and whether the control environment	No specific additional audit focus	We concluded last year that the IJB had established its core financial management arrangements, and that these were adequate for the current management of its financial activities. The IJB is reporting financial pressures of £2.83 million on its overall budget for 2018/19. Actions to bring the budget back into balance are to be developed in accordance with the requirements of the Integration Scheme, and are due to be reported back to the IJB for ongoing monitoring. Both Partners have provided the IJB with indicative funding allocations up to 2022/23, to support medium term financial planning.
and internal controls are operating effectively.		We will review the outturn position against the forecasts produced during the year to inform our view on the robustness of financial management and monitoring information. We will also consider the ongoing robustness of the financial regulations established by the IJB.

3 Wider Scope Audit Risks (continued)



The Code sets out an expectation that 'significant' risks identified through our planning process that relate to the four wider scope dimensions of public audit, as identified in the Code, will be communicated with you. These are referred to in our report as 'Wider Scope Audit Focus Areas'.

Audit dimension	Risk assessment	Rationale and response
Governance and transparency is concerned with the effectiveness of scrutiny and governance	No specific additional audit focus	We have not identified a specific focus area in respect of the IJB's governance arrangements. Internal audit's opinion for 2017/18 was that overall, the IJB's governance arrangements, risk management and systems of internal control were adequate.
arrangements, leadership and decision making, and transparent reporting of financial and performance information.		A risk management strategy and the accompanying risk register highlights the risks. Mitigating controls, residual risk and accompanying actions have been further developed and reported during 2017/18 to the IJB and also to the Audit and Risk Committee, in its oversight role to monitor the IJBs risk management arrangements.
		Our audit strategy for 2018/19 will consider:
		 Can the IJB demonstrate that the governance arrangements are appropriate and operating effectively;
		Is there effective scrutiny, challenge and transparency on decision making and financial and performance reports?;
		Is the governance framework sound and are the governance arrangements effective?
		Is the Governance Assurance Statement complete and does it reflect key findings from audit, scrutiny and inspection?

3 Wider Scope Audit Risks (continued)



The Code sets out an expectation that 'significant' risks identified through our planning process that relate to the four wider scope dimensions of public audit, as identified in the Code, will be communicated with you. These are referred to in our report as 'Wider Scope Audit Focus Areas'.

Audit dimension	Risk assessment	Rationale and response
Value for money considers whether value for money can be demonstrated in the use of resources. This includes the extent to	No specific additional audit focus	We have not identified a specific additional risk in respect of the IJB's arrangements. However, our audit will review the IJB's arrangements and consideration of the guidance issued by Audit Scotland in March 2018; Auditing Best Value – Integration Joint Boards. In particular we will review the IJB's arrangements around:
which there is an alignment between		How the IJB is demonstrating the impact of integrating;
spend, outputs and outcomes delivered and		The effectiveness of plans in improving the outcomes for local people;
that there is a clear focus on improvement.		 How the integration partners are working together to deliver integration reform; and
		The overall pace and scale of change.
		We will also consider how management is responding to and addressing the key risks and headwinds facing the sector, and we will review the IJB's arrangements for considering national reports, including evaluating the findings and implementing recommendations, as outlined earlier in our report.
		Value for money considerations will inherently impact and be impacted by our audit work around the remaining wider scope dimensions, in particular financial sustainability and governance and transparency. We will also consider the findings from our best value work with the Council under our audit appointment for any impact on the IJB.
		In our 2017/18 Annual Audit Report, we noted that the IJB should ensure its Annual Performance Report is finalised and published by 31 July in accordance with the requirements of the Act. This will be followed up as part of audit work in 2018/19.

4. Timing and deliverables; fees

4. Timing and deliverables



We deliver our audit in accordance with the timeline set by the IJB, in accordance with guidance from Audit Scotland. Below is a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2018/19.

JAN	Audit Activity	Deliverable	Expected Timing
FEB MAR	Audit planning and setting scope and strategy for the 2018/19 audit	Annual Audit Plan	7 March 2019
APR			
MAY	 Ongoing assessment around wider scope dimensions and support of Audit Scotland requested information 	n/a - as appropriate	n/a
JUN			
JUL	Year-end substantive audit fieldwork on unaudited financial statements	Audit clearance meeting	July / August 2019
AUG			
SEP	 Conclude on results of audit procedures Issue opinion on the IJB's financial statements 	Certify Annual Financial Statements Issue Annual Audit Report	5 September 2019

4. Fees



The audit fee is determined in line with Audit Scotland's fee setting arrangements, set out in recent communications to all audited bodies in line with their publication on 'Our Approach to setting audit fees' (http://www.audit-scotland.gov.uk/uploads/docs/um/audit_fee_approach.pdf).

Audit fees		
Component of fee:	2018/19	2017/18
Auditor remuneration - expected fee	£17,200	£24,000
Total agreed auditor remuneration	£17,200	£24,000
Audit Scotland fixed charges:		
Pooled costs	£1,670	£1,460
Performance audit and best value	£5,050	£5,020
Audit support costs	£1,080	£1,050
Total fee	£25,000	£31,530

The expected fee for each body, which for 2018/19 has been set centrally by Audit Scotland, assumes that it has sound governance arrangements in place and operating effectively throughout the year, prepares comprehensive and accurate draft financial statements 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.

Fees can be agreed between the auditor and audited body by varying the auditor remuneration by up to 10% above the level set, for example, where significant local issues require additional work to be undertaken.



Appendices

- A Code of Audit Practice: responsibilities
- **B Required communications with the Audit and Risk Committee**
- C Auditor independence

A - Code of Audit Practice: responsibilities



The Code of Audit Practice (the Code) summarises the responsibilities on all audited bodies falling within the public sector audit framework. We summarise these on this page.

Responsibilities	s of audited bodies
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 and Risk Committees or equivalent) in monitoring these arrangements.
Financial statements	Audited bodies must prepare an annual report and accounts containing financial statements and other related reports. They have responsibility for:
and related reports	 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.
Financial position	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.
	Specified audited bodies also have to prepare and publish performance information in accordance with directions issued by the Accounts Commission.

B - Independence report



The FRC Ethical Standard and ISA (UK) 260 "Communication of audit matters with those charged with governance", requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in June 2016, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications

Planning stage

The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between the you, your affiliates and directors and us;

- The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review;
- The overall assessment of threats and safeguards;
- Information about the general policies and process within EY to maintain objectivity and independence.
- Where EY has determined it is appropriate to apply more restrictive independence rules than permitted under the Ethical Standard.

Final stage

- In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed;
- Details of non-audit services provided and the fees charged in relation thereto;
- Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us;
- Written confirmation that all covered persons are independent;
- Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy;
- Details of any contingent fee arrangements for non-audit services provided by us or our network firms; and
- ▶ An opportunity to discuss auditor independence issues.

Relationships, services and related threats and safeguards

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We are not aware of any relationships between Ernst & Young LLP and the IJB that may reasonably be thought to bear on our independence as of the date of this letter.

As part of our considerations for any non-audit engagement, we review potential threats in respect of self-interest, self-review, acting as management and advocacy. There are no non-audit services provided to IJB at this time.

Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate any potential threats identified and we therefore confirm that EY is independent and the objectivity and independence of Stephen Reid, your audit engagement partner and the audit engagement team have not been compromised.

C - Required communications



Required communication	Our reporting to you
Terms of engagement / Our responsibilities	Audit Scotland Terms of
Confirmation by the Audit and Risk Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	Appointment letter – audit to be undertaken in accordance with the Code
Our responsibilities are as set out in our engagement letter.	of Audit Practice
Planning and audit approach	Annual Audit Plan
Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	
Significant findings from the audit	Annual Audit Plan
 Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures Significant difficulties, if any, encountered during the audit Significant matters, if any, arising from the audit that were discussed with management Written representations that we are seeking Expected modifications to the audit report Other matters if any, significant to the oversight of the financial reporting process 	Annual Audit Report
Going concern	Annual Audit Report
 Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: Whether the events or conditions constitute a material uncertainty Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements The adequacy of related disclosures in the financial statements 	
Misstatements	Annual Audit Report
 Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation The effect of uncorrected misstatements related to prior periods A request that any uncorrected misstatement be corrected Corrected misstatements that are significant Material misstatements corrected by management 	, minute i i i i i i i i i i i i i i i i i i i
Fraud	Annual Audit Report
 Enquiries of the Audit and Risk Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity Any fraud that we have identified or information we have obtained that indicates that a fraud may exist A discussion of any other matters related to fraud 	
Consideration of laws and regulations	Annual Audit Report (to
► 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	be issued on completion of audit work) or as occurring if material.
▶ Enquiry of the Audit and Risk Committee into possible instances of non- compliance with laws and regulations that may have a material effect on the financial statements and that the Audit and Risk Committee may be aware of	

C - Required communications (cont.)



Required communication	Reference
Related parties Significant matters arising during the audit in connection with the entity's related	No such matters have been identified.
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	Annual Audit Report (to be issued on completion of audit work) or as occurring if material.
Independence	Annual Audit Plan
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 Report
Internal controls Significant deficiencies in internal controls identified during the audit	Annual Audit Report (to be issued on completion of audit work) or as occurring if material.
Representations Written representations we are requesting from management and/or those charged with governance	Annual Audit Report (to be issued on completion of audit work) or as occurring if material.
Material inconsistencies Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Annual Audit Report (to be issued on completion of audit work) or as occurring if material.

EY | Assurance | Tax | Transactions | Advisory

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Midlothian Integration Joint Board Audit and Risk Committee



7 March 2019, 2pm

Risk Register

Item number: 5.5

Executive summary

The Integrated Joint Board (IJB) Audit and Risk Committee maintains a strategic risk profile which is regularly scrutinises. However, it is important that Midlothian IJB is kept informed of its key risks and the actions undertaken to manage these risks and the current version of the IJB's strategic risk profile is attached.

Committee members are asked to:

1. Consider the strategic risk profile especially those risks highlighted in the covering report.

Report

Risk Profile

1 Purpose

1.1 This report lays out the current version of the IJB's strategic risk profile and highlights current issues, future risks and opportunities of note to the IJB.

2 Recommendations

2.1 As a result of this report what are Members being asked to:-

Consider the strategic risk profile especially those issues and risks highlighted in the covering report.

3 Background and main report

- 3.1 The IJB agreed at its inaugural meeting on 20 August 2015 to adopt a risk management policy and set up a strategic risk profile. This work was progressed at an IJB workshop and subsequent IJB meetings. It was agreed that the IJB's Audit and Risk Committee would regularly scrutinise the strategic risk profile and report back to the IJB as required.
- 3.2 The 2018/19 quarter 3 strategic risk profile update has seen the Financial Stability issue removed from the risk profile given the current financial position of MIJB. The previous risk 'use of acute hospital beds' and 'workforce capacity including recruitment and retention of health and social care staff' have been moved into the issue section of the strategic risk profile.
- 3.3 The most significant issues and risks on the MIJB strategic risk profile are as follows:-

Issues

'Use of Acute Hospital Beds', Midlothian has too high a usage of hospital beds for people who are fit to be discharged or who did not need to be admitted in the first place. In response a project to examine the use of acute hospital beds has been established with an initial focus on COPD and dementia. The pressures on the use of acute beds has resulted in NHS Lothian investing to increase capacity.

'Workforce Capacity including recruitment and retention of health and social care staff', has been identified as an issue facing the IJB with actions currently being taken to address this including workforce planning, SSSC registration of care at home staff and transformation board overseeing a range of initiatives aimed at enhancing capacity in the care at home provision.

Risk

'Balancing the budget in future years', challenges have been identified in the financial outlook presented to IJB in December 2018 with a further update provided in February 2019. A current action to respond to challenges is the Business Transformation Board – Realistic Medicine Programme.

4 Policy Implications

4.1 There are no new policy issues raised in this paper.

5 Directions

5.1 This report does not require a new direction.

6 Equalities Implications

6.1 There are no direct equalities implications arising from this report.

7 Resource Implications

7.1 There are no direct resource implications associated with this report.

8 Risk

8.1 The risks relevant to the business of the IJB are set out within the attached strategic risk profile.

9 Involving people

9.1 The IJB's meetings are held in public and the IJB's papers along with those of the IJB's Audit and Risk committee are available on the internet. This work is supported by the IJB's Chief Internal Auditor and the partnership's risk management.

10 Background Papers

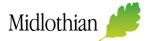
10.1 None.

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DATE	28 February 2019

Appendices:

1. Strategic Risk Profile

IJB Strategic Risk Profile



Issues

IJB.RR.18 Use of Acute Hospital Beds

Risk Code	Risk Identification	Managed by	Risk Control Measures	Likelihood	Impact	Risk Evaluation
IJB.RR.18	Risk cause Midlothian has too high a usage of hospital beds for people who are fit to be discharged or who did not need to be admitted in the first place. Risk event Acute hospitals are unable to function effectively and efficiently because of the number of people occupying beds who do not require hospital care. Risk effect The difficulty of shifting resources to community based services will continue, and people who need hospital care will experience delays. The acute hospital system has to commission services from private providers to meet national targets.		On-going monitoring of quality IJB set Targets on use of Acute Beds. Directions set. Patient pathway being improved including the establishment of a local discharge 'hub'	4	5	

Related Action Code	Related Action	Related action latest note	Managed By	Due Date	Status
IJB.RA.18.1	Project to examine the use of acute hospital beds	Q3 18/19: Project initial focus is on COPD and dementia.	Chief Officer	31-Mar-2019	
IJB.RA.18.2	Increased investment in Acute Hospital bed capacity	Q3 18/19: The pressures on use of acute hospital beds has resulted in NHS investing an additional sum in this area to increase capacity.	NHS Lothian		

IJB.RR.10 Workforce Capacity Including Recruitment & Retention of Health and Social Care Staff

Risk Code	Risk Identification	Managed by	Risk Control Measures	Likelihood	Impact	Risk Evaluation
IJB.RR.10	Risk cause Potential future ability to recruit sufficient staff. Risk event Insufficient numbers of qualified people to deliver services based on current models. Risk effect Negative impact on service delivery where services require GPs and care at home staff.	Director Midlothian Health and Social Care Partnership	National program of training for GPS and Health Visitors. Living Wage commitment to address low paid positions. Service Specific Workforce Plan being developed which will include the development of new roles and a changing skill mix. SVQ Assessment Centre Established.	3	4	

Related Action Code	Related Action	Related action latest note	Managed By	Due Date	Status
IJB.RA.10.1	Workforce Planning	Q3 18/19: Workforce framework report reported to IJB in June. Specific workforce plans have been developed in 3 Service areas.	Joint Director Midlothian Health and Social Care Partnership	31-Mar-2019	
IJB.RA.10.2	Scottish Social Service Council Care at Home	Q3 18/19 : The process for registration of Care at Home staff underway. This will be a significant step towards professionalising the workforce.	Joint Director Midlothian Health and Social Care Partnership	31-Dec-2019	
IJB,RA.10.3	Transformation Board work stream focused on care at home provision	Q3 18/19: Transformation board are overseeing a range of initiatives aimed at enhancing capacity in the level of care at home provision.	Head of Older People and Primary Care	31 Mar 2020	

Risks

IJB.RR.01 Balancing budget in future years

Risk Code	Risk Identification	Managed by	Risk Control Measures	Likelihood	Impact	Risk Evaluation
IJB.RR.01	Risk cause Inadequate resources to meet demand in the manner in which services are currently delivered. Risk event Inability to meet demand within existing resources. Risk effect Overspends due to excessive demand for services, quality failures, and cuts in other services. The Community Health Partnership will have made financial commitments when in operation some of which will extend in to the period covered by the IJB and will require to be honoured.	Chief Finance Officer	Chief Finance Officer appointed to IJB, this post is responsible for the governance, appropriate management of finance and financial administration of the IJB. Early Warning Indicators from NHS Lothian and Midlothian Council. Strong budget control systems in place in NHS Lothian and Midlothian Council. Financial Strategy developed, presented to the IJB (September 2018 meeting) and agreed. Realistic Care Realistic Medicines group expanded in to Business Transformation Board – Social Care Project with Realistic Care Realistic Medicine Transformation Programme.	4	5	

Related Action Code	Related Action	Related action latest note	Managed By	Due Date	Status
IJB.RA.01.2	Financial Strategy	Q3 18/19 : Financial outlook presented to IJB in December 2018, with further update provided in February 2019.	Chief Finance Officer	31-Mar-2019	
IJB.RA.01.3	Business Transformation Board - Realistic Care Realistic Medicine Programme	Q3 18/19 : Previous Realistic Care, Realistic Expectations group expanded into Realistic Care Realistic Medicine Transformation Programme, to support deliver the financial strategy in operational terms.	Joint Director Midlothian Health and Social Care Partnership	31-Mar-2019	

IJB.RR.03 Demographic Changes

Risk Code	Risk Identification	Managed by	Risk Control Measures	Likelihood	Impact	Risk Evaluation
IJB.RR.03	Risk cause Increasing demands on services as a result of ageing population, and increasing numbers and complexity of need of children moving into Adult Services. Risk event Inability to meet demand within existing resources. Risk effect	Joint Director Midlothian Health and Social Care Partnership	Annual review of joint needs assessment so that the allocation of resources can be reviewed and amended. Continual process of service redesign to ensure people access services quickly, and their recovery is supported effectively. Realistic Care, Realistic Medicines programme Board. Business Transformation Board – Council Transformation Board	5	3	

Demands made on Social Care resource budget exceed			
available budget. Capacity to maintain and develop	Demographic profiling to ensure forward planning reflects the	1	1
preventative services is put at risk.	demographic profile of the IJB.		1
	Captured in financial Strategy		

IJB.RR.04 Governance

Risk Code	Risk Identification	Managed by	Risk Control Measures	Likelihood	Impact	Risk Evaluation
IJB.RR.04	Risk cause Complexity of governance arrangements for the three bodies - NHS Lothian , Midlothian Council and the IJB - having to work together Risk event Issues arise which lead to uncertainty about decision making authority. Risk effect The IJB's governance systems are unable to operate effectively.	Chief Officer	Performance Reports Use of Audit to Monitor effectiveness of Internal controls Code of Corporate Governance Integration Scheme Regular formal and informal meetings with partners.	2	4	

Related Action Code	Related Action	Related action latest note	Managed By	Due Date	Status
IJB.RA.04.1	Review of Integration Scheme in response to the Carers Scotland Act 2016.	Q3 18/19: Integration scheme has been reviewed, currently out for consultation ahead of submission to the Scottish Government.	Chief Officer	31-Apr-2019	

IJB.RR.07 Managing Change

Risk Code	Risk Identification	Managed by	Risk Control Measures	Likelihood	Impact	Risk Evaluation
	Risk cause Information on changes to service released before service user or employees consultation strategy developed.	Joint Director	Strategic plan. Directions made and monitored.			
IJB.RR.07	Risk event There is the potential for information to be released on draft schemes or proposals for changes to service delivery.	Midlothian Health	Performance reporting against delivery of strategic plan and other key indicators.	3	4	
	Risk effect This could have a negative impact on Service Users and Employees by creating unnecessary concern		There is an Organisational Development Officer in post, delivering an OD programme alongside a number of Lothian-wide initiatives.			

regarding potential changes which have not been fully considered or consulted on.					
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Related Action Code	Related Action	Related action latest note	Managed By	Due Date	Status
IJB.RA.07.1	Communications Strategy	Q3 18/19: Communication plans are being developed and implemented across the service.	Joint Director Midlothian Health and Social Care Partnership	31-Mar-2019	
IJB.RA.07.2	Organisational Development Programme	Q3 18/19: An organisation development programme is being delivered.	Joint Director Midlothian Health and Social Care Partnership	31-Mar-2019	
IJB.RA.10.1	Workforce Planning	Q3 18/19: Workforce framework report reported to IJB in June. Specific workforce plans have been developed in 3 Service areas.	Joint Director Midlothian Health and Social Care Partnership	31-Mar-2019	
IJB.RA.07.3	Development of revised Strategic Plan	Q3 18/19: Consultation and joint needs assessment carried out with first draft reported to IJB.	Chief Officer	31-Mar-2019	

IJB.RR.08 Management Information

Risk Code	Risk Identification	Managed by	Risk Control Measures	Likelihood	Impact	Risk Evaluation
IJB.RR.08	Risk cause The two main software systems used within the Council (Framework-i) and NHS Lothian (Trak) to support the delivery of adult and social care do not integrate at present. Risk event These systems are used to drive performance information. Risk effect The lack of integration of the information between the systems reduces the potential for holistic reporting.	Director Midlothian Health	The Interagency Information Exchange allows direct and up to date access to other professional's information.	5	3	

Related Action Code	Related Action	Related action latest note	Managed By	Due Date	Status
IJB.RA.08.1	Interagency Information Exchange	Q3 18/19: Off Target Testing completed, Digital Services assessing server infrastructure requirements for Live environment. Live upgrade to be scheduled once assessment complete.	Business Applications Manager	31-Mar-2018	8
IJB.RA.08.2	Performance Information	Q3 18/19: Work continues on the development of a comprehensive performance framework for the IJB. Reports presented to the IJB. Regular reports presented to the IJB.	Joint Director Midlothian Health and Social Care Partnership	31-Mar-2019	

IJB.RR.09 Leadership Capacity - IJB

Risk Code Ri	Risk Identification	Managed by	Risk Control Measures	Likelihood	Impact	Risk Evaluation
IJB.RR.09 Ri	Changing membership of IJB creates challenges to ensure all members have a clear understanding of the Integration of Health and Social Care. Risk event New members may have a knowledge gap around the work of the IJB, the planned outcomes and measures to lrive forward improvement. Risk effect Ability of new members to make a positive contribution to the IJB.	Chief Officer	National and local Induction programs in place. Membership changes incrementally. User, Carer and Third Sector members receive pre-meeting support. Induction/development programme in place. Leadership Development training in place. The IJB has changed members, chair and CO in the last year yet continues to function well	3	2	⊘
				1	l .	

IJB.RR.11 Working With Other Organisations (Partnership)

Risk Code	Risk Identification	Managed by	Risk Control Measures	Likelihood	Impact	Risk Evaluation
IJB.RR.11	Risk cause The establishment of the Integrated Joint Board (IJB) may reduce the efforts required to work with other Community Planning partners. Risk event THE HSCP focusses too narrowly on its immediate responsibilities to deliver direct services in health and care, and neglects the task of building long term sustainability. Risk effect The HSCP does not achieve its long term objectives.	Chief Officer	The IJB Chair and Chief Officer are members of the Community Planning Board. Health and Social Care are actively in Area Targeting Work. Reducing inequality is the key objective of the Community Planning Partnership. Other agencies - e.g. Housing; Libraries; Fire and Rescue; Ambulance - are actively involved in joint planning groups.	3	4	

Related Action Code	Related Action	Related action latest note	Managed By	Due Date	Status
IJB.RA.11.2	Strengthening work with Voluntary Sector	Q3 18/19: Summit held with Voluntary Sector Organisations, with future sessions being held on a quarterly basis, 3 session held by close of Q3.	Chief Officer	31-Mar-2019	
IJB.RA.11.1	Single Midlothian Plan	year plan as part of wider community planning partner event.	Joint Director Midlothian Health and Social Care Partnership	31-Mar-2019	

IJB.RR.14 Business Continuity

Risk Code	Risk Identification	Managed by	Risk Control Measures	Likelihood	Impact	Risk Evaluation
IJB.RR.14	Risk cause Lack of clarity about Business Continuity arrangements. Risk event The Health & Social Care Partnership is unable to implement proposals in the absence of an effective governing body. Risk effect The IJB fails to make good progress with the implementation of its Strategic Plan.	Chief Officer	Integration Scheme - standing orders and a code of governance in place. Substitute IJB members in place by NHS Lothian, Midlothian Council, Users, Carers and Third Sector. The Council and NHS have their own Business Continuity Plans and arrangements in place to monitor third party suppliers. (Check local code of governance)	3	4	_

Related Action Code	Related Action	Related action latest note	Managed By	Due Date	Status
IJB.RA.14.1		Q3 18/19: IJB seeking confirmation from key strategic partners on their ability to continue to deliver key services in the event of a no deal exit from the European Union on 29 March 2019.	Chief Officer	31-Mar-2019	

Opportunities

IJB.OP.01 Strategic Plan

R	Risk Code	Risk Identification	Managed by	Risk Control Measures	Likelihood	Impact	Risk Evaluation
		The creation of a Strategic Plan provides the opportunity to describe the future shape of care services.		The Strategic Plan sets out the direction of travel for all health and care services and identifies how available funding will be used to enable some of these changes to take place.			
			Joint Director Midlothian Health and Social Care	New funding such as social care monies and Primary Care Transformation funds will enable some of the aspirational plans to be put into effect.		4	
IJ				Direction provides clarity and specificity about actions flowing from the Strategic Plan.			
				Health and Care Transformation Board has been established to ensure a SMART (Specific, Measurable, Achievable, Realistic, Timely) approach to implementation of the Strategic Plan.			
				Annual Delivery Plan.			

Related Action Code	Related Action	Related action latest note	Managed By	Due Date	Status
IJB.OP.01.A4		included a review of the 2 year needs assessment and staff engagement. Public consultation was concluded with first draft reported to IJB 6 December	Midiothian	31-Mar-2019	

Risk Management report Key:

Misk management report itey.					
Very low risk	1-3				
Low risk	4-8				
Medium risk	9-15				
High risk	16-20	۵			
Critical risk	25				

Action Key:

In progress	
Complete	
Overdue	8

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Midlothian Integration Joint Board Audit and Risk Committee



7 March 2019 at 2pm

Midlothian IJB Internal Audit Annual Plan 2019/20

Executive summary

Item number: 5.6

The purpose of this report is to gain approval to the proposed Internal Audit Annual Plan 2019/20 for the Midlothian Health and Social Care Integration Joint Board (MIJB) to enable the MIJB Chief Internal Auditor to prepare the annual opinion on the adequacy of the overall control environment of the Midlothian Health and Social Care Integration Joint Board.

The MIJB Audit and Risk Committee is therefore asked to approve the MIJB Internal Audit Annual Plan 2019/20 (Appendix 1).

Report

1. Purpose

1.1 The purpose of the Report is to present the proposed Internal Audit Annual Plan 2019/20 for the Midlothian Health and Social Care Integration Joint Board for discussion and approval by the MIJB Audit and Risk Committee.

2. Recommendations

2.1 To approve the Internal Audit Annual Plan 2019/20 for the Midlothian Health and Social Care Integration Joint Board.

3. Background and main report

- 3.1 Internal Audit activity adds value to the organisation (and its stakeholders) when it considers strategies, objectives, and risks; strives to offer ways to enhance governance, risk management and control processes; and objectively provides relevant assurance. The Internal Audit programme of work is designed to add value to and improve the Midlothian Health and Social Care Integration Joint Board's operations in order to meet the objectives set out in the Strategic Plan.
- 3.2 The key standards within the Public Sector Internal Audit Standards (2017) which relate to the preparation of the Internal Audit plan are summarised below:
 - Standard 2010 Planning which states that "the chief audit executive must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals"
 - Standard 2020 Communication and Approval which states that "the chief audit executive must communicate the internal audit activity's plans and resource requirements, including significant interim changes, to senior management and the board for review and approval. The chief audit executive must also communicate the impact of resource limitations."
- 3.3 The Internal Audit Annual Plan 2019/20 for the MIJB (Appendix 1) includes sufficient work to enable the MIJB's appointed Chief Internal Auditor to prepare an annual independent and objective audit opinion on the adequacy of the arrangements for risk management, governance and control of the delegated resources in the MIJB's fourth year of operation.

4. Reporting of Internal Audit Results

- 4.1 At the end of the year the Internal Audit Annual Assurance Report 2019/20 for the MIJB which will be reported to Management and to the MIJB Audit and Risk Committee, for governance and scrutiny purposes, will include the audit opinion based on the audit work during the year, and will state the results from each audit engagement outlining the risks, controls and conclusions. It will also state any Internal Audit recommendations that have been made to improve internal controls and governance in the form of an improvement action plan that will include the responsible owner and timescale for implementation. The outcomes of any monitoring of implementation of agreed actions or acceptance of risk will also be stated.
- 4.2 The Internal Audit findings and annual opinion will be used to inform the MIJB's Annual Governance Statement for inclusion in the MIJB's Annual Report and Accounts. An Executive Summary of the Internal Audit Annual Assurance Report 2019/20 for MIJB will be presented to the Board for assurance purposes.

5. Policy Implications

5.1 The establishment of the Integration Joint Board, as required by the Public Bodies (Scotland) Act 2014, introduces some complexity in the governance arrangements for health and social care. It is very important that clear governance arrangements are developed to ensure the achievement of the objectives of Integration. Robust Risk Management and Audit arrangements will be critical to the capacity of the IJB to function effectively.

6. Equalities Implications

6.1 There are no equalities implications.

7. Resource Implications

- 7.1 There is a commitment by Midlothian Council to provide Internal Audit resource to the Midlothian Health and Social Care Integration Joint Board (MIJB) for review of the adequacy of the arrangements for risk management, governance and control by the MIJB of the delegated resources.
- 7.2 The MIJB Internal Audit Annual Plan 2019/20 is based on the assumption that Midlothian Council's Internal Audit function can provide a total of 70 days to support the plan including providing the MIJB Chief Internal Auditor while a total of 30 days are scheduled to be provided by NHS Lothian Internal Audit function.

7.3 Staff assigned to perform the MIJB Internal Audit work hold relevant professional qualifications and have the necessary experience, knowledge, skills and technical competencies needed to complete the audit work.

7 Risks

- 7.1 Key components of the audit planning process include a clear understanding of the MIJB's functions, associated risks, and potential range and breadth of audit areas for inclusion within the plan. As in previous years, to capture potential areas of risk and uncertainty more fully, key stakeholders have been consulted. This exercise is informed by key developments at both a national and local level and other relevant background information, for example the Strategic Plan. Discussions with the MIJB's Chief Officer and Chief Financial Officer will continue on a regular basis to ensure Internal Audit assurance meet the needs of the MIJB and Management and other key stakeholders. The MIJB Internal Audit Annual Plan 2019/20 has been informed by the risks, controls and mitigation actions as set out within the IJB's Strategic Risk Register to ensure that Internal Audit plans are risk-based and provide relevant assurance.
- 7.2 The PSIAS require Internal Audit to evaluate the effectiveness of the MIJB's Risk Management arrangements and contribute to improvements in the process. Each Internal Audit assignment will be risk-based and will test the MIJB's management of risk.
- 7.3 The MIJB Internal Audit Annual Plan 2019/20 should be considered to be flexible and will be periodically reviewed, and amended as required, to reflect any new arrangement or changing risks and priorities. Any amendments relating to the MIJB will be brought to the MIJB Audit and Risk Committee for approval.

8 Involving People

8.1 Consultation on this Plan has been undertaken with Midlothian MIJB Chief Officials, the Chief Internal Auditor of NHS Lothian and Midlothian MIJB's External Auditors, EY, prior to submission to the MIJB Audit and Risk Committee.

9 Background Papers

See Appendix 1.

AUTHOR'S NAME	Jill Stacey
DESIGNATION	MIJB Chief Internal Auditor
CONTACT INFO	
DATE	01/03/2019

Midlothian Health and Social Care Integration Joint Board Internal Audit Annual Plan 2019/20

Ref		Audit	Number of Days	Commentary
1.	Assurance	Annual Assessment of Internal Control and Governance	10	Prepare an annual assurance report for MIJB Management and MIJB Audit and Risk Committee summarising the work undertaken by Internal Audit during the year and forming an opinion on the adequacy of the MIJB's arrangements for risk management, governance and internal control for delegated resources. Test a sample of the key elements in the MIJB Code of Corporate Governance to determine whether these are operating effectively. This will be used to inform the MIJB's Annual Governance Statement.
2.	Assurance	Workforce Development	20	Assess the MIJB's approach to workforce development to ensure people resources are in place to deliver redesigned services commissioned by the MIJB and their fit with strategic priorities for health and social care integration set out in the Strategic Plan to meet the needs of service users. Reliance will be placed on relevant work of partners' Internal Audit functions in NHS Lothian and Midlothian Council.
3.	Assurance	Performance Management	15	Assess whether there is appropriate alignment of performance measures in the MIJB"s Performance Management Framework to key priorities and outcomes of the Strategic Plan and validate the evidence of improvement of health and wellbeing within Midlothian through integrating health and social care services.
				Review and evaluate the source systems, data and processes to produce the annual performance report required by the Scottish Government.

Ref		Audit	Number of Days	Commentary
4.	Other	Recommendations Follow Up Review	10	Undertake two reviews: The first will assess performance against closing Audit Actions by the agreed due date; and the second will include a sample check on the adequacy of new internal controls for Audit Actions flagged as closed.
5.	Other	Administration of Audit Scotland Reports	2	Monitor publication of Audit Scotland reports and co-ordinate submission by Management of relevant Audit Scotland Reports to the MIJB Audit and Risk Committee / Board.
6.	Other	Audit Committee Self- Assessment	3	Provide assistance to Chair in undertaking a self-assessment of the MIJB Audit and Risk Committee against the CIPFA best practice guidance.
7.	Other	Attendance at Boards / Committees	5	Prepare for and attend MIJB Board / Audit and Risk Committee meetings.
8.	Other	Audit Planning for 2020/21	5	Renew risk assessment, develop and consult on proposed coverage within the MIJB Internal Audit Annual Plan 2020/21.

