

# Notice of meeting and agenda



## Midlothian Integration Joint Board - Audit and Risk Committee

**Venue:** Committee Room, Midlothian House - Please note that this meeting will start at 3.00pm, or on conclusion of Midlothian Council's Local Review Body, scheduled to start at 2.00pm on that date, whichever is the later.,

**Date:** Wednesday, 20 June 2018

**Time:** 15:00

**Allister Short**  
**Chief Officer**

**Contact:**

Clerk Name: Mike Broadway

Clerk Telephone: 0131 271 3160

Clerk Email: [Mike.Broadway@midlothian.gov.uk](mailto:Mike.Broadway@midlothian.gov.uk)

**Further Information:**

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

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**1 Welcome, Introductions and Apologies**

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**2 Order of Business**

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

**3 Declarations of Interest**

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

**4 Minutes of Previous Meeting**

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- 4.1** Minute of Meeting held on 29th March 2018 – For Approval **3 - 8**

**5 Public Reports**

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- 5.1** MIJB Transformational Funding - Report by MIJB Chief Internal Auditor **9 - 18**
- 5.2** Follow up Review of Internal Audit Recommendations relating to Midlothian Health and Social Care Integration Joint Board - Report by MIJB Chief Internal Auditor **19 - 22**
- 5.3** Midlothian Health and Social Care Integration Joint Board Internal Audit Annual Assurance Report 2017/18 – Report by MIJB Chief Internal Auditor **23 - 28**
- 5.4** MIJB Draft Annual Accounts 2017/18 – Report by Chief Finance Officer **29 - 66**
- 5.5** Risk Register – Report by Risk Manager **67 - 80**

**6 Private Reports**

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No private reports to be discussed at this meeting.

**7 Date of Next Meeting**

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The next meeting of the Midlothian Integration Joint Board Audit and Risk Committee will be held on Thursday 6th September 2018 at 2.00 pm



## Midlothian Integration Joint Board Audit and Risk Committee

Date	Time	Venue
Thursday 29 <sup>th</sup> March 2018	1.00pm	Committee Room, Midlothian House, Buccleuch Street, Dalkeith EH22 1DN.

### Present:

Cllr Jim Muirhead (Chair)	Cllr Janet Lay-Douglas (substitute for Cllr Pauline Winchester)
Jane Cuthbert (Independent Member)	

### Present (non-voting):

Allister Short (Chief Officer)	David King (Chief Finance Officer)
Jill Stacey (Chief Internal Auditor)	

### In attendance:

Keith Macpherson (EY, External Auditors)	Chris Lawson (Risk Manager, Midlothian Council)
Mike Broadway (Clerk)	

### Apologies:

Cllr Pauline Winchester	Alex Joyce

# Midlothian Integration Joint Board

## Audit and Risk Committee

Thursday 29 March 2018

### 1. Welcome and introductions

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The Chair, 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

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

### 3. Declarations of interests

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No declarations of interest were intimated.

### 4. Note of Meeting

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The Minutes of Meeting of the Midlothian Integration Joint Board Audit and Risk Committee held on 14<sup>th</sup> December 2017 was submitted and approved.

### 5. Reports

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

#### Executive Summary of Report

With reference to paragraphs 5.2 and 5.3 of the Minutes of 14 December 2017, there was submitted a report laying out the revised MIJB risk register and presenting a draft report regarding risk appetite for the Committee's consideration and approval.

The report reminded Members that at the previous meeting, the Committee had taken the opportunity to work through the MIJB's risk register and to consider which, if any risks should be added to the register and which should be removed. The Committee had also supported the broad principle that the MJB's risk management policy should be to manage the risks to the MIJB's own 'business' and not the business of the MIJB's partners.

The Committee had also asked to have a report prepared for the MIJB regarding the Committee's recommendations on risk appetite – that is which risks should be included on the risk register and what the risk management strategy for these risks should be.

# Midlothian Integration Joint Board

## Audit and Risk Committee

Thursday 29 March 2018

### Summary of discussion

The Committee, having heard from the Risk Manager, discussed the Risk Register, and the draft report on risk appetite; copies of which were appended to the report. The inclusion of a key to explain the symbols and notations used in the register was welcomed as a useful addition. With regards the contents of the register it was felt they were a good reflection of the risks/opportunities currently facing the MIJB, although there was some discussion about the best means of recording recurring risks. It was also felt that it would be useful going forward if there could be consistence in the use of job titles of those managing risks, and to avoid were possible multiple repetitious entries.

### Decision

- **To confirm that the risks contained in the report reflected the current risks/opportunities facing the MIJB;**
- **To note that work would be undertaken to address the issues raised in regards to the 'managed by' entries in the register;**
- **To approve the draft report on risk appetite for submission to the MIJB; and**
- **To, otherwise, note the report.**

### Action

Risk Manager/Clerk

Report No.	Report Title	Presented by:
5.2	External Audit Fee	David King

### Executive Summary of Report

This paper laid out the proposed audit fee set by Audit Scotland for the Midlothian IJB for 2017/18.

The report advised that, as a statutory body regulated by the Local Government Scotland Act (1973), the MIJB must produce a set of accounts on an annual basis and that these accounts must be audited by an 'independent' external auditor appointed by Audit Scotland. In keeping with the general practice across Scotland the Council's auditors Ernst and Young had also been appointed as the auditors for the Midlothian IJB.

### Summary of discussion

Having heard from the Chief Finance Officer and Keith Macpherson (EY, External Auditors), the Committee acknowledged that the proposed audit fee reflected the level of audit need and resources required to fulfil that function based on the involvement of the previous year.

# Midlothian Integration Joint Board

## Audit and Risk Committee

Thursday 29 March 2018

### Decision

After further discussion the Audit and Risk Committee agreed to note the fees requested by the MIJB's independent auditors for the audit of the MIJB's 2017/18 accounts.

### Action

Chief Finance Officer

Report No.	Report Title	Presented by:
5.3	Midlothian IJB Annual Internal Audit Annual Plan 2018/19	Jill Stacey

### Executive Summary of Report

The purpose of the report was to present for the Committee approval the Draft Internal Audit Plan for 2018/19; a copy of which was appended to the report.

The report advised that the Public Sector Internal Audit Standards require the Chief Internal Auditor to develop a risk-based audit plan which sets out the priorities for the Internal Audit activity during the year in order to enable the Chief Internal Auditor to prepare the annual opinion on the adequacy of the overall control environment of the Midlothian Integration Joint Board. These priorities needed to be consistent with the MIJB's goals.

### Summary of discussion

Having heard from the Chief Internal Auditor, the Committee discussed the importance of the work being undertaken by Internal Audit and emphasised the need to ensure that the shared resources of the Council and NHS Lothian were used as profitably as possible in carrying out the audit function of the MIJB.

### Decision

- To approve the Internal Audit Annual Plan for 2017/18.

### Action

Chief Internal Auditor/Risk Manager

Reports No.	Report Titles	Presented by:
5.4	External Audit - Midlothian IJB Annual Audit Plan for 2017/18	Keith Macpherson, EY, External Auditors

# Midlothian Integration Joint Board

## Audit and Risk Committee

Thursday 29 March 2018

### Executive Summary of Report and Summary of discussion

There was submitted the Midlothian Integration Joint Board Annual External Audit Plan for the financial year ending 31 March 2018. Keith Macpherson, External Auditor in presenting the Plan to the Committee explained that it covered the audit approach to the financial statements and the wider responsibilities under the Audit Scotland code which included a review of governance and performance. In addition, the report outlined the key areas and challenges in the current year including the financial pressures and the identification of significant audit risks. Also included within the report was a timetable on the key phases of the audit for 2017/18. Thereafter he responded to questions raised by members of the Committee.

### Decision

**To note the Report.**

### Action

EY, External Auditors

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Report No.	Report Title	Presented by:
5.5	Other Reports of interest.	David King

### Executive Summary of Report

This paper brought to the Committee's attention, a letter from the Scottish Government's Health and Sports Committee regarding financial reporting of the IJB's activities to the Scottish Government.

The report highlighted that, depending on the timetables, this may mean that financial information is reported, albeit at a very high level, to the Scottish Government that may not have been reported to the IJB. Chief Finance Officers had agreed that only information placed in the public domain should be reported to the Scottish Government however this matter had not yet been fully resolved.

### Summary of discussion

The Chief Finance Officer in presenting the report to the Committee responded to Members' questions/comments.

### Decision

- To note the contents of this report.**

### Action

Chief Finance Officer

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# Midlothian Integration Joint Board

## Audit and Risk Committee

Thursday 29 March 2018

Report No.	Report Title	Presented by:
5.6	Audit and Risk Committee Proposed Meeting Schedule 2018/19	David King

### Executive Summary of Report

The Committee received a report setting out the proposed meeting schedule for the remainder of the current 2018/19 financial year through to the end of 2019, viz:-

Thursday 7<sup>th</sup> June 2018;  
 Thursday 6<sup>th</sup> September 2018;  
 Thursday 6<sup>th</sup> December 2018;  
 Thursday 7<sup>th</sup> March 2019;  
 Thursday 2<sup>th</sup> June 2019;  
 Thursday 5<sup>th</sup> September 2019; and  
 Thursday 5<sup>th</sup> December 2019.

Further dates could be added to this schedule should the need arise. The schedule would be presented to the Integration Joint Board meeting on 3 May 2018 for approval.

### Decision

- **Noted and Approved for its interest the schedule of meeting dates for the remainder of the current 2018/19 financial year through to the end of 2019, as detailed above: and**
- **Noted that the schedule would be presented to the Integration Joint Board meeting on 3 May 2018 for formal approval.**

### Action

All Audit and Risk Committee Members to note.

## 6. Private Reports

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No private reports were submitted to this meeting.

## 7. Date of next meeting

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The next meeting of the Midlothian Integration Joint Board Audit and Risk Committee will be held on Thursday 7<sup>th</sup> June 2018 at 1.00pm\*.

(**Note:-** Following the meeting, it was agreed with the Chair that the next Meeting would start at 1.00pm)

The meeting terminated at 1.53 pm.



## Internal Audit



### Midlothian IJB – Transformational Funding

May 2018

#### Internal Audit Assurance assessment:

Objective One	Objective Two	Objective Three	Objective Four	Objective Five
Significant Assurance	Limited Assurance	Significant Assurance	Limited Assurance	Significant Assurance

#### Timetable

Date closing meeting held: 17 April 2018

Date draft report issued: 17 May 2018

Date management comments received: 25 May 2018

Date Final report issued: 29 May 2018

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

## **Introduction**

The Public Bodies (Joint Working) Scotland Act 2014 aims to provide better connected and co-ordinated services for adults through the integration of health and social care services. Through the Integration Scheme, Midlothian Council and NHS Lothian set up the independent Midlothian Integration Joint Board (MIJB) which is responsible for directing, and planning for, the provision of delegated functions within Midlothian.

The MIJB receives funding from Midlothian Council, NHS Lothian, and indirectly from the Scottish Government. Part of that is transformational funding, which is designed to support the redesign of primary care services within Midlothian.

This audit will review how the MIJB has ensured that all transformational funding has been received, and that it has been effectively utilised to support the redesign of primary care services within Midlothian.

### **Scope**

The objective of the audit was to evaluate the adequacy and effectiveness of the key internal controls in place for the management of transformational funding.

### **Acknowledgements**

We would like to thank all staff consulted during this review, for their assistance and cooperation.

## Executive Summary

### Summary of Findings

The table below summarises our assessment of the risks and the adequacy and effectiveness of the controls in place to meet each of the risk areas agreed for this audit. Definitions of the ratings applied to each action are set out in Appendix 1.

No.	Control Objectives	Assurance Level	Number of findings			
			Critical	High	Medium	Low
1	The IJB has assured itself that transformational funding has been accurately calculated and received.	Significant Assurance	-	-	-	-
2	A detailed plan is in place which has been approved by the IJB Board, and which details both how transformational funding will be spent and project timescales.	Limited Assurance	-	1	-	-
3	The transformational funding is ring-fenced and only spent on the purposes intended.	Significant Assurance	-	-	-	-
4	There is effective reporting of progress against the plan to the IJB Board, which includes budgetary statements and KPIs.	Limited Assurance	-	1	-	-
5	Where funding will not be spent in year plans are in place to understand why, and that the funding will be carried forward into future year, ring-fenced for the specific purposes.	Significant Assurance	-	-	-	-
<b>TOTAL</b>			-	<b>2</b>	-	-

## **Conclusion**

The area under review comprised 5 control objectives, of which 3 received Significant Assurance, and 2 Limited Assurance.

Project proposals were created for all transformational funding during the period 2016-18. However, not all project plans were provided to the IJB Board, and there was no regular reporting to the IJB Board on project progress throughout the year.

## **Main Findings**

Transformational funding was received by the IJB from two sources during the period 2016-18: the Scottish Government, and NHS Lothian. Project proposals were created for both of these funding sources, and the funding was received in full by the IJB except for part of the Scottish Government funding which was used by NHS Lothian as a whole for joint health and social care projects.

We have identified 2 key findings for improvement during the review:

- project plans set out what work will be performed, expected outcomes, expected expenditure, and deadlines. A project plan for the Scottish Government funding was created and then provided to the IJB Board in April 2016. However, the Chief Officer and the Strategic Programme Manager stated that the project plan for the NHS Lothian funding was not provided to the IJB Board due to its relatively low financial value (£200k during 2017-18)
- no reporting on the progress made by the two transformational funding projects was provided to the IJB Board during the year. In addition, there was no budgetary reporting. The Chief Officer and the Strategic Programme Manager both stated that there was no reporting due to the relatively low financial value of the two projects.

Further details of these 2 key findings are set out in the Management Action Plan.

## Management Action Plan

<p><b>Control objective 2.1: A detailed plan is in place which has been approved by the IJB Board, and which details both how transformational funding will be spent and project timescales.</b></p> <p><b>Associated risk of not achieving the control objective: No formal project plan for the funding provided by NHS Lothian was provided to the IJB Board.</b></p>	<p><b>High</b></p>
<p><u>Observation and risk</u></p> <p>Transformational funding was received by the IJB from two sources during the period 2016-18: the Scottish Government (SG), and NHS Lothian. The SG funding covered the period 2016-18, with the IJB receiving £118k for each of the two years, and this used for cluster working, and the wellbeing service; the funding for phlebotomy, and advanced nurse practitioners was top-sliced and used by NHS Lothian as a whole. The funding of £200k from NHS Lothian during 2017-18 was used for various purposes including physiotherapy, and management consultancy work with GPs.</p> <p>Project plans set out what work will be performed, expected outcomes, expected expenditure, and deadlines. A project plan for the SG funding was created and then provided to the IJB Board in April 2016. The project plan for the NHS Lothian funding was created by the Midlothian's Strategic Programme Manager, Chief Officer, and Clinical Director and provided to NHS Lothian's Primary Care Investment &amp; Redesign Board in May 2017. However, the Chief Officer and the Strategic Programme Manager stated that the project plan for the NHS Lothian funding was not provided to the IJB Board due to its relatively low financial value.</p> <p>If project plans are not created and then provided to the IJB Board for approval then there is an increased risk that work is performed which does not help to achieve IJB strategic aims, and it is not performed on time and within budget.</p>	
<p><u>Recommendation</u></p> <p>All transformational funding plans should be provided to the IJB for approval prior to the commencement of any work.</p> <p>In addition, the IJB should decide what information on project work it should receive. In particular, it should decide the financial thresholds above which project plans and progress reporting should be provided.</p>	
<p><u>Management Response</u></p> <p>Whilst acknowledging the discussion about the value of the transformation funds, it's not purely a matter of not reporting because the value is small, this is more a matter of policy and a recognition that the IJB is a Board and not an organisation per se. The main questions to be answered are whether the IJB is aware of this investment and does this investment fit into the IJB's agreed strategy. Given that the Primary Care Strategic Programme and the Primary</p>	

Care Investment Fund was presented and approved by the IJB in April 2016, then these 2 issues have been addressed. The IJB is not an operational Board of Management and the approach is to report at a relatively high level and that the IJB concentrates on forward planning and delivering transformational change then this detailed work should only be reported to the IJB if it has not delivered its planned outcomes.

The Management Action

The results of the internal audit will be presented to the IJB Audit & Risk Committee on 20 June in order to discuss and agree any proposed actions in relation the recommendations relating to processes for future transformational funding and approval processes.

Responsibility:

David King, Chief Finance Officer

Target date:

20 June 2018

<p><b>Control objective 4.1: There is effective reporting of progress against the plan to the IJB Board, which includes budgetary statements and KPIs.</b></p> <p><b>Associated risk of not achieving the control objective: There was no reporting to committee for transformational funding projects.</b></p>	<b>High</b>
<p><u>Observation and risk</u></p> <p>Project progress, including budgetary statements, should be provided to the IJB Board on a regular basis to enable it to determine if project objectives will be achieved on time and within budget.</p> <p>However, no reporting on the progress made by the two transformational funding projects was provided to the IJB Board. In addition, there was no budgetary reporting. The Chief Officer and the Strategic Programme Manager both stated that there was no reporting due to the relatively low financial value of the two projects. However, work performed was discussed at the pan-Lothian Primary Care Investment &amp; Redesign Board.</p> <p>If the IJB Board is not kept informed of project progress and expenditure then there is an increased risk that projects do not achieve objectives, become overspent, and are not completed on time.</p>	
<p><u>Recommendation</u></p> <p>The IJB Board should be provided with regular reports on project progress, including budgetary statements.</p> <p>In addition, as stated at Issue 2.1, the IJB should decide what information on project work it should receive. In particular, it should decide the financial thresholds above which project plans and progress reporting should be provided.</p>	
<p><u>Management Response</u></p> <p>The IJB is not an operational Board of Management and the approved approach is to report at a relatively high level and that the IJB concentrates on planning forward and delivering transformational change then this detailed work should only be reported to the IJB if it has not delivered its planned outcomes.</p> <p><u>The Management Action</u></p> <p>The results of the internal audit will be presented to the IJB Audit &amp; Risk Committee on 20 June in order to discuss and agree any proposed actions in relation the recommendations relating to processes for future transformational funding and approval processes.</p>	

<u>Responsibility:</u> David King – Chief Finance Officer	<u>Target date:</u> 20 June 2018
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## Appendix 1 - Definition of Ratings

### Findings and management actions ratings

Finding Ratings	Definition
<b>Critical</b>	A fundamental failure or absence in the design or operating effectiveness of controls, which requires immediate attention
<b>High</b>	A key control failure has been identified which could be either due to a failure in the design or operating effectiveness. There are no compensating controls in place, and management should aim to implement controls within a calendar month of the review.
<b>Medium</b>	A control failure has been identified which could be either due to a failure in the design or operating effectiveness. Other controls in place partially mitigate the risk to the organisation, however management should look to implement controls to fully cover the risk identified.
<b>Low</b>	Minor non-compliance has been identified with the operating effectiveness of a control, however the design of the control is effective

### Report ratings and overall assurance provided

Report Ratings	Definition	When Internal Audit will award this level
<b>No assurance</b>	The Board cannot take any assurance from the audit findings. There remains a significant amount of residual risk.	The controls are not adequately designed and / or operating effectively and immediate management action is required as there remains a significant amount of residual risk (for instance one Critical finding or a number of High findings)
<b>Limited assurance</b>	The Board can take some assurance from the systems of control in place to achieve the control objective, but there remains a significant amount of residual risk which requires action to be taken.	<p>This may be used when:</p> <ul style="list-style-type: none"> <li>There are known material weaknesses in key control areas.</li> <li>It is known that there will have to be changes that are relevant to the control objective (e.g. due to a change in the law) and the impact has not been assessed and planned for.</li> </ul> <p>The controls are deficient in some aspects and require management action (for instance one 'high' finding and a number of other lower rated findings)</p>

<p><b>Moderate assurance</b></p>	<p>The Board can take reasonable assurance that controls upon which the organisation relies to achieve the control objective are in the main suitably designed and effectively applied. There remains a moderate amount of residual risk.</p>	<p>In most respects the “purpose” is being achieved. There are some areas where further action is required, and the residual risk is greater than “insignificant”.</p> <p>The controls are largely effective and in most respects achieve their purpose with a limited number of findings which require management action (for instance a mix of ‘medium’ findings and ‘low’ findings)</p>
<p><b>Significant assurance</b></p>	<p>The Board can take reasonable assurance that the system(s) of control achieves or will achieve the control objective.</p> <p>There may be an insignificant amount of residual risk or none at all.</p>	<p>There is little evidence of system failure and the system appears to be robust and sustainable.</p> <p>The controls adequately mitigate the risk, or weaknesses are only minor (for instance a low number of findings which are all rated as ‘low’ or no findings)</p>

# Midlothian Integration Joint Board Audit and Risk Committee



**Wednesday 20 June 2018 at 3pm**

## **Follow up Review of Internal Audit Recommendations relating to Midlothian Health and Social Care Integration Joint Board**

**Item number: 5.2**

### **Executive summary**

Internal Audit reports include a section with management actions where recommendations are made to improve upon the existing internal controls. These recommendations, following agreement with Management, are endorsed by the MIJB Audit and Risk Committee and are then updated by Internal Audit to the Council's performance management system Pentana Performance (previously named Covalent) with a target completion date set.

Management are responsible for acting on the recommendations by the agreed due date and when complete, closing the recommendation on Pentana performance system. The Internal Audit plan includes a budget for a follow up review in relation to recommendations made and looks at a sample of completed recommendations to determine whether they had been implemented satisfactorily and thus give assurance over the ongoing improvement of internal control.

From a sample of 14 completed recommendations tested, 13 were found to have been completed satisfactorily and 1 was identified as not being fully complete.

The Audit and Risk Committee is asked to:

- *note the content of this report.*

## Follow up Review of Internal Audit Recommendations relating to Midlothian Health and Social Care Integration Joint Board

### 1. Purpose

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The purpose of this report is to:

- inform the MIJB Audit and Risk Committee of the number of MIJB audit recommendations reported as complete; and
- for a sample of MIJB audit recommendations raised, report on the adequacy of actions taken by Management to complete the recommendations.

### 2. Recommendations

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The MIJB Audit and Risk Committee is asked to note the content of this report.

### 3. Background and main report

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Internal Audit suggests recommendations for improving internal control and to assist the MIJB deliver against its objectives and best value. When MIJB Management and the Audit and Risk Committee agree these recommendations, the actions are updated to Pentana performance system along with a date by which MIJB Management should have completed the agreed action.

Each year, Internal Audit undertakes two follow up reviews on audit recommendations raised. The first reports on the progress Management have made in completing and closing the recommendations by the expected date (report December 2017). The second samples audit recommendations which have been reported as complete and reviews the adequacy of the actions taken. The latter is the subject of this report.

### 4. Performance

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Three Internal Audit reports were submitted to the MIJB Audit and Risk Committee in 2016 and three were submitted in 2017 (one of the reports had no management actions). These reports contained 43 audit recommendations of which 34 had been marked as complete by December 2017. A sample of 14 audit recommendations highlighted as complete was selected and evidence was obtained to support the completion of each audit recommendation.

The findings are summarised in the Table below:

Internal Audit Report	Report Date	No of Audit Recommendations	No of Completed Recs	Recs Sampled	Evidence of Completion	Partially Complete
Financial Assurance and Governance	March 2016	22	18	6	5	1
Strategic Planning	June 2016	4	3	2	2	0
Financial Assurance	August 2016	10	10	3	3	0
Performance Management	October 2017	4	3	3	3	0
NHS Lothian Performance Targets & Reporting - IJBs	March 2017	3	0	0	0	0
<b>Total</b>		<b>43</b>	<b>34</b>	<b>14</b>	<b>13</b>	<b>1</b>

Of these MIJB audit recommendations, 13 were found to have been completed satisfactorily though 1 recommendation had been marked as complete but testing identified that the action was partially complete. This related to an action to ensure that recommendations raised by internal and external assurance providers should be updated to Pentana performance system to allow tracking for implementation. Although MIJB audit recommendations raised by Internal and External Audit have been recorded on Pentana performance system, MIJB audit recommendations raised by the NHS Lothian Internal Audit team (3 in total) had not been recorded on the system. These actions have now been uploaded onto Pentana performance system and were included in this review and analysis in the table above. However, we found that the MIJB audit recommendations are not yet fully complete based on evidence provided.

## 5. Policy Implications

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There are no policy implications.

## 6. Equalities Implications

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There are no equalities implications.

## 7. Resource Implications

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There are no direct resource implications arising from the report.

## 8. Risks

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The recommendations made by Internal Audit are directly related to reducing the level of risk that the MIJB is exposed to.

## 9. Involving People

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The Report has been discussed with the MIJB Chief Officer and Chief Finance Officer.

## 10. Background Papers

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10.1 Previous reports to the MIJB Audit and Risk Committee discussed above.

<b>AUTHOR'S NAME</b>	Amber Ahmed / Elaine Greaves
<b>DESIGNATION</b>	Auditor / Principal Auditor
<b>CONTACT INFO</b>	0131 271 3280/3285
<b>DATE</b>	31/05/18

# Midlothian Integration Joint Board Audit and Risk Committee



**Wednesday 20 June 2018 at 3pm**

## **Midlothian Health and Social Care Integration Joint Board Internal Audit Annual Assurance Report 2017/18**

**Item number: 5.3**

### **Executive summary**

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The purpose of this report is to present to the Midlothian IJB Audit and Risk Committee the Internal Audit Annual Assurance Report for the year to 31 March 2018 for the Midlothian Health and Social Care Integration Joint Board (MIJB) which includes the Chief Internal Auditor's independent assurance opinion on the adequacy of MIJB's overall control environment.

The Midlothian IJB Audit and Risk Committee is therefore asked to consider the Midlothian Health and Social Care Integration Joint Board Internal Audit Annual Assurance Report 2017/18, and assurances contained therein, and to provide any commentary thereon. (Appendix 1).

## Midlothian Health and Social Care Integration Joint Board Internal Audit Annual Assurance Report 2017/18

### 1. Purpose

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- 1.1 The purpose of this report is to present to the Midlothian IJB Audit and Risk Committee the Internal Audit Annual Assurance Report for the year to 31 March 2018 for the Midlothian Health and Social Care Integration Joint Board (MIJB) which includes the Chief Internal Auditor's independent assurance opinion on the adequacy of MIJB's overall control environment.

### 2. Recommendations

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- 2.1 To consider the Midlothian Health and Social Care Integration Joint Board Internal Audit Annual Assurance Report 2017/18, and assurances contained therein, and to provide any commentary thereon. (Appendix 1).

### 3. Background and main report

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- 3.1 The Public Sector Internal Audit Standards (PSIAS) require the MIJB's Chief Internal Auditor to prepare a report that incorporates the annual opinion on the adequacy and effectiveness of Midlothian Health and Social Care Integration Joint Board's framework of governance, risk management and control, a summary of the work that supports the opinion, and a statement on conformance with the PSIAS.
- 3.2 The Internal Audit Annual Assurance Report 2017/18 provides assurances in relation to the MIJB's corporate governance framework that is a key component in underpinning delivery of the MIJB's strategic priorities and has been used to inform the Annual Governance Statement 2017/18.

### 4. Policy Implications

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- 4.1 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.

### 5. Equalities Implications

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- 5.1 There are no equalities implications.



## 6. Resource Implications

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- 6.1 There is a commitment 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 and a number of audits were undertaken during the year to meet that commitment.
- 6.2 Midlothian Council's Internal Audit function has provided the Chief Internal Auditor resource and has delivered one Assurance audit and the Annual Audit work while two Assurance audits were delivered by NHS Lothian's Internal Audit function.

## 7 Risks

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- 7.1 The PSIAS require Internal Audit to evaluate the effectiveness of the Council's Risk Management arrangements and contribute to improvements in the process. Each Internal Audit assignment has been risk-based and, where appropriate, has tested the specific Service's management of risk.
- 7.2 Internal Audit provides assurance to Management and the IJB Audit and Risk Committee on the adequacy and effectiveness of internal controls and governance within the IJB, including risk management, and to highlight good practice and recommend improvements.
- 7.3 It is anticipated that improvements in the management and mitigation of risks will arise as a direct result of Management implementing the Internal Audit recommendations made during the year or outstanding from previous years which will enable Management to demonstrate further improvement in internal controls and governance arrangements.

## 8 Involving People

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- 8.1 The MIJB Internal Audit Annual Assurance Report 2017/18 has been distributed to the MIJB Chief Officer and Chief Finance Officer, the Chief Internal Auditor of NHS Lothian, and MIJB's External Auditors, EY, prior to submission to the MIJB Audit and Risk Committee.

## 9 Background Papers

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See Appendix 1.

<b>AUTHOR'S NAME</b>	Jill Stacey
<b>DESIGNATION</b>	MIJB Chief Internal Auditor
<b>CONTACT INFO</b>	
<b>DATE</b>	03/06/2018

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## **Chief Internal Auditor's Annual Assurance Report and Opinion 2017/18 for Midlothian Health and Social Care Integration Joint Board**

### **1 Introduction**

#### **1.1 The Public Sector Internal Audit Standards (PSIAS) (2017) requires that:**

"The chief audit executive [MIJB's Chief Internal Auditor] must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.

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

The annual report must incorporate:

- the opinion;
- a summary of the work that supports the opinion; and
- a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme."

### **2 Opinion on the Governance, Risk Management and Control**

#### **2.1 My opinion is that, based on our reviews, risk assessments and knowledge, the MIJB's governance arrangements, risk management and systems of internal control are adequate.**

#### **2.2 The MIJB operates under good public sector practice governance arrangements through its Board and Committee meetings that support scrutiny and transparency of decisions made. There is good compliance by the MIJB of the requirements of the Act and the guidance through its Directions to Partners but improvements are required to clearly show how they link to the specific objectives stated in the MIJB's Strategic Plan. Adequate performance monitoring arrangements have been developed to enable the MIJB to monitor the performance of Health and Social Care services in Midlothian, though improvements are required including compliance with the Annual Performance Report reporting timescales.**

#### **2.3 The MIJB's Local Code of Corporate Governance, which was approved in February 2016, requires to be updated to ensure this key document complies with the CIPFA/SOLACE 'Delivering Good Governance in Local Government: Framework' (2016) and continues to be relevant and complete by reflecting the appropriate framework for effective governance of the MIJB's business, including its role as the strategic commissioning body i.e. setting out when responsibility lies with the Board or where reliance is placed on the arrangements in place at its Partners. The content and format of the Annual Governance Statement should reflect the annual review of compliance with the updated Local Code.**

#### **2.4 A Risk Management strategy, reporting regime and risk register highlighting the MIJB risks, mitigating controls, residual risk and accompanying actions have been developed and reported during the year to the MIJB and the MIJB Audit and Risk Committee, the latter to fulfil its oversight role to monitor the IJB's risk management arrangements. Development work continues on the risk management process which should ensure that the risk register reflects the MIJB's strategic risks, is regularly reviewed and kept up to date, and is reported on a regular basis to the Board and its Audit Committee.**

#### **2.5 Further improvements in governance, risk management and internal control have been agreed by Management as highlighted in Internal Audit reports and recommendations made during the year or outstanding from previous years. Internal Audit will continue to follow-up progress on their implementation and provide periodic progress reports.**

### **3 MIJB Internal Audit Annual Plan 2017/18 Delivery**

- 3.1 The Internal Audit assurance activities undertaken for MIJB during 2017/18 focussed on the following key risk areas:
- Transformational Funding (Financial Assurance audit - A review of the process for the provision of transformational funding for the MIJB and an examination of how money specifically set aside for transformation has been used; undertaken by NHS Lothian Internal Audit section).
  - Performance (Strategic Assurance audit – A review of the Performance management and monitoring arrangements with particular emphasis on the Annual Performance Report (setting out how effectively the MIJB has improved the National Health and Wellbeing Outcomes described within the MIJB Strategic Plan) issued to the Scottish Government by the end of July 2017; undertaken by Midlothian Council Internal Audit function).
  - Directions (Strategic Assurance audit - A review of the Directions provided by the MIJB to Partner organisations (NHS Lothian and Midlothian Council) and performance in delivering against these; undertaken by NHS Lothian Internal Audit section).
- 3.2 During the year Midlothian Council Internal Audit function resources were also deployed in undertaking the following Annual Audit work:
- Recommendation Follow-Up Reviews (Two reviews were undertaken: The first noted performance against closing issues by the agreed due date while the second included a sample check on the adequacy of actions taken against issues which are flagged as closed, to check that recommendations have been implemented and to ensure that the new controls had the desired effect on improving control, risk and governance).
  - Review of Corporate Governance (Tested a sample of the key elements in the Local Code of Corporate Governance to determine whether these are operating as described. The results from this testing are included in the Annual Governance Statement).
  - Annual Assurance Report (Prepared an annual report for the MIJB Audit and Risk Committee summarising the work undertaken by the Internal Audit section and forming an opinion on the adequacy of the MIJB's control environment).
  - Assessment of Internal Audit against PSIAS (See Section 4 below).
  - Help Desk Enquiry System (Guidance and advice was provided on request to Management on governance and internal controls).
  - Planning for 2018/19 (Development of the Internal Audit Annual Plan for 2018/19).
  - Attendance at MIJB Board meetings and MIJB Audit and Risk Committee (Provision of independent Internal Audit assurance, support and advice).
- 3.3 For assurance purposes the MIJB Audit and Risk Committee was made aware of reports by other bodies that relate to the business of the MIJB including those by the Partners' Internal Auditors, Audit Scotland and other reports by the Scottish Government.

### **4 Public Sector Internal Audit Standards (PSIAS)**

- 4.1 The Internal Self-Assessment of practices against the professional standards PSIAS and an External Quality Assessment Peer Review by Highland Council during the year have indicated that Midlothian Council Internal Audit function conforms with the Definition of Internal Auditing, Code of Ethics, Attribute Standards and Performance Standards.

**Jill Stacey BA(Hons) ACMA CGMA**  
**Chief Internal Auditor**  
**4 June 2018**

# Midlothian Integration Joint Board Audit and Risk Committee



**Wednesday 20 June 2018**

## **MIJB Draft Annual Accounts – 2017/18**

**Item number: 5.4**

### **Executive summary**

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*The IJB is required to prepare a set of annual accounts for the financial year 2017/18. A draft of these accounts must be agreed by the IJB before 30 June whereupon the draft must be published on the IJB's website and presented to the IJB's auditors for review.*

*Unfortunately, because of timing issues, the draft Annual Accounts were not available to be presented to the IJB at its last meeting (7 June, 2018) but the IJB has agreed that the draft annual accounts may be agreed on its behalf by the Audit and Risk committee.*

*These draft accounts should be considered having already considered the Chief Internal Auditors Internal Audit Annual Assurance Report 2017/18*

### **Committee members are asked to**

*Approve the outline draft Annual Accounts for 2017/18.*

## IJB Draft Annual Accounts 2017/18

### 1. Purpose

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- 1.1 This report presents for approval the draft annual accounts for the IJB for the year ending 31<sup>st</sup> March 2018.

### 2. Recommendations

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The Committee is asked to :-

- 2.1 Approve the outline draft annual accounts for 2017/18

### 3. Background and main report

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- 3.1 The IJB is constituted under section 106 of the local government (Scotland) Act and as such must prepare a set of annual accounts. These accounts must be presented in draft for approval to either the IJB or a committee of governance of the IJB by 31<sup>st</sup> June whereupon the accounts will be presented for audit by the IJB's auditors.
- 3.2 The IJB agreed at its last meeting (June 7, 2018) that, because the IJB would not meet again before the end of June and that because the draft annual accounts were not completed for that meeting that it would allow the Audit and Risk Committee to approve the draft annual accounts for publication
- 3.3 The annual accounts contain a range of sections but breakdown into three main areas :-
- The Management Commentary. This provides a statement of the IJB's purpose and its performance against that purpose in the financial year along with a reflection on the challenges facing the IJB in the next financial year.
  - The Annual Governance Statement – which reflect on the governance of the IJB and notes any governance improvements identified by the CIA's Internal Audit Annual Assurance Report
  - A range of financial statements showing the financial position of the IJB. The IJB was underspent by £900,000 in 2017/18 and this position was report to the IJB at its meeting in June, 2018
- 3.4 The Audit and Risk Committee is asked to approve the attached annual accounts reflecting on the Management commentary, the AGS and the financial position.

#### **4. Policy Implications**

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4.1 There are no new policy implications arising from this report.

#### **5. Equalities Implications**

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5.1 There are no equalities implications arising from this report.

#### **6. Resource Implications**

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6.1 There are no further resources implications arising from this report.

#### **7 Risks**

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7.1 No further risks arise from this report.

#### **8 Involving People**

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8.1 This report is part of the regulations that support the IJB and is part of the overall communication between the IJB, staff and the general public.

#### **9 Background Papers**

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9.1 None

### **Appendices**

Draft annual accounts 2017/18

<b>AUTHOR'S NAME</b>	David King
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<b>DATE</b>	June 2018

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## **Midlothian Integration Joint Board**

### **Draft Annual Accounts 2017/18**

The draft Annual Accounts of Midlothian Integration Joint Board for the period from 1 April 2017 to 31 March 2018, prepared pursuant to Section 105 of the Local Government (Scotland) Act 1973 and in accordance with the terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and Service Reporting Code of Practice.

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## **Audit Arrangements**

Under arrangement approved by the Accounts Commission of Local Authority Accounts in Scotland, the auditor with responsibility for the audit of the accounts of Midlothian Integration Joint Board for the period 1 April 2017 to 31 March 2018 is Ernst and Young LLP, 10 George Street, Edinburgh, EH2 2DZ.

## **Management Commentary**

### **Introduction**

The management commentary provides an overview of the key messages relating to the role, remit, members, objectives and the strategy of the Midlothian Integration Joint Board (the IJB). It describes the financial performance for the financial year ended 31 March 2018 and considers those issues and risks which may impact upon the IJB's financial position in the future.

### **The Role and Remit of the IJB**

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

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

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

The IJB assumed formal responsibility for these functions in April 2016 including the budgets for the delivery of these functions. The IJB published its Strategic Plan for these functions covering the period from April 2016 to March 2019 in March 2016. The IJB also publishes an Annual Delivery plan, the plan for 2017/18 being agreed by the IJB at its March 2017 meeting. < link to be inserted >

## Membership of Midlothian Integration Joint Board

The IJB met nine times in 2017/18. There have been a number of changes to the membership of the IJB since the accounts for 2016/17 were published, both as a result of the local elections in May 2017 and other changes.

The members of the IJB at March 2018 were as follows :-

<b>Member</b>	<b>Nominated/Appointed by</b>	<b>Role</b>
Derek Milligan	Nominated by Midlothian Council	Voting Member, Vice Chair
Catherine Johnstone	Nominated by Midlothian Council	Voting Member
Jim Muirhead	Nominated by Midlothian Council	Voting Member, Chair of Audit and Risk Committee
Pauline Winchester	Nominated by Midlothian Council	Voting Member
Alex Joyce	Nominated by NHS Lothian	Voting Member
Tracey Gilles	Nominated by NHS Lothian	Voting Member
Alison McCallum	Nominated by NHS Lothian	Voting Member
Allister Short	Appointed by the IJB	Chief Officer
David King	Appointed by the IJB	Chief Finance Officer
Alison White	Nominated by Midlothian Council	Chief Social Worker
Fiona Huffer	Appointed by the IJB	Allied Health Professionals lead
Caroline Miles	Nominated by NHS Lothian	Chief Nurse
Hamish Reid	Nominated by NHS Lothian	General Practitioner
Patsy Eccles	Appointed by the IJB	NHS Staff Representative
Aileen Currie	Appointed by the IJB	MLC Staff Side Representative
Pam Russell	Appointed by the IJB	User/Carer representative
Ewan Aitken	Appointed by the IJB	Voluntary Sector Representative
Keith Chapman	Appointed by the IJB	User Representative

Note - The IJB was chaired by John Oates (nominated by NHS Lothian) who stood down in February 2017 and was replaced at the IJB's meeting of 3 May 2018 by Angus McCann (nominated by NHS Lothian). The Chief Officer of the IJB was Eibhlin McHugh until her retirement in October 2017.

## The IJB's Operations for the Year

2017/18 was the second operational year for the IJB. The ambitions for the financial year were laid out in the IJB's 2017/18 annual delivery plan, these were

- Increasing the capacity and managing the demands upon Primary Care
- Reducing the use of acute hospitals particularly in relation to delayed discharge and preventable admissions
- Improving mental health wellbeing given the high levels of prescribed medication and the links to offending and substance misuse
- Reducing the cost of Learning Disability services
- Strengthening the multi-agency approach to Health Inequalities

Considerable progress has been made on these ambitions and this is detailed in the IJB's Annual Performance report [<link to the report>](#)

## The IJB's Position at 31 March 2018

### Summary

For the year ending 31 March 2018, the IJB was underspent. That is the costs incurred in delivering the IJB's functions by Midlothian Council and NHS Lothian are less than the income that the IJB received from NHS Lothian and Midlothian Council.

In summary, the position is as follows :-

	Income £000's	Expenditure £000's	Surplus £000's
Health Services	99,232	99,115	117
Social Care Services	38,806	38,023	783
<b>Total</b>	<b>138,281</b>	<b>137,138</b>	<b>900</b>

This surplus has been used to create a reserve which is described further below.

Although the IJB has a range of functions delegated to it, these are delivered through a range of services provided by the partners (Midlothian Council and NHS Lothian) and these are further described below in the analysis of the Income and Expenditure position

## Analysis of the Financial Statements

The financial statements are all presented on a net basis.

## Income and Expenditure

The table below gives details of the IJB's expenditure in 2017/18

	<b>Budget</b>	<b>Budget</b>	<b>Expenditure</b>	<b>Expenditure</b>	<b>Variance</b>	<b>Note</b>
	<b>Health</b>	<b>Social</b>	<b>Health</b>	<b>Social Care</b>		
	<b>£000's</b>	<b>Care</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	
		<b>£000's</b>				
<b>Direct Midlothian Services</b>						
Community AHPS	1,180		980		199	
Community Hospitals	4,800		5,034		(234)	
District Nursing	2,554		2,535		19	
General Medical Services	14,025		13,901		123	
Health Visiting	1,427		1,475		(48)	
Mental Health	2,029		2,045		(16)	
Other	10,567		10,114		452	<b>1</b>
Prescribing	18,257		18,408		(151)	
Resource Transfer	4,779		4,776		3	<b>2</b>
Older People		16,366		14,144	2,222	
Learning Disabilities		11,534		13,155	(1,621)	
Mental Health		842		755	86	
Physical Disabilities		3,403		3,839	(436)	
Assesment and Care Management		3,415		3,120	296	
Other		3,246		3,010	235	<b>3</b>
<b>Midlothian Share of pan Lothian</b>						
Set Aside	18,154		18,572		(418)	<b>4</b>
Mental Health	2,127		2,106		21	
Learning Disabilities	1,503		1,607		(104)	
GP Out of Hours	1,011		1,011		0	
Rehabilitation	743		663		80	
Sexual Health	552		551		1	
Psychology	552		551		1	
Substance Misuse	937		951		(14)	
Allied Health Professions	1,217		1,190		27	
Oral Health	1,617		1,561		56	
Substance Misuse	937		951		(14)	
Other	1,558		1,425		133	
Dental	4,681		4,681		0	<b>5</b>
Ophthalmology	1,623		1,623		0	<b>5</b>
Pharmacy	2,401		2,401		0	<b>5</b>
	<b>99,232</b>	<b>38,805</b>	<b>99,115</b>	<b>38,023</b>	<b>899</b>	

Notes –

1. Other includes £5.1m for the Social Care fund. These are resources which the Scottish Government has directed to the IJB through NHS Lothian and are shown as health – however, these funds are then transferred to the Council and used to support the delivery of social care services
2. Resource Transfer are funds for specific purposes which are transferred from health to social care. However, these remain part of the health budget and are reported there.
3. Other includes care for non-specific groups, substance misuse services and other management and performance costs. This also includes £243,000 of funds which have been taken to the IJB's reserve to be carried forward for specific projects. This is detailed in the discussion on reserves below.
4. Set Aside are the budgets for those functions delegated to the IJB which are managed by the Acute Services management teams within NHS Lothian.

These services are :-

- Accident and Emergency
- Cardiology
- Diabetes
- Endocrinology
- Gastroenterology
- General Medicine
- Geriatric Medicine
- Rehabilitation Medicine
- Respiratory Medicine
- Various ancillary support services for the above

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

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

The charges (shown as expenditure above) made by Midlothian Council to the IJB are the net direct costs incurred in the delivery of social care services in Midlothian. The charges from NHS Lothian are based on the health budget setting model as agreed by the IJB. That is, charges for the core services (those services specifically for and delivered by the Midlothian partnership) are based on the net direct actual costs incurred in Midlothian. However, charges for hosted and set aside services (those services which are not generally managed by the Midlothian Partnership and are delivered on a pan-Lothian basis) are based on the total actual costs for these service shared across four IJBs per the budget setting model. The IJB share of the total actual costs incurred in 2016/17 (2017/18?) for hosted services is 10% and,

generally, 10% of the Lothian element of the set aside budgets and the non-cash limited budgets.

### **Overview of the 2017/18 position.**

From the above table, it can be seen that there were a range of financial pressures identified.

#### **Direct Midlothian Services**

Within the health budgets although there were operational overspends within Community Hospitals and GP Prescribing, these were offset by underspends in GMS and slippage (that is some programmes starting later in the year than planned and thus generating an underspend) within the system.

Within the social care budgets the pressures at the year-end were a significant overspend within adult services, specifically those for clients with Learning Disabilities and Physical Disabilities. This pressure was offset by underspend in services for older people, although there are underlying pressures in some specific services including MERRIT and care at home. That said, the social care budget has been underpinned in 2017/18 by c. £1.0m made up of 'reserves' from 2016/17 (see below) and slippage from social care and Integrated Care funds.

#### **Midlothian Share of pan-Lothian services**

The hosted position shows an overspend within the Learning Disabilities services but being offset with underspends in community dental (Oral Health), rehabilitation services and the UNPACS (Other) budget (this is the budget used to support Lothian patients cared for by services outwith NHS Lothian).

The significant overspend within the health budgets is within set aside the main pressures being

- Junior Medical – driven by additional staffing requested to cover rotas for sickness; maternity and vacancies – causing an over-establishment against funded levels. In addition there were significant excess banding payments for non-compliant rotas. New tighter controls regarding authorisation for additional staffing and reviewing rotas before issues arise are now in place to reduce pressure in 18/19
- Gastroenterology - significant drug pressure reported on Adalimumab and Aflibercept driving costs as well as overall higher growth than previous year.
- General Medicine – Pressure driven by staffing issues (significant at St Johns – where recruitment is difficult) and ongoing bed pressures.



- A&E – recruitment issues resulting in additional costs of locums/agency to cover and make safe staffing rotas – especially problematic at SJH.

## Reserves

The IJB has reserves at the end of 2017/18 of £900,000. Although the IJB did not have reserves in March 2017, Midlothian Council had carried forward c. £1.2m on behalf of the IJB. Midlothian Council made these resources available to the IJB in addition to the budgetary settlement above during the financial year 2017/18.

This has meant that, in reality, there has been a movement in reserves although this is not clear from the financial statement. This can be described as follows :-

	2017/18 Opening	2017/18 Closing	Movement
	£000's	£000's	£000's
<b>Committed Project Funds</b>			
SG Self directed support	316	0	316
MELDAP	278	132	146
SG Funding TEC	85	77	8
SG (via NHS) Dementia	77		77
7 Pillars (MH)	27		27
Criminal Justice	39		39
Other	73	34	39
	<u>895</u>	<u>243</u>	
<b>16/17 c/fwd funding</b>			
SCF	200	0	200
Integrated Care Fund	34	0	34
Resource Transfer	51	0	51
Total	<u>1180</u>	<u>243</u>	

The IJB has agreed a proposal to use its reserves in 2018/19 as follows :-

- Reserves earmarked for specific projects will be used to support these projects – for example the continuation of substance misuse services (using the MELDAP reserve) and the further development of the use of Technology Delivered Care (using the TEC reserve).
- Transformation Programme – a programme of work has been developed to further support the transformation agenda which will include a Programme Manager to work with acute and other service staff to deliver agreed outcomes. The initial focus will be on progressing the Mental Health plan and on work to support the IJB's ambition to reduce its bed use in the Acute hospital sites, particularly in relation to the respiratory pathway. This development will require investment as part of a 'spend to save' approach.
- Waiting Times – the IJB has a number of community services that are reporting significant waiting times (Psychological Therapies, Substance Misuse,

occupational therapy assessment), and projects will be developed to reduce these waiting times and to ensure that the service is sustainable thereafter.

- Delayed Discharge – as previously reported to the IJB, there continues to be a need to support timely discharge from hospital and resource will be allocated to support the implementation of the delayed discharge action plan.
- The residual element of the general reserve will be used as required to support in-year financial pressures, recognising the continuing underlying and significant overspend in social care

## The IJB's Strategy and Business Model

### Our Vision

The Midlothian Health and Social Care Partnership's vision is that people will lead longer and healthier lives by getting the right advice, care, and support, in the

The IJB aims to achieve this ambitious vision by changing the emphasis of services, placing more importance and a greater proportion of our resources on the approaches described below :-

### Key Changes in Our Use of Resources

#### Shifting Focus



The IJB's remit and goals are laid out in the IJB's Strategic Plan. These are in line with the Scottish Government's national outcomes and will be delivered through:-

### **1. Prioritising the Allocation of Resources**

The IJB will make decisions by reviewing the resources available and prioritising them to achieve the agreed outcomes. Guidance on this process has been issued by the Scottish Government and the themes laid out in this guidance are those that flow through the IJB's strategies. These themes are based on a fundamental review of the current use of resources in order to support the redesign of the overall health and social care system. The move of resources should reflect the key strategic aims of the IJB. The key principles guiding this movement are outlined in this report, along with some specific plans which are being developed to achieve the required shifts in expenditure:

### **2. Making More Efficient use of Resources**

There are immediate pressures on the IJB which require action to bring the expenditure in line with the monies now being made available by the Council and NHS Lothian

**Social Care:** The *Realistic Care Realistic Expectations* Programme is intended to identify significant savings through more efficient and more equitable ways of providing social care services. This is being overseen by the Council Business Transformation Group

**Prescribing:** In response to major pressures upon the local prescribing budget GPs and the Pharmacy Service are implementing a series of changes to reduce expenditure

**Service Integration:** The social care and health teams within the Partnership are being joined together into one overall team with a single management structure. This will generate operational synergies and stop 'double doing' – for example multiple assessments etc.

### **3. Public Engagement**

The emerging financial challenges facing the partners, and therefore the budgets likely to be available to the IJB, require a concerted programme of public engagement. Transforming health and care services will only succeed if the people of Midlothian understand the changes being considered; are able to influence these; and are prepared to support them. A Communication and Engagement Plan in relation to Realistic Care has been developed and is now being implemented.

The IJB will continue the process of full integration of the services delivery teams, not just between NHS and Council delivered services but also moving pan-Lothian services into the locally managed and locally delivered services. This will generate operational and managerial synergies and should reduce costs, however this will be a step in the redesign of services into the establishment of multi-disciplinary teams delivering care in a community based setting.

### **Key Risks and Uncertainties**

The challenge for the IJB is to transform the delivery of its delegated functions whilst supporting the delivery of financial balance with an (in real terms) reduction in the financial resources available. There remain a series of uncertainties:-

1. It remains difficult for the partners to recruit elements of the workforce to deliver the IJB's functions, e.g. GPs, District Nurses and Care workers.
2. The increasing population in Midlothian remains a challenge which may exacerbate the staffing pressures above.
3. The financial position for the UK and Scotland remains uncertain and this will provide a challenge to the amount of financial resources available to the IJB.

**Angus McCann**  
IJB Chair

**Allister Short**  
Chief Officer

**David King**  
Chief Finance Officer

## **Statement of Responsibilities**

### **Responsibilities of the Integration Joint Board**

The Integration Joint Board is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that the proper officer of the board has responsibility for the administration of those affairs (section 95 of the Local Government (Scotland) Act 1973). In this authority, that officer is the chief finance officer.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Ensure the Annual Accounts are prepared in accordance with legislation (The Local Authority Accounts (Scotland) Regulations 2014), and so far as is compatible with that legislation, in accordance with proper accounting practices (section 12 of the Local Government in Scotland act 2003).
- Approve the Annual Accounts.

I confirm that these Annual Accounts were approved for signature at a meeting of the Audit & Risk Committee on 6 September 2018.

Signed on behalf of Midlothian Integration Joint Board.

**Angus McCann**  
Chair

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

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

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

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

The chief finance officer has also:

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

I certify that the financial statements give a true and fair view of the financial position of the Midlothian Integration Joint Board as at 31 March 2018 and the transactions for the year then ended.

**David King**

Chief Finance Officer

## **Remuneration Report**

### **Introduction**

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

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

### **Remuneration: IJB Chair and Vice Chair**

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

The IJB does not provide any additional remuneration to the Chair, Vice Chair or any other board members relating to their role on the IJB. The IJB does not reimburse the relevant partner organisations for any voting board member costs borne by the partner. Neither the Chair nor the Vice Chair appointments had any taxable expenses paid by the IJB in 2017/18.

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

NHS Lothian remunerates its non-executive members on a notional day basis. Those non-executive members of the NHS Lothian Board who are also Chairs or Vice Chairs of IJBs are given an additional notional day's remuneration in recognition of the additional time required to undertake those roles. John Oates, as a non-executive member of NHS Lothian Board who is also the Chair of Midlothian IJB has received an additional notional day's remuneration specifically for his role as Vice Chair of the IJB in 2017/18. This remuneration is £8,464 per annum.

### **Remuneration: Officers of the IJB**

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

#### **Chief Officer**

Under section 10 of the Public Bodies (Joint Working) (Scotland) Act 2014 a Chief Officer for the IJB has to be appointed and the employing partner has to formally



second the officer to the IJB. The employment contract for the Chief Officer will adhere to the legislative and regulatory framework of the employing partner organisation. The remuneration terms of the Chief Officer's employment are approved by the IJB.

The Chief Officer of the IJB is Allister Short who is also the Director of Health and Social Care for Midlothian Council and the Joint Director of the Midlothian Partnership. It has been agreed, and this was disclosed in the accounts for 2015/16 and 2016/17, that 50% of his total remuneration is to be shown in the accounts of the IJB as her remuneration as the Chief Officer of the IJB.

#### Chief Finance Officer

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

#### Other Officers

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

<b>Total 2016/17</b>	<b>Senior Employees</b>	<b>Salary, Fees &amp; Allowances 2017/18</b>	<b>Total 2017/18</b>
<b>£</b>		<b>£</b>	<b>£</b>
49,668	Eibhlin McHugh (to October 2017)	29,263	29,263
n/a	Allister Short (from November 2017)	19,959	19,959
26,802	David King	26,802	26,802

Allister Short was appointed in May 2017, his costs above are therefore 11/12 of the annual costs.

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

The IJB however has responsibility for funding the employer contributions for the current year in respect of the officer time spent on fulfilling the responsibilities of their role on the IJB. The following table shows the IJB's funding during the year to support officers' pension benefits. The table also shows the total value of accrued

pension benefits which may include benefits earned in other employment positions and from each officer's own contributions.

### Disclosure by Pay Bands

As required by the regulations, the following table shows the number of persons whose remuneration for the year was £50,000 or above, in bands of £5,000.

<b>Number of Employees in Band 2016/17</b>	<b>Remuneration Band</b>	<b>Number of Employees in Band 2017/18</b>
0	£50,000 - £54,999	0
0	£55,000 - £59,999	0
0	£60,000 - £65,000	0

### Exit Packages

The IJB did not support nor did it direct to be supported by its partners any exit packages during 2017/18.

**Angus McCann**  
IJB Chair

**Allister Short**  
Chief Officer

## **Annual Governance Statement**

### **Purpose**

The annual governance statement lays out how Midlothian Integration Joint Board (MIJB) complies with its Local Code of Corporate Governance and sets out the framework within which the IJB has put in place proper financial and governance arrangements for the conduct of its business affairs. This will facilitate the effective exercise of its functions, ensuring that appropriate arrangements are in place for the management of risk and that appropriate systems of internal control are in place.

### **Scope of Responsibility**

Midlothian Integration Joint Board is responsible for ensuring that its business is conducted in accordance with the law and proper standards. This is to allow the public funds at its disposal to be safeguarded and used efficiently and effectively in pursuit of best value.

Board members, including the Chief Officer and Chief Finance Officer, are responsible for the governance of the business affairs of MIJB. This includes: setting the strategic direction, vision, culture and values of the MIJB and establishing appropriate and cost effective systems, processes and internal controls to allow the strategic objectives to be delivered.

In order to achieve this, the MIJB has developed a Local Code of Corporate Governance based on the CIPFA/SOLACE Framework and Guidance on 'Delivering Good Governance in Local Government'.

The Local Code of Corporate Governance details 7 core principles which are supported by 20 sub-principles and 91 behaviours and actions that demonstrate good Governance. Elements of good governance included are:-

- Ensuring Board and Committees members behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the MIJB
- Creating the conditions to ensure that all MIJB members and the MIJB's partners (Midlothian Council and NHS Lothian) are able to fulfil their responsibilities in accordance with legislative and regulatory requirements
- Having a clear vision, which is an agreed formal statement of the MIJB's purpose and intended outcomes containing appropriate performance indicators, which provide the basis for the MIJB's overall strategy, planning and other decisions
- Developing and maintaining an effective workforce plan to enhance the strategic allocation of resources and to ensure best value is achieved
- Evaluating and monitoring risk management and internal control on a regular basis

- Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the MIJB's Chief Internal Auditor
- Ensuring an audit committee, which is independent of the Board and accountable to the MIJB, provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment and that its recommendations are listened to and acted upon
- Ensuring robust arrangements for assessing the extent to which the principles contained in the Framework have been applied and publishing the results on the assessment, including an action plan for improvement and evidence to demonstrate good governance (the annual governance statement)
- Ensuring that recommendations for corrective action made by the external auditor are acted upon

Midlothian IJB's financial management arrangements conform to the requirements of the CIPFA Statement on the role of the Chief Financial Officer in Local Government. The Chief Finance Officer has overall responsibility for the MIJB's financial arrangements and is professionally qualified and suitably experienced.

The MIJB is responsible for conducting each financial year, a review of the effectiveness of its governance framework, including risk management and the systems for internal control and financial control. The review of the effectiveness of the MIJB's governance framework is informed by:

- The work of the MIJB Board, the Strategic Planning Committee, and the Audit and Risk Committee
- The annual assurances that are provided by the MIJB Chief Officer and the Chief Finance Officer
- An annual review, by the MIJB Chief Internal Auditor, of compliance with the MIJB's Local Code of Corporate Governance
- The MIJB Chief Internal Auditor's annual assurance report which is based on internal audit work completed during the year
- Reports from the MIJB's external auditor
- Reports from other external review bodies, agencies and inspectorates.

The key governance arrangements and controls are set out in the Local Code of Corporate Governance. Each year, the MIJB Chief Internal Auditor samples elements in the Local Code to determine whether these are working effectively and that, therefore, the governance framework is working effectively.

In addition, the MIJB Chief Officer and the Chief Finance Officer are required to undertake an annual self assessment of their area of responsibility where key elements of governance are examined.

Neither of these assessments highlighted any issues that would impact on the level of effectiveness of the MIJB's governance framework.

The Annual Governance Statement has also been informed by the work undertaken by the MIJB Chief Internal Auditor who, following the requirements of the Local

Authority Accounts (Scotland) Regulations 2014, conducted an annual review of the effectiveness of the MIJB's system of internal control. The MIJB Chief Internal Auditor concluded that based on the work undertaken in 2017/18 that overall, the MIJB's framework of governance, risk management and control is adequate but noted areas for further development in 2018/19. These improvements are reflected below.

The MIJB Chief Internal Auditor has responsibility for the provision of Internal Audit services to the MIJB and reports functionally to the MIJB Audit and Risk Committee to allow appropriate independence. The MIJB Chief Internal Auditor is professionally qualified and suitably experienced to lead and direct the Internal Audit team.

### **Statutory and other Compliance**

The Midlothian IJB was established by parliamentary order in June 2015 following approval of the Midlothian Integration Scheme by the Scottish Ministers. It is a body corporate, a legal entity in its own right but it relies on support from officers employed by Midlothian Council and NHS Lothian in relation to the conduct of its business. It is subject to the Public Bodies (Joint Working) (Scotland) Act 2014 and secondary legislation directly relating to the integration of health and social care services, and indirectly in relation to regulatory regimes affecting devolved public bodies in Scotland.

Midlothian IJB ('the Board') has secured compliance with statutory and other requirements, as follows:-

- Membership - its minimum membership (voting and non-voting) is set by statutory instrument, with the power to appoint additional members as it sees fit. The Board's membership is fully populated
- Standing Orders - the Board is required by statutory regulations to have Standing Orders to regulate its business, with some aspects stipulated in those regulations. Standing Orders were adopted at its inaugural meeting. They comply with statutory requirements
- Committees - the Board has established an Audit and Risk Committee with a detailed remit and powers and with the membership clearly defined. This complies with statutory requirements and with the Board's Standing Orders.
- Meetings - the Standing Orders adopted by the Board allow the public to have prior access to meeting agendas and reports, and to attend meetings of the Board and its committees, except in clearly defined and limited circumstances
- Strategic Plan - the Board established its Strategic Planning Committee as required by legislation, with Terms of Reference approved by the Board covering membership, meetings and meetings procedures.
- Officers - the Board appointed a Chief Officer and a Chief Finance Officer as required by the legislation. A Chief Internal Auditor has been appointed to carry out the Board's internal audit requirements and assist its Audit and Risk Committee
- Finance - the Board received reports in relation to financial assurance prior to the setting of budgets for the functions delegated by Midlothian Council and NHS Lothian, and adopted Financial Regulations in relation to the conduct of its

financial affairs, the maintenance of its accounting and financial records, and its annual accounts and financial statements

- Code of Conduct - pending finalisation of arrangements for a Code of Conduct for Members, the Board adopted an Interim Code based on the existing Model Code for Members of Devolved Public Bodies in Scotland, and members have registered their interests according to that Code. The Scottish Government approved the MIJB's Code of Conduct on 1 June 2016.

## Action Plan

A number of areas of governance improvements were highlighted in the MIJB Chief Internal Auditor's Annual Assurance Report and these are summarised below along with the proposed actions. This is in addition to work undertaken over the past two years to improve elements of internal control, risk management and governance reported in 2015/16 and 2016/17.

### 1. MIJB's Directions and its Strategic Plan.

The MIJB will continue to develop this work to clearly show how the directions to partners link to the specific objectives stated in the MIJB's Strategic Plan.

### 2. Performance Management.

The MIJB will continue to update its performance monitoring and reporting arrangements

### 3. Local Code of Corporate Governance.

The MIJB will update its Local Code of Corporate Governance in line with the CIPFA/SOLACE (2016) Framework and further develop its Board's understanding of the Local Code and reflect this in future in the content and format of the Annual Governance Statement

### 4. Risk Management

The MIJB will continue to review and to keep updated its strategic risk register and report on a regular basis both to the Board and its Audit and Risk Committee.

### 5. Workforce Plan.

The IJB will continue to develop its workforce plan through a process of engagement with staff and its partners.

On the basis of the MIJB's assurance system, and the elements of governance at its disposal, we are satisfied that overall Midlothian IJB's systems of internal control, risk management and governance arrangements are of a satisfactory standard. We are aware of areas where improvements are required and steps will be taken in the

forthcoming year to address these areas, allowing the MIJB to enhance its corporate governance arrangements and seek continuous improvement.

**Angus McCann**  
IJB Chair

**Allister Short**  
Chief Officer

**Independent Auditor's Report**

This will be inserted when this report is completed after the audit of these draft accounts



## **Comprehensive Income and Expenditure Statement**

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

### **Midlothian IJB Comprehensive Income and Expenditure Statement**

2016-17 Net Expenditure £m		2017-18 Net Expenditure £m
96.250	Health Care Services - NHS Lothian	99.115
38.240	Social Care Services - Midlothian Council	38.023
<b>134.490</b>	<b>Cost of Services</b>	<b>137.138</b>
-134.490	Taxation and Non-Specific Grant Income	-138.038
<b>0.000</b>	<b>Surplus on Provision of Services</b>	<b>-0.900</b>

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

### **Movement in Reserves Statement**

<b>Movements in Reserves During 2017/18</b>	<b>General Fund Balance</b>	<b>Unusable Reserves: Employee Statutory Adjustment Account</b>	<b>Total Reserves</b>
	£000's	£000's	£000's
<b>Opening Balance at 31 March 2017</b>	<b>0</b>	<b>0</b>	<b>0</b>
Total Comprehensive Income and Expenditure	900	0	900
Increase or Decrease in 2017/17	<b>900</b>	<b>0</b>	<b>900</b>
<b>Closing Balance at 31 March 2017</b>	<b>900</b>	<b>0</b>	<b>900</b>

The IJB had no reserves in 2016/17

## **Balance Sheet**

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

### **Midlothian IJB Balance Sheet**

31 March 2017 £m		31 March 2018 £m
	<b>Current Assets</b>	
0.000	Debtors	0.900
<b>0.000</b>	<b>Creditors: amounts falling due within one year</b>	<b>0.000</b>
<b>0.000</b>	<b>Total assets less current liabilities</b>	<b>0.900</b>
	<b>Capital and Reserves</b>	
0.000	Earmarked Reserve	0.244
0.000	General Reserve	0.656
<b>0.000</b>	<b>Total Reserves</b>	<b>0.900</b>

**David King**  
Chief Finance Officer

## **Notes to the Financial Statements**

### **1. Significant Accounting Policies**

#### **General Principles**

The Financial Statements summarises the IJB's transactions for the 2017/18 financial year and its position at the year-end of 31 March 2018.

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

The Financial Statements are therefore prepared in compliance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, supported by International Financial Reporting Standards (IFRS), unless legislation or statutory guidance requires different treatment.

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

#### **Accruals of Income and Expenditure**

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

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

#### **Funding**

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

### Cash and Cash Equivalents

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

### Employee Benefits

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

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

### Provisions, Contingent Liabilities and Contingent Assets

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

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

A contingent asset is a possible asset arising from events on or before 31 March, whose existence will only be confirmed by later events. A contingent asset is not recognised in the IJB's Balance Sheet, but is disclosed in a note only if it is probable to arise and can be reliably measured.

The IJB has none of the above.

### Reserves

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

The IJB's only Usable Reserve is the General Fund. The balance of the General Fund as at 31 March shows the extent of resources which the IJB can use in later years to support service provision. As noted above, the IJB has reserves of c. £900,000 at 31 March 2018

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

The IJB's general reserve is broken down as follows :-

<b>Earmarked Reserve</b>	£000's
Tech Enabled Care (SG funding)	-77
Smile Project (Big Lottery funding)	-12
See Hear (SG funding)	-7
Autism Strategy (SG funding)	-12
MELDAP	-132
Spring Project (SG funding)	-4
<b>General Reserve</b>	-656
	<b>-900</b>

### Indemnity Insurance

The IJB has indemnity insurance for costs relating primarily to potential claim liabilities regarding Board member and officer responsibilities. NHS Lothian and Midlothian Council have responsibility for claims in respect of the services that they are statutorily responsible for and that they provide. The IJB holds separate indemnity insurance through its membership of the CNORIS scheme, the charge for this in 2017/18 was £6,000.

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

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

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

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

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

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

- The partner organisations have considered their exposure to possible losses and made adequate provision where it is probable that an outflow of resources will be required and the amount of the obligation can be measured reliably. Where it has not been possible to measure the obligation, or it is not probable in the partner organisations' options that a transfer of economic benefits will be required, material contingent liabilities have been disclosed (there are none).
- The Annual Accounts contains estimated figures that are based on assumptions made by the IJB about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.
- There are no items in the IJB's Balance Sheet at 31 March 2018 for which there is a significant risk of material adjustment in the forthcoming financial year.

### Provisions

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

### **3. Events After the Reporting Period**

The Annual Accounts were authorised for issue by the IJB on 14 September 2018. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing as at 31 March 2018, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

#### 4. Expenditure and Funding Analysis

Expenditure		2017/18
2016/17		2017/18
£000's	Services specifically for Midlothian	£000's
55,840	Health	59,270
38,234	Social Care	38,023
	Midlothian's share of Lothian Health Services	
20,953	Hosted	21,273
19,457	Set Aside	18,575
<b>134,484</b>	<b>Total</b>	<b>137,138</b>
Funded By		
38,234	Midlothian Council	38,023
96,250	NHS Lothian	99,115
<b>134,484</b>		<b>137,138</b>

Expenditure above has been split into three main areas :-

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

#### **Corporate Service**

Included in the above costs are the following corporate services:-

2016/17		2016/17
£000's		£000's
50	Staff	49
25	Audit Fee	24
<b>75</b>	<b>Total</b>	<b>73</b>

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



## 5. Related Party Transactions

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

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

2016/17		2017/18
£000's		£000's
96,250	NHS Lothian	99,115
-4,776	Resource Transfer	-4,776
-3505	Social Care Fund	-5,100
<b>87,969</b>		<b>89,239</b>
38,234	Midlothian Council	38,023
4,776	Resource Transfer	4,776
3,505	Social Care Fund	5,100
<b>46,515</b>	<b>Total</b>	<b>47,899</b>

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

## 6. VAT

The IJB is not a taxable person and does not charge or recover VAT on its functions.





**Wednesday 20 June 2018**

## **Risk Register**

**Item number: 5.5**

### **Executive summary**

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*The Integrated Joint Board (IJB) maintains a risk register which is regularly scrutinised by the IJB's Audit and Risk committee. However, it is important that the IJB is kept informed of its key risks and the actions undertaken to manage these risks and the current version of the IJB's risk register is attached.*

**Board members are asked to:**

- 1. Consider the risk register especially those risks highlighted in the covering report.*

## Risk Register

### 1 Purpose

---

This report lays out the current version of the IJB's risk register and highlights risks of major concern.

### 2 Recommendations

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2.1 Members are asked to:-

Consider the risk register especially those risks highlighted in the covering report.

### 3 Background and main report

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3.1 The IJB agreed at its inaugural meeting on 20 August 2015 to adopt a risk management policy and set up a risk register. 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 register and report back to the IJB as required.

3.1 The Risk and Audit Committee held on 29 March 2018 noted points for development in the way the risk register was presented. This has been reflected in the most recent report attached for comment. The main concerns are as follows :-

- Impact of Demographic Change both in absolute terms (Midlothian's population will increase and the resources to support that increase may not be adequate) and in relative terms (a larger proportion of the population will be older and possibly more frail with multiple morbidities). The management of risk will be considered as part of the Strategic Plan and the financial plan and strategy as above
- 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. A Project Manager has been appointed, a detail project plan will be prepared and a report presented to IJB in Q2 2018/19

### 4 Policy Implications

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There are no new policy issues raised in this paper.

## 5 Equalities Implications

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5.1 There are no equalities implications arising from this report.

## 6 Resource Implications

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

## 7 Risk

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7.1 The risks relevant to the business of the IJB are set out within the attached risk register.

## 8 Involving people

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8.1 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 managed

## 9 Background Papers

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9.1 None

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<b>DESIGNATION</b>	Risk Manager
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<b>DATE</b>	12 June 2018

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Appendices:- Risk Register



## IJB Risk Register

### Issues






IJB.IR.01 Financial Stability						
Risk Code	Risk Identification	Managed by	Risk Control Measures	Likelihood	Impact	Risk Evaluation
IJB.IR.01	<b>Risk cause</b> Level of resourcing not matching demand.  <b>Risk event</b> Demand exceeding resource allocation.  <b>Risk effect</b> Significant overspend or inability to meet demand requirements.	Chief Finance Officer	Chief Finance Officer (CFO) appointed to IJB Appropriate monitoring of budget position Action plans to respond to specific financial challenge IJB reserve established to respond future budget pressures.	2	2	

## 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	<p><b>Risk cause</b> Inadequate resources to meet demand in the manner in which services are currently delivered.</p> <p><b>Risk event</b> Inability to meet demand within existing resources.</p> <p><b>Risk effect</b> 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.</p>	Chief Finance Officer	<p>Chief Finance Officer appointed to IJB, this post is responsible for the governance, appropriate management of finance and financial administration of the IJB.</p> <p>Early Warning Indicators from NHS Lothian and Midlothian Council.</p> <p>Strong budget control systems in place in NHS Lothian and Midlothian Council.</p> <p>Financial Strategy developed, <i>presented to the IJB (January 2018 meeting) and agreed. Financial Plan being developed, outline plan agreed by IJB and further reports to be taken back to the IJB in September 2018.</i></p> <p><i>Realistic Care Realistic Expectations group expanded in to Business Transformation Board – Social Care Project with Realistic Care Realistic Medicine Transformation Programme.</i></p>	3	4	


Related Action Code	Related Action	Related action latest note	Managed By	Due Date	Status
IJB.RR.01.A2	Financial plan	<b>Q1 18/19:</b> Financial Plan presented to the IJB at its February 2018 meeting, update due to be reported to be to September 2018 IJB Meeting.	Chief Officer	30-Sep-2018	
IJB.RR.01.A3	Business Transformation Board – Social Care Project	<b>Q1 18/19:</b> Previous Realistic Care, Realistic Expectations group expanded into Business Transformation Board – Social Care Project with Realistic Care Realistic Medicine Transformation Programme, to deliver the financial strategy in operational terms.	Chief Officer	31-Mar-2019	
IJB.RR.02.A2	Learning Disability and Mental Health	<b>Q1 18/19:</b> The inherited financial commitments in Learning Disability and Mental Health have been identified and the IJB will indicate to NHSL what it is able to invest in these areas. The financial commitment will be reflected in the Financial Plan.	Chief Finance Officer	30-Sep-2018	



### IJB.RR.03 Demographic Changes




Risk Code	Risk Identification	Managed by	Risk Control Measures	Likelihood	Impact	Risk Evaluation
IJB.RR.03	<p><b>Risk cause</b> Increasing demands on services as a result of ageing population, and increasing numbers and complexity of need of children moving into Adult Services.</p> <p><b>Risk event</b> Inability to meet demand within existing resources.</p> <p><b>Risk effect</b> Demands made on Social Care resource budget exceed available budget. Capacity to maintain and develop preventative services is put at risk.</p>	Chief Officer	<p>Annual review of joint needs assessment so that the allocation of resources can be reviewed and amended.</p> <p>Continual process of service redesign to ensure people access services quickly, and their recovery is supported effectively.</p> <p>Realistic Care, Realistic Expectations programme Board.</p> <p>Business Transformation Board - Social Care Project.</p> <p>Demographic profiling to ensure forward planning reflects the demographic profile of the IJB.</p> <p>Captured in financial plan</p>	5	3	

### IJB.RR.04 Governance


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



## IJB.RR.07 Managing Change

Risk Code	Risk Identification	Managed by	Risk Control Measures	Likelihood	Impact	Risk Evaluation
IJB.RR.07	<p><b>Risk cause</b> Information on changes to service released before service user or employees consultation strategy developed.</p> <p><b>Risk event</b> There is the potential for information to be released on draft schemes or proposals for changes to service delivery.</p> <p><b>Risk effect</b> This could have a negative impact on Service Users and Employees by creating unnecessary concern regarding potential changes which have not been fully considered or consulted on.</p>	Joint Director Midlothian Health and Social Care Partnership	<p>Strategic delivery plan.</p> <p>Directions made and monitored.</p> <p>Performance reporting against delivery of strategic plan and other key indicators.</p> <p>There is an Organisational Development Officer in post, delivering an OD programme alongside a number of Lothian-wide initiatives.</p>	3	4	

Related Action Code	Related Action	Related action latest note	Managed By	Due Date	Status
IJB.RR.07.A1	Communications Strategy	<b>Q1 18/19:</b> Communication plans are being developed and implemented across the service.	Chief Officer	31-Mar-2019	
IJB.RR.07.A2	Organisational Development Programme	<b>Q1 18/19:</b> An organisation development programme is being delivered.	Joint Director Midlothian Health and Social Care Partnership	31-Mar-2019	
IJB.RR.10.A1	Workforce Framework	<b>Q1 18/19:</b> Workforce framework report reported to IJB in June.	Joint Director Midlothian Health and Social Care Partnership	30-June-2018	

## IJB.RR.08 Management Information


Risk Code	Risk Identification	Managed by	Risk Control Measures	Likelihood	Impact	Risk Evaluation
IJB.RR.08	<p><b>Risk cause</b> 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.</p> <p><b>Risk event</b> These systems are used to drive performance information.</p> <p><b>Risk effect</b> The lack of integration of the information between the systems reduces the potential for holistic reporting.</p>	Joint Director Midlothian Health and Social Care Partnership	<p>The Interagency Information Exchange allows direct and up to date access to other professional's information.</p> <p>Data sharing agreements</p>	3	3	



Related Action Code	Related Action	Related action latest note	Managed By	Due Date	Status
IJB.RR.08.A1	Interagency Information Exchange	<b>Q1 18/19:</b> Off Target Initial testing commenced early June but performance issues have been discovered around basic functionality and these are currently being investigated. No new implementation date can be provided until investigation of these issues are complete and resolutions found.	Mike O'Rourke	31-Mar-2018	
IJB.RR.08.A2	Performance Information	<b>Q1 18/19:</b> Work continues on the development of a comprehensive performance framework for the IJB. Reports presented to the IJB. Regular reports presented to the IJB.	Chief Officer	31-Jul-2018	

### IJB.RR.09 Leadership Capacity - IJB

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


### 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	<p><b>Risk cause</b> Potential future ability to recruit sufficient staff.</p> <p><b>Risk event</b> Insufficient numbers of qualified people to deliver services based on current models.</p> <p><b>Risk effect</b> Negative impact on service delivery where services require Health Visitors and GPs.</p>	Joint Director Midlothian Health and Social Care Partnership	<p>National program of training for GPS and Health Visitors.</p> <p>Living Wage commitment to address low paid positions.</p> <p>Service Specific Workforce Plan being developed which will include the development of new roles and a changing skill mix.</p> <p>SVQ Assessment Centre Established.</p>	3	4	

Related Action Code	Related Action	Related action latest note	Managed By	Due Date	Status
IJB.RR.10.A1	Workforce Framework	<b>Q1 18/19:</b> Workforce framework report reported to IJB in June.	Joint Director Midlothian Health and Social Care Partnership	30-June-2018	
SRP.RA.04	Scottish Social Service Council Care at Home	<b>Q1 18/19:</b> The process for registration of Care at Home staff underway. This	Joint Director	31-Dec-2019	


		will be a significant step towards professionalising the workforce.	Midlothian Health and Social Care Partnership		
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### IJB.RR.11 Working With Other Organisations (Partnership)


Risk Code	Risk Identification	Managed by	Risk Control Measures	Likelihood	Impact	Risk Evaluation
IJB.RR.11	<p><b>Risk cause</b> The establishment of the Integrated Joint Board (IJB) may reduce the efforts required to work with other Community Planning partners.</p> <p><b>Risk event</b> 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.</p> <p><b>Risk effect</b> The HSCP does not achieve its long term objectives.</p>	Chief Officer	<p>The IJB Chair and Chief Officer are members of the Community Planning Board.</p> <p>Health and Social Care are actively in Area Targeting Work.</p> <p>Reducing inequality is the key objective of the Community Planning Partnership.</p> <p>Other agencies - e.g. Housing; Libraries; Fire and Rescue; Ambulance - are actively involved in joint planning groups.</p>	3	4	

Related Action Code	Related Action	Related action latest note	Managed By	Due Date	Status
IJB.RR.11-A1	Single Midlothian Plan	<b>Q1 18/19:</b> Plan for 2018/19 published.	Joint Director Midlothian Health and Social Care Partnership	31-May-2018	
IJB.RR.11-A2	Strengthening work with Voluntary Sector	<b>Q1 18/19:</b> Summit with Voluntary Sector Organisations held with future sessions to be held on a quarterly basis.	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	<p><b>Risk cause</b> Lack of clarity about Business Continuity arrangements.</p> <p><b>Risk event</b> The Health &amp; Social Care Partnership is unable to implement proposals in the absence of an effective governing body.</p> <p><b>Risk effect</b> The IJB fails to make good progress with the implementation of its Strategic Plan.</p>	Chief Officer	<p>Integration Scheme - standing orders and a code of governance in place.</p> <p>Substitute IJB members in place by NHS Lothian, Midlothian Council, Users, Carers and Third Sector.</p> <p>The Council and NHS have their own Business Continuity Plans and arrangements in place to monitor third party suppliers. (Check local code of governance)</p>	3	4	

## IJB.RR.18 Use of Acute Hospital Beds


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

Related Action Code	Related Action	Related action latest note	Managed By	Due Date	Status
IJB.RR.18-A1	Project to examine the use of acute hospital beds	<b>Q1 2018/19:</b> Project Manager appointed, detail project plan to be prepared. Report to be presented to IJB in Q2 2018/19.	Chief Officer	31-Mar-2019	






## Opportunities

### IJB.OP.01 Strategic Plan



Risk Code	Risk Identification	Managed by	Risk Control Measures	Likelihood	Impact	Risk Evaluation
IJB.OP.01	The creation of a Strategic Plan provides the opportunity to describe the future shape of care services.	Chief Officer	<p>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.</p> <p>New funding such as social care monies and Primary Care Transformation funds will enable some of the aspirational plans to be put into effect.</p> <p>Direction provides clarity and specificity about actions flowing from the Strategic Plan.</p> <p>Health and Care Transformation Board has been established to ensure a SMART (Specific, Measurable, Achievable, Realistic, Timely) approach to implementation of the Strategic Plan.</p>	5	4	

Related Action Code	Related Action	Related action latest note	Managed By	Due Date	Status
IJB.OP.01.A4	New Health and Care Delivery Plan	<b>Q1 18/19:</b> Annual delivery plan agreed at IJB meeting in March. Plans for new strategic plan agreed by IJB in June.	Chief Officer	30-Jun-2018	

#### Risk Management report Key:

<b>Very low risk</b>	<b>1-3</b>	
<b>Low risk</b>	<b>4-8</b>	
<b>Medium risk</b>	<b>9-15</b>	
<b>High risk</b>	<b>16-20</b>	
<b>Critical risk</b>	<b>25</b>	

#### Action Key:

<b>In progress</b>	
<b>Complete</b>	
<b>Overdue</b>	