

Notice of Meeting and Agenda



Midlothian Integration Joint Board - Audit and Risk Committee

Venue: Virtual Meeting,

Date: Thursday, 03 March 2022

Time: 14:00

Morag Barrow
Chief Officer

Contact:

Clerk Name:	Mike Broadway
Clerk Telephone:	0131 271 3160
Clerk Email:	mike.broadway@midlothian.gov.uk

Further Information:

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

1 Welcome, Introductions and Apologies

2 Order of Business

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

3 Declaration of Interest

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

4 Minute of Previous Meeting

- 4.1** Minutes of Meeting held on 2 December 2021 - For Approval. 3 - 10

5 Public Reports

- 5.1** Update on Chief Internal Auditor and Chief Finance Officer.

- 5.2** Midlothian Integration Joint Board Annual Audit Plan Year ending 31 March 2022 - Report by EY, External Auditors. 11 - 34

- 5.3** Midlothian IJB Internal Audit Annual Plan 2022/23 – Report by Chief Internal Auditor. 35 - 40

- 5.4** Risk Register – Report by Chief Officer Place (To Follow)

- 5.5** CIPFA – Financial Management Code, 2021/22 – Report by Interim Chief Finance Officer. 41 - 48

- 5.6** Best Value – Consideration of the Audit Scotland Questionnaire – Report by Interim Chief Finance Officer. 49 - 78

- 5.7** Audit Scotland – Recent Audit Reports of Interest – Report by Interim Chief Finance Officer. 79 - 106

6 Private Reports

No private reports to be discussed at this meeting.

7 Date of Next Meeting

The next meeting of the Midlothian Integration Joint Board Audit and Risk Committee will be held on **Thursday 2 June 2022 at 2.00 pm.**

Midlothian Integration Joint Board



Meeting	Date	Time	Venue
Audit and Risk Committee	Thursday 2 December 2021	2.00pm	Virtual Meeting held using MS Teams.

Present (voting members):

Councillor Jim Muirhead (Chair)	Carolyn Hirst	Pam Russell (Independent Member)

Present (non-voting members):

Morag Barrow (Chief Officer)	David King (Interim Chief Finance Officer)	Jill Stacey (Chief Internal Auditor)

In attendance:

Grace Scanlin (EY, External Auditor)	Derek Oliver (Chief Officer Place)	Roxanne King (Executive Business Manager)
Mike Broadway (Clerk)	Andrew Henderson (Democratic Services)	

Apologies:

Councillor Derek Milligan	Jock Encombe	Stephen Reid (EY, External Auditor)

Audit and Risk Committee

Thursday 2 December 2021

1. Welcome and introductions

The Chair, Councillor Jim Muirhead, welcomed everyone to this virtual meeting of the MIJB Audit and Risk Committee, in particular Roxanne King, Executive Business Manager, H&SC, follow which there was a round of introductions.

2. Order of Business

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

3. Declarations of interest

No declarations of interest were received.

4. Note of Meeting

4.1 The Minutes of Meeting of the Midlothian Integration Joint Board Audit and Risk Committee held on 2 September 2021 was submitted and approved as a correct record.

5. Public Reports

Report Title/Summary	Decision	Action Owner	Date to be Completed/Comments
<p>5.1 CIPFA – Financial Management Code, 2021/22 - Report by Interim Chief Finance Officer</p> <p>With reference to paragraph 5.1 of the Minutes of 2 September 2021, there was submitted a report the purpose of which was to inform the Committee of the Financial Management Code (FM Code) produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) (21/22) and to ask the Committee to recommend to the Board adoption of the guidance, in so far as it applies to the operation of the IJB.</p>	<p>(a) Agreed to recommend to the Board adoption of the guidance, in so far as it applies to the operation of the IJB;</p> <p>(b) Seek a further report regarding how the FM Code would apply to the IJB and how assurance would be sought on it; and</p> <p>(c) Noted the opportunity to potentially address assurance through the Local Code of Corporate Governance and the Internal Audit Annual Plan.</p>	<p>Interim Chief Finance Officer with support from Chief Internal Auditor</p>	<p>March 2022</p>

Audit and Risk Committee

Thursday 2 December 2021

Report Title/Summary	Decision	Action Owner	Date to be Completed/Comments
<p>The report explained that the FM Code was designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. It also, for the first time, set out the standards of financial management for local authorities. As IJBs were governed by the Local Authority regulations they must also collectively demonstrate that the requirements of the code were being satisfied.</p> <p>The Committee, having heard from Interim Chief Finance Officer, David King, discussed the IJB's capacity to address the requirements of the code, the relationship and reliance on its partners' compliance and areas that might potentially be impacted by the Code such as strategic planning.</p>			
<p>5.2 Best Value Questionnaire - Audit Scotland - Report by Interim Chief Finance Officer</p> <p>With reference to (i) paragraph 5.2 of the Minutes of 7 March 2019; and (ii) paragraph 5.1 of the Minutes of 2 September 2021, there was submitted a report the purpose of which was to remind the Committee of the Audit prompts/questions in the Audit Scotland report Auditing Best Value for Integration Joint Boards.</p> <p>The report highlighted that it had previously been agreed that time be put aside at a future meeting of the Committee to discuss this questionnaire. This work has not yet commenced and it was therefore recommended that this decision stand and that time</p>	<p>(a) Noted the publication of the report from Audit Scotland; and</p> <p>(b) Agreed to extend a future meeting(s) of the Audit & Risk Committee in order to review the key messages in the report within the context of Midlothian IJB on a thematic basis.</p>	<p>Interim Chief Finance Officer with support from Chief Internal Auditor</p>	<p>March 2022</p>

Audit and Risk Committee

Thursday 2 December 2021

Report Title/Summary	Decision	Action Owner	Date to be Completed/Comments
<p>be made available at future meetings of the Committee to discuss the questionnaire.</p> <p>Having heard from Interim Chief Finance Officer, David King, the Committee were supportive of this approach and suggested that questions be broken down on a thematic basis and possibly spread over more than one meeting.</p>			
<p>5.3 Risk Register – Report by Chief Officer Place</p> <p>The purpose of this report was to provide an update on the Strategic Risk Profile covering quarter 2 2021/22, 1 July 2021 – 30 September 2021 and the current issues, future risks and opportunities for the MIJB. The report also provided the Committee with an overview of the most significant issues and risks on the MIJB strategic risk profile during the quarter.</p> <p>Having heard from Derek Oliver, Chief Officer Place, the Committee in discussing issues arising from the current strategic risk profile, acknowledged the need to redress the balance away from the focus on purely operational matters, which where the responsibilities of the respective partners, to include risks that were the direct responsibility of the IJB.</p> <p>Pam Russell (Independent Member) advised that she had some specific comments on the risk evaluations that she would pass on following the meeting which she hoped would be of some assistance. She also had a number of points which she would welcome clarification on.</p>	<p>(a) Noted the current Risk Register;</p> <p>(b) Noted the updates provided on the risk control measures and the progress being made to address all risks; and</p> <p>(c) Confirmed that, otherwise, the risks contained in the Risk Register reflected the current risks/opportunities facing the MIJB.</p>	Risk Manager	March 2022

Audit and Risk Committee

Thursday 2 December 2021

Report Title/Summary	Decision	Action Owner	Date to be Completed/Comments
<p>5.4 Audit Scotland Reports of Interest - Report by Interim Chief Finance Officer.</p> <p>The purpose of this report was to highlight audit reports from Audit Scotland on areas of interest to the IJB Audit and Risk Committee. Topics cover included:</p> <ul style="list-style-type: none"> • Impact of Covid-19 on Scottish Councils Benefit Services <ul style="list-style-type: none"> ▪ Christie – It Really is Now or Never ▪ Covid-19 Vaccination Programme ▪ Covid-19 – Tracking the Impact of Covid-19 on Scotland’s Public Finances ▪ Social Care ▪ Local Government in Scotland Overview 2021 ▪ Covid-19 Following the pandemic pound : Our Strategy • NHS in Scotland 2020 <p>The executive summaries of each of the reports, together with a hyperlink to the complete audit report, were included in Appendix 1 to the report. Also included as Appendix 2 was a copy of the full audit report on the Covid-19 Vaccination Programme as this was a major part of the current operational aspects of Midlothian Health & Social Care Partnership.</p> <p>Having heard from the Interim Chief Finance Officer, David King, the Committee discussed how best to share this information with the wider Board</p>	<p>(a) Noted the publications and the key messages they contained; and</p> <p>(b) Agreed that the Chief Officer be asked to include the summary appendix (appendix 1) as part of the Briefing Bulletin circulated to all Board Members and that the Independent Member be added to the circulation list.</p>	<p>Chief Officer</p>	<p>Regular Briefing Bulletin</p>

Audit and Risk Committee

Thursday 2 December 2021

Report Title/Summary	Decision	Action Owner	Date to be Completed/Comments
<p>membership.</p> <p>The Committee also heard from Chief Officer, Morag Barrow, who in response to a number of questions and comments, gave an update on the vaccination programme in Midlothian.</p>			
<p>5.5 MIJB Recommendations Internal Audit Follow-Up Review – Report by Chief Internal Auditor</p> <p>With reference to paragraph 5.6 of the Minutes of 10 June 2021, there was submitted a report the purpose of which was to provide information of the number of recommendations raised by Internal Audit for the MIJB that were in progress; note the MIJB's reported performance in addressing the associated internal control and governance issues by the agreed implementation; and highlight the main governance and financial risks where recommendations were found to be outstanding.</p> <p>The report confirmed that there were 6 In-Progress Internal Audit Recommendations currently remaining, and detailed the progress being made with regards implementation, completion of which was expected in full by March 2021, although these could still be impacted by Covid-19 related activities.</p> <p>After hearing from both the Chief Internal Auditor, Jill Stacey and Chief Officer, Morag Barrow, the Committee acknowledged the complexities involved in addressing the issues concerned, and also the considerable challenges faced by H&SC services in addressing the normal winter pressures whilst still</p>	<p>(a) Acknowledged the progress made by Management in implementing Internal Audit recommendations to improve internal controls and governance, and mitigate risks;</p> <p>(b) Agreed that the progress made by Management was satisfactory and that no other actions were required; and</p> <p>(c) Noted that Internal Audit would continue to monitor the completion of the outstanding recommendations and would provide further update reports to the Committee as required.</p>	Chief Internal Auditor	June 2022 – within Internal Audit Annual Assurance Report 2021/22

Audit and Risk Committee

Thursday 2 December 2021

Report Title/Summary	Decision	Action Owner	Date to be Completed/Comments
facing issues posed by the ongoing Covid-19 pandemic.			
<p>5.6 Progress Update on Delivery of Midlothian IJB Internal Audit Annual Plan 2021/22 – Report by Chief Internal Auditor</p> <p>With reference to paragraph 5.4 of the Minutes of 4 March 2021, there was submitted a report the purpose of which was to inform the Committee of the progress Internal Audit had made, in the first 6 months of the year to 30 September 2021, towards completing the Internal Audit Annual Plan 2021/22 for the Midlothian Integration Joint Board (MIJB).</p> <p>The Committee, having heard from Chief Internal Auditor, Jill Stacey, who responded to Members questions and comments, welcomed the inclusion of information regarding Internal Audit reports by partners' Internal Auditors that were relevant to MIJB; and discussed potential possible options for the scope of the audit to be provided by NHS Lothian Internal Audit team (Grant Thornton), which was still to be determined.</p>	<p>(a) Noted the progress Internal Audit had made by the mid-year point with activity in the approved Midlothian Health and Social Care Integration Joint Board Internal Audit Annual Plan 2021/22 (Appendix 1);</p> <p>(b) Approved continuing to explore the possibility of a pan-Lothian audit utilising the unallocated audit time to be provided by the NHSL Internal Audit team; and</p> <p>(c) Noted the list of Internal Audit reports by partners' Internal Auditors presented to their respective Audit Committees that were relevant to MIJB for assurance purposes (Appendix 2), and the assurances contained therein.</p>	Chief Internal Auditor	March 2022
<p>5.7 The Principles to Underpin the Working Relationship between Partners' Audit Committees – Report by Chief Internal Auditor</p> <p>The purpose of this report was to share with the Committee the updated Principles to Underpin the Working Relationships between Partners' Audit Committees; details of which were set out in an</p>	<p>(a) Agreed to the Principles to Underpin the Working Relationships between Partners' Audit Committees that were set out in the Appendix to the report; and</p> <p>(b) Noted how this would work in practice for each Principle, as set out in the Appendix to the report.</p>		

Audit and Risk Committee

Thursday 2 December 2021

Report Title/Summary	Decision	Action Owner	Date to be Completed/Comments
<p>appendix to the report, along with details of how each Principle would work in practice.</p> <p>The Committee, having heard from Chief Internal Auditor, Jill Stacey, welcomed the update and were encouraged by the work that been undertaken to establish an effective working relationship with the Partners' Audit Committees.</p>			

6. Private Reports

No private business to be discussed at this meeting.

7. Any other business

No additional business had been notified to the Chair in advance.

8. Date of next meeting

The next meeting of the Midlothian Integration Joint Board Audit and Risk Committee would be held on Thursday 3 March 2022 at 2.00 pm.

(Action: All Members to Note)

The meeting terminated at 3.08 pm.

Midlothian Integration Joint Board

**Annual Audit Plan
Year ending 31 March 2022**

3 March 2022

Contents

Section	Auditor Responsibility	Page
Executive Summary	Summarise the purpose and key information for the 2021/22 audit	03
Sector Developments	Provide a summary of the local government and health and social care environment	05
Financial Statements Risks	Summary of audit approach, materiality, risks etc.	09
Wider Scope Audit Risks	Audit approach for reviewing IJB's compliance with the wider public audit scope areas: <ul style="list-style-type: none">▶ financial position and arrangements for securing financial sustainability▶ suitability and effectiveness of corporate governance arrangements▶ effectiveness of performance management arrangements in driving economy, efficiency and effectiveness in the use of public money and assets	14
Appendices	Undertake statutory duties, and comply with professional engagement and ethical standards: Appendix A: Code of Audit Practice: responsibilities Appendix B: Auditor Independence Appendix C: Required communications with the audit committee Appendix D: Timing and deliverables Appendix E: Audit fees Appendix F: Additional audit information	19

About this report

This report has been prepared in accordance with Terms of Appointment Letter from Audit Scotland dated 31 May 2016 through which the Accounts Commission appointed us as external auditor of Midlothian Integration Joint Board (the IJB) for financial years 2016/17 to 2020/21. As a result of the impact of Covid-19 our appointment was extended by a further 12 months to include the financial year 2021/22. We undertake our audit in accordance with the Local Government (Scotland) Act 1973 and our responsibilities as set out within Audit Scotland's Code of Audit Practice (the Code), issued on 26 May 2016.

This report is for the benefit of the IJB and is made available to the Accounts Commission, the Controller of Audit and Audit Scotland (together the Recipients). This report has not been designed to be of benefit to anyone except the Recipients. In preparing this report we have not taken into account the interests, needs or circumstances of anyone apart from the Recipients, even though we may have been aware that others might read this report.

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

Complaints

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

1. Executive summary

Our key contacts:

Stephen Reid
Partner
sreid2@uk.ey.com

Grace Scanlin
Senior Manager
grace.scanlin@uk.ey.com

Emma Symon
Senior
emma.b.symon@uk.ey.com

Our independence:

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

Purpose of this report

The Accounts Commission appointed EY as the external auditor of Midlothian Integration Joint Board (“the IJB”) for the five year period to 2020/21. As a result of the impact of Covid-19 our appointment was extended by a further 12 months to include the financial year 2021/22.

This Annual Audit Plan, prepared for the benefit of IJB management and the Audit & Risk Committee, sets out our proposed audit approach for the audit of the financial year ending 31 March 2022. This plan sets out the work we will perform to allow us to provide our independent auditor’s report on the financial statements and meet the wider scope requirements of public sector audit, including the audit of Best Value. After consideration by the IJB, the plan is provided to Audit Scotland and published on their website.

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

Financial statement audit

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

- ▶ whether they give a true and fair view in accordance with applicable law and the 2021/22 Code of the state of affairs of the IJB as at 31 March 2022 and of its income and expenditure for the year then ended;
- ▶ have been properly prepared in accordance with IFRSs, as interpreted and adapted by the 2021/22 Code; and
- ▶ whether they have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

We also review and report on the consistency of the other information prepared and published by the IJB along with the financial statements.

Wider scope audit responsibilities

Under the Code, we are required to provide judgements and conclusions on the four dimensions of wider-scope public audit, as well as an assessment around the IJB’s arrangements for securing Best Value:

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

Audit dashboard

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

Key financial statement risks

There are no new financial statement risks identified for 2021/22:

Significant Risk:
Risk of fraud in expenditure recognition, including through management override of control

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

Management is in a unique position to perpetrate fraud due to the ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that would otherwise appear to be operating effectively. For the IJB we consider this risk to manifest itself through the above revenue recognition risk around expenditure.

Materiality levels will be confirmed on completion of our detailed planning audit work. Indicative levels, based on prior year figures, have been set as follows:

Planning Materiality

£1.6 million

Materiality initially has been set at approximately 1% of expenditure for the year.

Tolerable Error

£1.18 million

Materiality at an individual account level, representing 75% of our planning materiality

Reportable differences

£80,000

Level of error that we will report to committee

We apply a lower level of materiality to the audited part of the Remuneration Report. Professional judgement is also applied to the materiality of related party transactions.

Wider scope risks

We have updated our understanding of the risks impacting the IJB through discussions with management, review of relevant committee reports, and our knowledge of the environment in which the IJB is currently operating.

Financial Sustainability:

Development of medium term financial plan

The IJB continues to progress the development of a robust Medium Term Financial Plan, to demonstrate how resources will deliver the priorities within the Strategic Plan. The refreshed Strategic Plan for 2022 - 2025 is out for public consultation and is expected to be presented to the Board for approval in March 2022.

The IJB continues to face ongoing challenges and risks around financial sustainability, including the pandemic and the potential longer term impact on the health and social care workforce.

2. Sector developments

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

Scrutiny

The most recent Midlothian Scrutiny Plan highlighted no significant risks in relation to the IJB. There is no intention to produce a revised local scrutiny plan in 2021/22; the up to date scrutiny programme is available on Audit Scotland's website: [Scrutiny improvement | Audit Scotland \(audit-scotland.gov.uk\)](https://www.audit-scotland.gov.uk/scrutiny-improvement)

A National Scrutiny Plan (NSP) was most recently published by the Accounts Commission (on behalf of the Strategic Scrutiny Group) in September 2019. The NSP summarises all planned and announced strategic scrutiny activity from September 2019 in each of Scotland's 32 councils. Given the continuing pressure from the pandemic, there is no intention to publish an NSP in 2021/22.

While there is no formal Shared Risk Assessment (SRA) process for integration authorities, the LAN for the associated local authority considers health and social care outcomes, governance and partnership working as part of their assessment of the local authority. We are the appointed auditor of Midlothian Council and act as the LAN lead for the Midlothian Council SRA.

In our 2020/21 Annual Audit Report, we noted that a local area network (LAN) meeting for Midlothian was held in March 2021, comprising representatives of all the scrutiny bodies who engage with the various councils. The LAN concluded that no additional scrutiny requirements were identified and that no local scrutiny plan was required. Audit Scotland has communicated that there is not a requirement to hold a LAN for 2021/22, however we will keep this under review through the audit cycle.

Political environment

Continuing uncertainty exists around a number of factors in the foreseeable future including:

- ▶ **Covid-19 Pandemic:** although the pandemic continues to dominate the political environment, focus is shifting towards creating a sustainable long-term approach to living alongside Covid-19 and the potential lessons to be learned.
- ▶ **Scottish Local Government Elections:** Scottish elections are due to be held on 5 May 2022.
- ▶ **Scotland Independence Referendum:** there is continued uncertainty regarding whether another Scottish independence referendum will be held.

We will continue to review how the IJB prepares for, and responds to, these factors throughout the audit year.

Overview Reports

The Accounts Commission (“the Commission”) published their Local Government in Scotland Overview 2021 report in May 2021. As a key partner to the IJB, councils are responsible for the operational delivery and funding of delegated social care functions, therefore many of the key recommendations are relevant to the IJB.

Key messages highlighted by this report included:

- ▶ Councils continue to face significant financial challenges, and these have been exacerbated by the pandemic.
- ▶ The Scottish Government has provided substantial additional financial support, but the nature and timing of funding has created further challenges for councils.
- ▶ The Covid-19 pandemic is having a profound impact on all aspects of society, including the economy, jobs and the physical and mental health of the public.
- ▶ Overall, the workforce demonstrated versatility to take on new roles.

As part of our work around the value for money dimension of wider scope, we will continue to review the IJB’s assessment of its performance, including progress in shifting the balance of care and in delivering transformation.

Budget setting process 2022/23

The Scottish Budget for 2022 to 2023 was published on 9 December 2021. Additional funding of a further £120 million was subsequently announced on 27 January 2022 for local authorities and on 2 February 2022, the Workforce Wellbeing Fund for Adult Social Work and Social Care was established. This Fund of £1 million provides grants of up to £10,000 to improve wellbeing of the workforce.

IJBs are dependent on agreeing budgets with their partners before the start of the financial year. Due to some uncertainties within the Scottish Budget announcement, there is a risk of a delay in budget decisions at partner organisations, which will have a corresponding impact on operational and financial planning at the IJB.

As part of discussions with management we understand the IJB intends to separately identify costs related to Covid-19 as part of the 2022/23 budget setting process, in addition to its core income and expenditure activity. We will continue to consider the IJB’s approach to budget setting as part of our wider scope work on Financial Management in 2021/22.

Independent Review of Adult Social Care in Scotland

In February 2021 the *Independent Review of Adult Social Care* report was published. It concluded that whilst there were strengths in Scotland's social care system it needed revision and redesign to enable a step change in the outcomes for the people in receipt of care. The review provided a number of high level areas of focus.

In response to this, the Scottish Government launched a consultation on a National Care Service between August and November 2021. The IJB considered the consultation paper and submitted a response to the Scottish Government on 29 October 2021.

The outcome of the consultation could have significant impact on the future of integration across Scotland, including accountability and funding arrangements. As part of the 2021/22 audit, we will continue to liaise with management to understand any potential impact that this may have on the IJB in the short and medium term.

Social Care briefing paper

Audit Scotland published a briefing paper on Social Care on 27 January 2022 which summarises the key challenges and recent progress in social care in Scotland against a number of themes. The paper is intended to help inform the Scottish Government and stakeholders' immediate planning for social care alongside the longer-term plans for reform set out in the National Care Service consultation.

Key messages highlighted by the Auditor General included:

- ▶ There are huge challenges facing the sustainability of social care, with the pressures of increasing demand and demographic change growing.
- ▶ The workforce is under immense pressure.
- ▶ There are around 700,000 unpaid carers who provide most of the social care support in Scotland, with most not knowing their rights under the Carers (Scotland) Act 2016.
- ▶ Commissioning tends to focus on cost rather than quality or outcomes.
- ▶ Capacity and cultural differences are impacting leadership.

The briefing paper acknowledges the Scottish Government's plans for social care reform, stating "implementing reform will take significant work, but some things cannot wait".

3. Financial Statement Risks

Introduction

The IJB's annual financial statements enables the IJB to demonstrate accountability for, and its performance in the use of its resources. They are prepared in accordance with proper accounting practice, which is represented by the 2021/22 Code of Practice on Local Authority Accounting in the United Kingdom.

Audit Opinion

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

- ▶ whether they give a true and fair view in accordance with applicable law and the 2021/22 Code of the state of affairs of the IJB as at 31 March 2022 and of its income and expenditure for the year then ended;
- ▶ have been properly prepared in accordance with IFRSs, as interpreted and adapted by the 2021/22 Code; and
- ▶ whether they have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

We also review and report on the consistency of the other information prepared and published by the IJB along with its financial statements.

Other Statutory Information

We will consider the other statutory information within the context of current and future guidance. In particular we need to consider how the Covid-19 pandemic has impacted the IJB and how this is reported in the financial statement narrative.

As in previous years, the management commentary and narrative reporting continues to be an area of increased scrutiny as a result of rising stakeholder expectations, including continuing interest by the Financial Reporting Council. We will continue to work with the Chief Finance Officer to support the ongoing enhancement in financial statements disclosures, including narrative commentary, in advance of the publication of the 2021/22 financial statements.

Audit Approach

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

- ▶ Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- ▶ Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the IJB's internal control.
- ▶ Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Obtaining sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the IJB, including assurances from the auditors of the constituent councils and health boards in respect of the controls in place and the amounts included in the IJB financial statements.
- ▶ Substantive tests of detail of transactions and amounts. For 2021/22 we plan to follow a predominantly substantive approach to the audit as we have concluded this is the most efficient way to obtain the level of audit assurance required to conclude that the financial statements are not materially misstated.
- ▶ Concluding on the appropriateness of management's use of the going concern basis of accounting.
- ▶ Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Reading other information contained in the financial statements, including the board's statement that the annual report is fair, balanced and understandable, the Audit, Risk & Governance Committee reporting appropriately addresses matters communicated by us to the committee and reporting whether it is materially inconsistent with our understanding and the financial statements.

Materiality

For the purposes of determining whether the financial statements are free from material error, in accordance with ISA (UK) 320 we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements.

Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss expectations regarding our detection of misstatements in the financial statements if required.

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

Materiality Level

Planning Materiality £1.6 million	Planning materiality (PM) - the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements. For initial planning purposes, materiality for 2020/21 has been set at £1.6 million. This represents approximately 1% of the IJB's projected expenditure for the year.
Tolerable Error £1.18 million	Tolerable error (TE) - materiality at an individual account balance, which is set so as to reduce to an acceptably low level that the aggregate of uncorrected and undetected misstatements exceeds PM. We have set it at £1.18 million which represents 75% of planning materiality.
Summary of Audit Differences £80,000	Summary of Audit Differences (SAD) Nominal amount - the amount below which misstatements whether individually or accumulated with other misstatements, would not have a material effect on the financial statements. The Code requires that auditors report at no more than £0.25 million. We have set it at £80,000 which represents 5% of planning materiality.

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

Based on these considerations, we apply lower materiality levels to the following areas we consider to be material by nature rather than size:

- ▶ Remuneration Report; and
- ▶ Related Party Transactions.

We will therefore review the disclosures related to the above areas in greater detail compared to the materiality thresholds outlined above.

Covid-19 Pandemic - continued impact on Financial Statements and audit process

We outlined in previous reports how the impact of Covid-19 significantly impacts both the financial statements preparation and audit process, and continues to do so:

- ▶ The governance statement should capture how the control environment has changed during the period of the pandemic, and steps being taken by the IJB to maintain a robust control environment during the disruption.
- ▶ The management commentary should clearly summarise the impact of Covid-19 on both the financial performance and future planning, and the impact on key statutory performance indicators.
- ▶ Significant events after the balance sheet date require to be disclosed within the financial statements, either through the post balance sheet events note or in specific accounting notes or the management commentary and governance statement.

Accounting policies

2020/21 was the first financial year where the impact on accounting transactions was seen in the financial statements. Covid-19 will continue to have a potentially material impact on the financial statements, including how the IJB accounts for significant income and expenditure. Any specific government support may qualify as a new transaction stream and require development of new accounting policies.

Impact on Audit Process

Audit Scotland has set its reporting deadline for local government bodies in 2021/22 at 31 October 2022. These deadlines will continue to be reviewed through the year as circumstances change, however we have outlined the planned timing for the key deliverables of the audit process in Appendix D. We will continue to work closely with management to review timeframes and logistics for the completion of the audit in 2021/22.

Going Concern

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

Under the revised auditing standard, ISA 570, we are required to undertake greater challenge of management's assessment of going concern, including testing of the adequacy of the supporting evidence we obtained. We continue to place increased focus on management's assertion regarding the going concern basis of preparation in the financial statements, and particularly the need to report on the impact of financial pressures on the IJB and its financial sustainability.

Significant Risks

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

Risk of fraud in expenditure recognition, including through management override of control

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

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

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

As a result of the nature of funding to the IJB from the Council or NHS, we rebut the assumed fraud risk in respect of the income.

For expenditure we associate the recognition risk to the completeness and occurrence of expenditure incurred by the IJB in commissioning services, and any associated creditor balances held by the IJB at yearend, in particular through management override of controls.

Work we will perform:

- ▶ Inquiry of management about risks of fraud and the controls to address those risks.
- ▶ Consideration of the effectiveness of management's controls designed to address the risk of fraud.
- ▶ Understanding the oversight given by those charged with governance of management's processes over fraud.
- ▶ Identifying any further risks of fraud then determining an appropriate audit strategy to address those identified risks of fraud.
- ▶ Challenging management around how the IJB gains assurance over the expenditure incurred by its partner bodies, so that it can account for the recognition of expenditure to those bodies.
- ▶ Substantively test income and expenditure transactions as appropriate and material, in particular in respect of any reserve funding held by the IJB.
- ▶ Consideration of the impact of Covid-19 on revenue, in particular new revenue streams and accrued income due to receipt of grant income, and its accounting arrangements against existing policies and anticipated updated LASAAC guidance.
- ▶ Obtaining supporting documentation through independent confirmations of the expenditure incurred by the IJB's partners and their auditors, in line with the protocols set out by Audit Scotland for 2021/22 audits.
- ▶ Performing mandatory procedures including testing of all material journal entries and other adjustments in the preparation of the financial statements.

4. Wider scope audit risks

The Code sets out the four dimension that comprise the wider scope audit for public sector in Scotland. These are: financial sustainability, financial management, governance and transparency, and value for money. The Accounts Commission has also set five strategic Audit Priorities in its 2019-24 strategy. In 2021/22 auditors are not specifically asked to consider and report on these through our audit work, however we will continue to consider them as part of our wider scope work.

As part of our risk assessment procedures, we have reviewed each dimension to assess potential areas of risk. We set out our areas of focus, along with specific significant risks relating to each dimension below. Our wider scope audit work, and the judgements and conclusions reached in these areas, contribute to the overall assessment of and assurance over the achievement of Best Value.

We will include commentary within our Annual Audit Report on how the IJB demonstrates that it is meeting its Best Value duties, in line with Audit Scotland planning guidance.

Audit dimension	Significant risk	Work we will perform in 2021/22
<p>Financial sustainability: Considers the medium and longer term outlook to determine if planning is effective to support service delivery. This will focus on the arrangements to develop viable and sustainable financial plans.</p>	<p>Medium Term Financial Planning</p>	<p>The IJB continues to progress the development of a robust Medium Term Financial Plan, to demonstrate how resources will deliver the priorities within the Strategic Plan. The IJB has continued to refresh and develop the priorities for the next three years within its updated Strategic Plan for 2022 - 2025. The draft plan was approved for a period of extensive public engagement and consultation and is expected to be presented to the Board for approval in March 2022.</p> <p>While work has continued to develop a robust Medium Term Financial Plan, current planning continues to identify a significant budget gap in the medium term. The Interim Workforce Plan notes national concerns relating to recruitment and retention of staff in health and social care, and local difficulties in relation to a shortage of GPs and age profile of District Nurses.</p> <p>While the IJB has increased the level of reserves held to respond to future challenges, its partners continue to outline significant financial pressures forecast over the medium term. This may impact the ability of partners to respond to the updated Strategic Plan.</p> <p>We will consider the pace and extent of progress by the IJB to address overall financial sustainability as part of our audit work, including the IJB's achievement of planned savings.</p>

Audit dimension

Significant risk Work we will perform in 2021/22

<p>Financial management: considers the effectiveness of financial management arrangements, including whether there is sufficient financial capacity and resources, sound budgetary processes and whether the control environment and internal controls are operating effectively.</p>	<p>No specific additional audit focus</p>	<p>In our 2020/21 Annual Audit Report we concluded that the core financial management arrangements established by the IJB remain appropriate. Significant uncertainty about funding was eased when the IJB received confirmation that the Scottish Government would fund all of the additional costs related to the pandemic. The level of general fund reserves has significantly increased as a result of additional allocations. At the end of 2020/21, the IJB held reserves of £1.3 million, including a general reserve of £4.7 million.</p> <p>We will continue to review the outturn position against the forecasts produced during the year to inform our view on the robustness of financial management and monitoring information. There will be continued focus regarding the impact of Covid-19 on the IJB's financial management arrangements, including remote working and working from home.</p> <p>We will also consider the IJB's response to ensure compliance with the CIPFA Financial Management Code.</p>
<p>Governance and transparency: is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision making, and transparent reporting of financial and performance information.</p>	<p>No specific additional audit focus</p>	<p>In our 2020/21 Annual Audit Report we concluded that the key features of good governance at the IJB are in place and operating effectively, and remained so throughout 2020/21 despite the impact of lockdown arrangements. A self-assessment of the effectiveness of the Audit Committee highlighted minor development areas, which we will monitor the progress against within 2021/22. The IJB disclosed areas for further improvement within the Annual Governance Statement.</p> <p>Work to update the Integration Scheme remains ongoing following delays to the initial timetable due to Covid-19. We also note that the IJB's internal audit arrangements will change in April 2022, as a shared service with Scottish Borders Council comes to an end. We will therefore monitor the capacity and effectiveness of internal audit, and therefore the level of assurance that the Audit Committee achieves.</p> <p>Our audit strategy for 2021/22 will also consider:</p> <ul style="list-style-type: none"> ▶ Can the IJB demonstrate that the governance arrangements are appropriate and continuing to operate effectively, particularly in light of the impact of the Covid-19 pandemic on working arrangements? ▶ Is there effective scrutiny, challenge and transparency on decision making and financial and performance reports? ▶ Is the Annual Governance Statement complete and does it reflect key findings from audit, scrutiny and inspection? ▶ Can the IJB demonstrate adequate progress against audit recommendations?

Audit dimension

Significant risk Work we will perform in 2021/22

<p>Value for money: considers whether value for money can be demonstrated in the use of resources. This includes the extent to which there is an alignment between spend, outputs and outcomes delivered and that there is a clear focus on improvement.</p>	<p>No specific additional audit focus</p>	<p>In 2020/21, we noted that the IJB exercised powers granted by the Coronavirus (Scotland) Act 2020 regarding the delayed publishing of the Annual Performance Report for 2020/21. Work is underway to improve the quality of performance reporting, and the IJB has recently agreed to establish a performance sub-group to support improved scrutiny arrangements.</p> <p>The IJB has highlighted good progress within its analysis of performance against key improvement targets. Revised targets have been established.</p> <p>We will consider how the IJB is addressing value for money in relation to the impact of Covid-19, specifically in relation to the potential impact on performance reporting measures.</p> <p>Our audit strategy for 2021/22 will consider:</p> <ul style="list-style-type: none"> ▶ How the IJB is demonstrating the impact of integration. ▶ The effectiveness of plans in improving the outcomes for local people. ▶ How the integration partners are working together to deliver integration reform, including the overall pace and scale of change. <p>We will also review the IJB’s arrangements for considering national reports, including evaluating the findings and implementing recommendations, such as reports from the Care Inspectorate.</p>
---	---	---

Best Value

In 2020/21, we concluded that the IJB has established a significant programme of self-evaluation to inform the development of a revised Strategic Plan. We noted that the board has continued to demonstrate strong partnership working and improved performance throughout the pandemic.

Under the 2016 Code of Audit Practice, we are required to comment on how effectively the IJB demonstrates that it meets its Best Value responsibilities. For the 2021/22 audit, we will consider the IJB’s arrangements against the guidance issued by Audit Scotland, Auditing Best Value - Integration joint Boards (March 2018).

The 2021/22 audit will be the final audit under the 2016 Code. This will be replaced by the 2021 Code for the 2022/23 financial year, which will apply further reporting requirements for Best Value. Where previously only applicable to councils, the 2021 Code extends the requirement of the Controller of Audit to report to the Accounts Commission at least once over the five-year audit appointment on the body’s performance on its Best Value duty to audits of Integration Joint Boards.





Appendices

A - Code of Audit Practice: responsibilities

B - Independence and audit quality

C - Required communications with the Audit, Risk & Governance Committee

D - Timing and deliverables of the audit

E - Audit fees

F - Additional audit information

Appendix A: Code of Audit Practice Responsibilities

Audited Body's Responsibilities

Corporate Governance

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

Financial Statements and related reports

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

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

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

Standards of conduct / prevention and detection of fraud and error

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

Standards of conduct / prevention and detection of fraud and error

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

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

Best Value

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

Appendix B: Independence Report

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

Required communications	
Planning stage	Final stage
<ul style="list-style-type: none"> ▶ The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between the you, your affiliates and directors and us; ▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review; ▶ The overall assessment of threats and safeguards; ▶ Information about the general policies and process within EY to maintain objectivity and independence. ▶ Where EY has determined it is appropriate to apply more restrictive independence rules than permitted under the Ethical Standard. 	<ul style="list-style-type: none"> ▶ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed; ▶ Details of non-audit services provided and the fees charged in relation thereto; ▶ Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us; ▶ Written confirmation that all covered persons are independent; ▶ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy; ▶ Details of any contingent fee arrangements for non-audit services provided by us or our network firms; and ▶ An opportunity to discuss auditor independence issues.

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

Appendix C: Required Communications

Required communication	Our reporting to you
<p>Terms of engagement / Our responsibilities</p> <p>Confirmation by the Audit, Risk and Governance Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.</p> <p>Our responsibilities are as set out in our engagement letter.</p>	<p>Audit Scotland Terms of Appointment letter – audit to be undertaken in accordance with the Code of Audit Practice</p>
<p>Planning and audit approach</p> <p>Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.</p>	<p>Annual Audit Plan</p>
<p>Significant findings from the audit</p> <ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process 	<p>Annual Audit Plan</p> <p>Annual Audit Report</p>
<p>Going concern</p> <p>Events or conditions identified that may cast significant doubt on the entity’s ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	<p>Annual Audit Report</p>
<p>Misstatements</p> <ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Corrected misstatements that are significant ▶ Material misstatements corrected by management 	<p>Annual Audit Report</p>
<p>Fraud</p> <ul style="list-style-type: none"> ▶ Enquiries of the Audit, Risk and Governance Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ A discussion of any other matters related to fraud 	<p>Annual Audit Report</p>
<p>Consideration of laws and regulations</p> <ul style="list-style-type: none"> ▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ▶ Enquiry of the Audit, Risk and Governance Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit, Risk and Governance Committee may be aware of 	<p>Annual Audit Report or as occurring if material.</p>

Required communication	Our reporting to you
<p>Related parties</p> <p>Significant matters arising during the audit in connection with the entity’s related parties including, when applicable:</p> <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	<p>Annual Audit Report or as occurring if material.</p>
<p>Independence</p> <p>Communication of all significant facts and matters that bear on EY’s, and all individuals involved in the audit, objectivity and independence</p> <p>Communication of key elements of the audit engagement partner’s consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence 	<p>Annual Audit Plan</p> <p>Annual Audit Report</p>
<p>Internal controls</p> <p>Significant deficiencies in internal controls identified during the audit</p>	<p>Annual Audit Report</p>
<p>Representations</p> <p>We will request written representations from management and/or those charged with governance.</p>	<p>Annual Audit Report</p>
<p>Subsequent events</p> <p>Where appropriate, asking the audit committee whether any subsequent events have occurred that might affect the financial statements.</p>	<p>Annual Audit Report</p>
<p>Material inconsistencies and misstatements</p> <p>Material inconsistencies or misstatements of fact identified in other information which management has refused to revise.</p>	<p>Annual Audit Report</p>
<p>Fee Reporting</p> <ul style="list-style-type: none"> ▶ Breakdown of fee information when the audit plan is agreed ▶ Breakdown of fee information at the completion of the audit ▶ Any non-audit work 	<p>Annual Audit Plan</p> <p>Annual Audit Report</p>

Appendix D: Timing and deliverables of the audit

We deliver our audit in accordance with the timeline set by the IJB, in accordance with the most recent planning guidance from Audit Scotland. Below is a timetable showing the key stages of the audit and the deliverables through the 20221/22 audit cycle. The timetable will be subject to ongoing consideration of the impact of the Covid-19 pandemic.

	Audit Activity	Deliverable	Timing
JAN			
FEB			
MAR	<ul style="list-style-type: none"> Audit planning; setting scope and strategy for the 2021/22 audit 	Annual Audit Plan	March 2022
APR			
MAY	<ul style="list-style-type: none"> Ongoing assessment around wider scope dimensions and support of Audit Scotland requested information 	We will continue to monitor Audit Scotland performance audit programme following Covid-19	Throughout 2022
JUN			
JUL	<ul style="list-style-type: none"> Year-end substantive audit fieldwork on unaudited financial statements 	Audit clearance meeting	August 2022
AUG	<ul style="list-style-type: none"> Conclude on results of audit procedures Issue opinion on the IJB's financial statements 	Certify Annual Financial Statements Issue Annual Audit Report	September 2022
SEP			

Appendix E: Audit fees

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

Audit Fees	2021/22	2020/21
Component of fee:		
Auditor remuneration - expected fee	£19,250	£18,850
Auditor remuneration - fee variation	TBD	-
Audit Scotland fixed charges:		
Pooled costs	£2,010	£1,790
Performance audit and best value	£5,670	£5,650
Audit support costs	£1,030	£1,040
Total fee	£27,960	£27,300

The expected fee for each body, which for 2021/22 has been set centrally by Audit Scotland, assumes that it has sound governance arrangements in place and operating effectively throughout the year, prepares comprehensive and accurate draft financial statements and supporting schedules, and meets the agreed timetable for the audit. It also assumes there is no major change in respect of the scope of work in the year and an unqualified audit opinion resulting from the audit. Should any of these circumstances not be in place throughout the audit, it is expected that additional costs will be incurred through the course of the audit which will be subject to recovery in line with the agreed process and rates set out by Audit Scotland. Under this process, fees can be agreed between the auditor and audited body by varying the auditor remuneration by up to 10% above the level set, or more with the approval of Audit Scotland.

We will continue to consider the impact of Covid-19 on the audit going forward. Should additional audit requirements arise we will raise these with management through the course of the audit and agree variations as appropriate, and report the final position to the Audit Committee with our annual audit report.

Appendix F: Additional audit information

In addition to the key areas of audit focus outlined within the plan, we have to perform other procedures as required by auditing, ethical and independence standards and other regulations. We outline the procedures below that we will undertake during the course of our audit.

Our responsibilities required by auditing standards

- ▶ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the IJB's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Conclude on the appropriateness of the going concern basis of accounting.
- ▶ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Read other information contained in the financial statements, the Audit, Risk & Governance Committee reporting appropriately addresses matters communicated by us to the Committee and reporting whether it is materially inconsistent with our understanding and the financial statements; and
- ▶ Maintaining auditor independence.

Purpose and evaluation of materiality

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

Materiality determines the locations at which we conduct audit procedures and the level of work performed on individual account balances and financial statement disclosures.

The amount we consider material at the end of the audit may differ from our initial determination. At this stage it is not feasible to anticipate all of the circumstances that may ultimately influence our judgement about materiality. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.

Audit Quality Framework / Annual Audit Quality Report

Audit Scotland are responsible for applying the Audit Quality Framework across all audits. This covers the quality of audit work undertaken by Audit Scotland staff and appointed firms. The team responsible are independent of audit delivery and provide assurance on audit quality to the Auditor General and the Accounts Commission.

We support reporting on audit quality by providing additional information including the results of internal quality reviews undertaken on our public sector audits. The most recent audit quality report can be found at: <https://www.audit-scotland.gov.uk/publications/quality-of-public-audit-in-scotland-annual-report-202021>

EY has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained. Details can be found in our annual Transparency Report: https://www.ey.com/en_uk/about-us/transparency-report-2021

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation are available via ey.com/privacy. For more information about our organization, please visit ey.com.

Ernst & Young LLP

The UK firm Ernst & Young LLP is a limited liability partnership registered in England and Wales with registered number OC300001 and is a member firm of Ernst & Young Global Limited.

Ernst & Young LLP, 1 More London Place, London, SE1 2AF.

© 2022 Ernst & Young LLP. Published in the UK.
All Rights Reserved.

ey.com

Midlothian Integration Joint Board Audit and Risk Committee



3 March 2022 at 2pm

Midlothian IJB Internal Audit Annual Plan 2022/23

Item number: 5.3

Executive summary

The purpose of this report is to gain approval to the proposed Internal Audit Annual Plan 2022/23 for the Midlothian Health and Social Care Integration Joint Board (MIJB) to enable the MIJB Chief Internal Auditor to prepare the annual opinion on the adequacy of the overall control environment of the Midlothian Health and Social Care Integration Joint Board.

The MIJB Audit and Risk Committee is therefore asked to approve the MIJB Internal Audit Annual Plan 2022/23 (Appendix 1).

Midlothian IJB Internal Audit Annual Plan 2022/23

1. Purpose

- 1.1 The purpose of the Report is to present the proposed Internal Audit Annual Plan 2022/23 for the Midlothian Health and Social Care Integration Joint Board for discussion and approval by the MIJB Audit and Risk Committee.

2. Recommendations

- 2.1 To approve the Internal Audit Annual Plan 2022/23 for the Midlothian Health and Social Care Integration Joint Board.

3. Background and main report

- 3.1 Internal Audit activity adds value to the organisation (and its stakeholders) when it considers strategies, objectives, and risks; strives to offer ways to enhance governance, risk management and control processes; and objectively provides relevant assurance. The Internal Audit programme of work is designed to add value to and improve the Midlothian Health and Social Care Integration Joint Board's operations in order to meet the objectives set out in the Strategic Plan.
- 3.2 The key standards within the Public Sector Internal Audit Standards (2017) which relate to the preparation of the Internal Audit plan are summarised below:
- Standard 2010 – Planning which states that “the chief audit executive must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation’s goals”
 - Standard 2020 – Communication and Approval which states that “the chief audit executive must communicate the internal audit activity’s plans and resource requirements, including significant interim changes, to senior management and the board for review and approval. The chief audit executive must also communicate the impact of resource limitations.”
- 3.3 The Internal Audit Annual Plan 2022/23 for the MIJB (Appendix 1) includes sufficient work to enable the MIJB’s appointed Chief Internal Auditor to prepare an annual independent and objective audit opinion on the adequacy of the arrangements for risk management, governance and control of the delegated resources within the MIJB.

4. Reporting of Internal Audit Results

- 4.1 At the end of the year the Internal Audit Annual Assurance Report 2022/23 for the MIJB which will be reported to Management and to the MIJB Audit and Risk Committee, for governance and scrutiny purposes, will include the audit opinion based on the audit work during the year, and will state the results from each audit engagement outlining the risks, controls and conclusions. It will also state any Internal Audit recommendations that have been made to improve internal controls and governance in the form of an improvement action plan that will include the responsible owner and timescale for implementation. The outcomes of any monitoring of implementation of agreed actions or acceptance of risk will also be stated.
- 4.2 The Internal Audit findings and annual opinion will be used to inform the MIJB's Annual Governance Statement for inclusion in the MIJB's Annual Report and Accounts.

5. Directions

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

6. Equalities Implications

- 6.1 There are no equalities implications.

7. Resource Implications

- 7.1 There is a commitment by Midlothian Council to provide Internal Audit resource to the MIJB. The Midlothian Council Internal Audit Annual Plan 2022/23, to be presented to its Audit Committee on 14 March 2022 for approval, allocates a total of 40 days to support the MIJB Internal Audit Annual Plan 2022/23, including providing the MIJB Chief Internal Auditor. The Internal Audit Charter and Internal Audit Strategy, presented for approval at the same meeting of Midlothian Council Audit Committee, are applicable for the provision of Internal Audit services to MIJB. Those documents set out respectively the conformance of the Internal Audit team to the PSIAS standards and the approach to the planning, delivery and reporting of Internal Audit activity associated with the MIJB.
- 7.2 There is a commitment by NHS Lothian to provide Internal Audit resource to the MIJB. The NHS Lothian Internal Audit team will provide 30 days per IJB which will be reflected in the NHS Lothian Internal Audit Annual Plan 2022/23 that is scheduled for presentation to its Audit and Risk Committee for approval in accordance with its Internal Audit governance.

8. Risks

- 8.1 Key components of the audit planning process include a clear understanding of the MIJB's functions, associated risks, and potential range and breadth of audit areas for inclusion within the plan. As in previous years, to capture potential areas of risk and uncertainty more fully, key stakeholders have been consulted. This exercise is informed by key developments at both a national and local level and other relevant background information, for example the Strategic Plan. Discussions with the MIJB's Chief Officer and Chief Finance Officer will continue on a regular basis to ensure Internal Audit assurance meet the needs of the MIJB and Management and other key stakeholders. The MIJB Internal Audit Annual Plan 2022/23 has been informed by the risks, controls and mitigation actions as set out within the MIJB's Strategic Risk Register to ensure that Internal Audit plans are risk-based and provide relevant assurance.
- 8.2 The PSIAS require Internal Audit to evaluate the effectiveness of the MIJB's Risk Management arrangements and contribute to improvements in the process. Each Internal Audit assignment will be risk-based and will test the MIJB's management of risk.
- 8.3 The MIJB Internal Audit Annual Plan 2022/23 should be considered to be flexible and will be periodically reviewed, and amended as required, to reflect any new arrangement or changing risks and priorities. Any amendments relating to the MIJB will be brought to the MIJB Audit and Risk Committee for approval.

9. Involving People

- 9.1 Consultation on this Plan has been undertaken with the MIJB Chief Officer, Chief Finance Officer and Integration Manager prior to submission to the MIJB Audit and Risk Committee.

10. Background Papers

See Appendix 1.

AUTHOR'S NAME	Jill Stacey
DESIGNATION	MIJB Chief Internal Auditor
CONTACT INFO	
DATE	24/02/2022

Ref	Category	Audit	Days	Commentary
1.	Assurance	Annual Assessment of Internal Control and Governance	12	<p>Prepare an annual assurance report for MIJB Management and MIJB Audit and Risk Committee summarising the work undertaken by Internal Audit during the year and forming an opinion on the adequacy of the MIJB's arrangements for risk management, governance and internal control for delegated resources.</p> <p>Conduct a high level review of risk management arrangements in operation.</p> <p>Test a sample of the key elements in the MIJB Code of Corporate Governance to determine whether these are operating effectively. This will be used to inform the MIJB's Annual Governance Statement.</p>
2.	Assurance	tbc	30	<p>NHS Lothian Internal Audit team will deliver this Audit.</p> <p>The scope of the Audit is yet to be determined. Options for discussion: focus on a specific MIJB Direction or commissioned service; the implementation of the ministerial task force recommendations; set aside and financial planning; or other area of risk.</p>
3.	Assurance	Financial Reporting	15	<p>Review to ensure that financial statements have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom and the CIPFA Financial Management Code.</p>

Ref	Category	Audit	Days	Commentary
4.	Other	Recommendations Follow Up Review	8	Undertake two reviews: The first will assess performance against closing Audit Actions by the agreed due date; and the second will include a sample check on the adequacy of new internal controls for Audit Actions flagged as closed.
5.	Other	Administration of Audit Scotland Reports	1	Monitor publication of Audit Scotland reports and co-ordinate submission by Management of relevant Audit Scotland Reports to the MIJB Audit and Risk Committee / Board.
6.	Other	Audit Committee Self-Assessment	1	Provide assistance to Chair in undertaking a self-assessment of the MIJB Audit and Risk Committee against the CIPFA best practice guidance.
7.	Other	Attendance at Boards / Committees	2	Prepare for and attend MIJB Board / Audit and Risk Committee meetings.
8.	Other	Audit Planning for 2023/24	1	Renew risk assessment, develop and consult on proposed coverage within the MIJB Internal Audit Annual Plan 2023/24.
	Total		70	Midlothian Council's Internal Audit function will provide 40 days and NHS Lothian Internal Audit team will provide 30 days to support the delivery of the Plan.

Midlothian Integration Joint Board Audit and Risk Committee



3rd March 2022

CIPFA – Financial Management Code, 2021/22.

Item number: 5.5

Executive summary

At its last meeting the Committee agreed to adopt the new CIPFA Financial Management Code in as far as it pertained to the operations of the IJB and to consider how it might assure itself that the IJB then met those elements of the code. This paper looks at the themes in the guidance and considers how these can be delivered by the IJB or its partners. The IJB is, in essence, a strategic planning board and does not – for example, pay suppliers or staff. The operational delivery is in the hands of the IJB Partners – the IJB having no authority to deliver its functions except through Midlothian Council and NHS Lothian – and assurance of much of the CIPFA FM guidance will flow from the assurance systems of the partners. It should be noted that the adoption of this guidance is an element in the overall achievement of best value.

The Committee is asked to

- 1. Consider the analysis below as to which elements of the guidance relate to the IJB directly.*
- 2. Consider the assurance process that are required*
- 3. Put a proposal to the IJB laying out the committee's opinions and recommending the adoption of the code on the basis of its considerations.*

CIPFA – Financial Management Code, 21/22.

1 Purpose

- 1.1 The purpose of this report is to consider how the CIPFA FM guidance (21/22) pertains to the operations of the IJB and to consider how the IJB can assure itself that the guidance is being met. That having been done, and having agreed to adopt the guidance in principle, to recommend the adoption of the guidance in so far as it applies to the operation of the IJB, to the IJB. It should be noted that the adoption of this guidance is an element in the assurance processes of the IJB in its delivery of best value.

2 Recommendations

- 2.1 Members of the Audit and Risk Committee are therefore asked to:
- Consider the analysis below as to which elements of the guidance relate to the IJB directly.
 - Consider the assurance process that are required
 - Put a further paper to the IJB laying out the committee's opinions and recommending the adoption of the code on the basis of its considerations

3 Background and main report

3.1 Background

The Financial Management Code (FM Code) produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. For the first time the FM Code sets out the standards of financial management for local authorities. The IJB is governed by the Local Authority regulations

The FM Code applies a principles-based approach which is linked to other financial statutory and good practice guidance. It contains the CIPFA Statement of Principles of Good Financial Management – these are laid out below. These principles are the benchmarks against which all financial management should be judged.

A paper was presented to the previous meeting of the committee who approved that the code should be adopted in principle by the IJB but required that the IJB would need to understand which elements of the code would pertain to the IJB specifically and how the IJB could achieve assurance that these items were in line with the guidance.

The IJB is not an operational unit and does not directly manage health or social care services. It produces a Strategic Plan for the delivery of the health and social care functions delegated to it by its partners (Midlothian Council and NHS Lothian) and sends directions to the partners specifying how these functions should be delivered. The operational delivery of the functions remaining the responsibility of the partners who have detailed and thorough governance process in place to manage that delivery. Midlothian Council has adopted the CIPFA FM guidance and has undertaken a detailed assurance process whilst NHS Lothian (not covered by the Local Authority regulations) has its own detailed Financial Management processes.

3.2 Financial Management Code & Principle

A summary of the Code and the principles that underly it was laid out in the previous paper to the Committee. But the principles are reiterated below for the sake of convenience. They are :-

1. Organisational **leadership** – demonstrating a clear strategic direction based on a vision in which financial management is embedded into organisational culture.
2. **Accountability** – based on medium-term financial planning that drives the annual budget process supported by effective risk management, quality supporting data and whole life costs.
3. Financial management is undertaken with **transparency** at its core using consistent, meaningful and understandable data, reported frequently with evidence of periodic officer action and elected member decision making.
4. Adherence to professional **standards** is promoted by the leadership team and is evidenced.
5. Sources of **assurance** are recognised as an effective tool mainstreamed into financial management, including political scrutiny and the results of external audit, internal audit and inspection.
6. The long-term **sustainability** of local services is at the heart of all financial management processes and is evidenced by prudent use of public resources.

3.3 Financial Management Standards.

The table in Appendix A takes the standards, examines them individually and considers how they apply to the IJB and the assurance that that IJB can have that the standard is being met. It can be seen that some standards do not apply to the IJB and, of the rest, the IJB is delivering against them. That said, this analysis highlights that the development of the multi-year, balanced, financial plan is critical.

3.4 Best Value

The IJB is required to deliver its delegated functions with regard to the principle of best value. The adoption of this guidance will an element of provide assurance as to the overall delivery of best value.

3.5 Implementation

Local authorities are required to apply the requirements of the FM Code with effect from 1 April 2020. This means that the 2020/21 budget process provides an opportunity for assessment of elements of the FM Code before April 2020 and to provide a platform for good financial management to be demonstrable throughout 2020/21. Consequently CIPFA considers that the implementation date of April 2020 should indicate the commencement of a shadow year and that by 31 March 2021, local authorities should be able to demonstrate that they are working towards full implementation of the code. The first full year of compliance with the FM Code will therefore be 2021/22.

4. Directions

4.1 There are no Directions implications arising from this report.

5. Equalities Implications

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

6. Resource Implications

6.1 There are no further resource implications arising from this report

7. Risk

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

8. Involving People

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

9. Background Papers

9.1 None

AUTHOR'S NAME	David King
DESIGNATION	Interim Chief Finance Officer
CONTACT INFO	David.king4@nhslothian.scot.nhs.uk
DATE	February 2022

Appendix – Consideration of the CIPFA code in relation to the IJB

Section	Standard	IJB	Assurance
1: The responsibilities of the Chief Finance Officer and Leadership Team	A: The leadership team is able to demonstrate that the services provided by the authority provide value for money	Yes, through the Strategic Plan and the Directions	IJB minutes, SPG minutes, Strategic Plan and Directions.
	B: The authority complies with the CIPFA 'Statement on the Role of the Chief Officer in Local Government'	Yes	Part of the Annual Audit process.
2: Governance and financial management style	C: The leadership team demonstrates in its actions and behaviours responsibility for governance and internal control	The IJB is a board and not an operational unit. It doesn't have a management team as such. The IJB has its own governance but operational internal control matters are a subject for the partners.	
	D: The authority applies the CIPFA/SOLACE 'Delivering Good Governance in Local Government: Framework (2016)'	The IJB has its own governance processes. Where the framework pertains – these are part of the IJB's own regulations	

	E: The financial management style of the authority supports financial sustainability	Yes	Financial sustainability is addressed in the short term as part of the budget setting process. In the longer term the IJB is continuing to develop its multi-year balance financial plan to support the Strategic plan. The IJB also has published its financial strategy
3: Long to medium-term financial management	F: The authority has carried out a credible and transparent financial resilience assessment	Yes	Finance Reports to the IJB and IJB budget setting process
	G: The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members	Yes	Finance reports to the IJB and IJB budgets setting process
	H: The authority complies with the CIPFA 'Prudential Code for Capital Finance in Local Authorities'	Not applicable – the IJB has no capital resources.	
	I: The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans	Yes, the IJB is developing a financial plan to support the delivery of its Strategic Plan	

4: The annual budget	J: The authority complies with its statutory obligations in respect of the budget setting process	Yes, the IJB sets an indicative budget before the start of the financial year	IJB Budget setting paper to March Board
	K: The budget report includes a statement by the chief finance officer in the robustness of the estimates and a statement on the adequacy of the proposed financial reserves	Yes	IJB Budget setting paper to March Board
5: Stakeholder engagement and business plans	L: The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium-term financial plan and annual budget	Yes, this is part of the consultation and development of the IJB's Strategic Plan	Strategic Plan consultations/ SPG minutes
	M: The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions	Yes.	SPG/ Strategic Plan
6: Monitoring financial performance	N: The leadership team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability	No. The operational delivery of the IJB's budget is a matter for its partners. The IJB receives updates on the financial position of its partners. That said, additional directions and	

		revisions to the Strategic Plan can be used if the financial issues are serious and threatening to the delivery of the Strategic Plan	
	O: The leadership team monitors the elements of its balance sheet that pose a significant risk to its financial sustainability	In theory, however the IJB's balance sheet does not have any assets, loans or doubtful debtors that pose a risk to the IJB.	
7: External financial reporting	P: The chief finance officer has personal and statutory responsibility for ensuring that the statement of accounts produced by the local authority complies with the reporting requirements of the 'Code of Practice on Local Authority Accounting in the United Kingdom'	Yes	Annual accounts and annual audit report.
	Q: The presentation of the final outturn figures and variations from budget allows the leadership team to make strategic financial decisions	Yes. Part of the annual budget setting process and the development of the financial plan. The Strategic Plan is the basis of future financial decisions.	IJB budget setting papers in March

Midlothian Integration Joint Board Audit and Risk Committee



3rd March 2022

Best Value – Consideration of the Audit Scotland Questionnaire

Item number: 5.6

Executive summary

At its December 2021 meeting the committee received a paper on the Audit Scotland best Value questionnaire for IJBs. The committee decided that it should consider a further paper that would lay out suggested responses to the best value questionnaire and allow the committee some further time to consider these responses and how the committee can assure itself that the principles of best value are being applied to the work of the IJB, that is the development and delivery of the IJB's Strategic Plan.

The committee is asked to :-

- 1. Consider this report, suggesting revisions/additions as required.*
- 2. Request the preparation of an appropriate best value framework for adoption by the IJB.*

Best Value – Consideration of the Audit Scotland Questionnaire

1 Purpose

- 1.1 At its meeting in December the IJB received a paper of the Audit Scotland best value questionnaire for IJBs. It agreed to consider this in an extended committee meeting and that this consideration should be supported by a draft set of responses to the questionnaire.

2 Recommendations

- 2.1 As a result of this report Members are being asked to:-
- Consider this report, suggesting revisions/additions as required.
 - Request the preparation of an appropriate best value framework for adoption by the IJB.

3 Background and main report

- 3.1 The Audit Scotland guidance note on best value was published in March 2018. Although this note was to support auditors in their assessment of the delivery of best value it also contains a useful questionnaire to assess the achievement of best value in IJBs.
- 3.2 Appendix A lays out the 10 questions and provides a suggested response to each of the questions along with a consideration of assurance that might be provided to support the responses
- 3.3 Whilst the responses are draft and for discussion, having agreed the response to the questionnaire the IJB can proceed to agree a Best Value framework. This has been done successfully by a number of other public bodies.
- 3.4 The revised best value guidance (2020) is also attached as Appendix B.

4 Policy Implications

- 4.1 There are no policy implications from this report.

5 Directions

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

6 Equalities Implications

6.1 There are no equalities implications from this report

7 Resource Implications

7.1 There are no resource implications from this report.

8 Risk

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

9 Involving people

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

10 Background Papers

10.1 None.

AUTHOR'S NAME	David King
DESIGNATION	Interim Chief Finance Officer
CONTACT INFO	David.King4@nhslothian.scot.nhs.uk
DATE	February 2022

Appendices:

A - Audit Scotland Best Value questionnaire for IJBs – draft responses.

B – Best Value – revised statutory guidance 2020.

Audit Scotland Questionnaires – IJB Best Value – suggested responses

Question	IJB Response	Assurance
1. Who do you consider to be accountable for securing Best Value in the IJB?	In principle the voting members, the Chief Officer and the S95 Officer. In practice the Chief Officer and the CFO as S95 Officer.	The work of the groups that support the IJB – the SPG, the Planning & Transformation group and proposed performance group
2. How do you receive assurance that the services supporting the delivery of the strategic plan are securing Best Value?	In terms of operational delivery of the functions, the partners (Midlothian Council and NHS Lothian) must provide assurance to the IJB. That assurance is provided by the governance arrangements of the partners, the appropriate elements of which are reported to the IJB	Update on the delivery of the Directions reported to the IJB and the work of the proposed performance group
3. Do you consider there to be sufficient buy-in to the IJB's longer term vision from partner officers and members?	Yes. Both partners have a very good record of having supported the Board since its inception with voting members regularly attending board meetings and workshops. For example the leader of Midlothian Council has always been a member of the IJB.	Minutes of the IJB - shows attendance.
4. How is value for money demonstrated in the decisions made by the IJB?	Through the Strategic plan and the directions and the work of the groups that support the IJB – the SPG, the Planning & Transformation group and proposed performance group	The proposed performance group will consider the delivery of the directions.
5. Do you consider there to be a culture of continuous improvement	Yes, this is part of the IJB's ethos and is laid out in both the Integration Scheme and the Strategic Plan. There is a significant commitment to building capacity for	Minutes of the SPG and the Transformation and Planning Group. Minutes of Integrated Planning Groups.

	continuous improvement and ongoing work to align methodologies and practices across integrated services_	
6. Have there been any service reviews undertaken since establishment – have improvements been identified? Is there any evidence of improvements in services and/or reductions in pressures as a result of joint working?	<p>Yes – the creation of an integrated management team. The development of integrated operational teams and close working with the local GP practices.</p> <p>Further examples include –</p> <p>Home first team - improvements in patient flow and achievement of the MSG performance targets</p> <p>Extra care housing (Cowan court staffing model)</p> <p>Highbank Intermediate care model</p> <p>Primary care Improvement Plan</p> <p>Mental health model – minimal use of REH acute/rehab beds/MH delays</p> <p>Whole system Diabetes work</p> <p>LD model – able to support in local model so less use of acute REAS beds</p> <p>'No 11' service – co-located teams (SMS, Justice, Mental health)</p>	
7. Have identified improvement actions been prioritised in terms of those likely to have the greatest impact?	Yes, recent strategic planning and performance recruitment provides the opportunity to further develop the ability for performance to strategically inform quality planning and strategic modelling.	Directions comprise of 5 service level impact priorities in each area
8. What steps are taken to ensure that quality of care and service provided is not compromised as a result of costs saving measures?	The IJB's financial strategy commits it to living within the totality of its resources and this will be delivered through service transformation and not cost saving measures. Investment in the performance team who will develop a	Assurance through scrutiny at the proposed performance group, the Planning and

	performance framework for the IJB. Future work will seek to develop and embed a broad Performance Framework for the Partnership. This will aim to use a range of measures and metrics that evidence quality, inform planning and develop plans to deliver sustainable and high-quality care.	Transformation group and SPG
9. Is performance information reported to the board of sufficient detail to enable value for money to be assessed?	Yes. This is being further development by the appointment of a performance manager and a supporting performance team	Performance reports to IJB. Appointment of a Performance Team
10. How does the IJB ensure that management of resources (finances, workforce etc.) is effective and sustainable?	<p>Through the development of the IJB's multi-year, balanced financial plan which will articulate how the Strategic Plan is delivered in financial terms.</p> <p>The HSCP has produced an updated workforce plan that is cognisant of the challenges and opportunities presented by a range of dynamic influences across workforce recruitment and retention, wellbeing and wellness.</p>	IJB Finance Strategy, IJB Workforce Strategy.

Local Government in Scotland Act 2003

**Best Value: Revised
Statutory Guidance 2020**

LOCAL GOVERNMENT IN SCOTLAND ACT 2003

BEST VALUE: REVISED STATUTORY GUIDANCE 2020

CONTENTS	Page
SECTION 1 – OVERVIEW	
• The Duty of Best Value	2
• Purpose of the Guidance	2
• Best Value Themes	3
• Scope of the Guidance	3
• Working with Partners	4
• Role of the Accounts Commission	4
SECTION 2 – BEST VALUE THEMES	
Overview	5
Theme 1 – Vision and Leadership	5
Theme 2 – Governance and Accountability	7
Theme 3 – Effective Use of Resources	9
Theme 4 – Partnerships and Collaborative Working	13
Theme 5 – Working with Communities	15
Theme 6 – Sustainable Development	16
Theme 7 – Fairness and Equality	18
ANNEXES	
Steering Group Membership	20
Useful Resources	21

SECTION 1 – OVERVIEW

The Duty of Best Value

The [Local Government in Scotland Act 2003](#) introduced a statutory framework for Best Value for local authorities. The Best Value duties set out in the Act are:

- to make arrangements to secure continuous improvement in performance (while maintaining an appropriate balance between quality and cost); and, in making those arrangements and securing that balance, to have regard to economy, efficiency, effectiveness, the equal opportunities requirement and to contribute to the achievement of sustainable development
- to achieve break-even trading accounts, subject to mandatory disclosure
- to observe proper accounting practices
- to make arrangements for the reporting to the public of the outcome of the performance of functions.

Purpose of the Guidance

[Best Value guidance](#) has been in place since 2004, identifying the characteristics of Best Value to help local authorities develop arrangements to demonstrate continuous improvement in their performance.

In recognition of the changes since 2004 to the environment in which local authorities deliver services, a multi-agency steering group was tasked with reviewing and refreshing the guidance. The steering group endorsed the continuing relevance of the substance of the original guidance, but felt that it should be revised to reflect the current public service landscape in Scotland, with an increasing emphasis on citizens and personalised services, a focus on outcomes, and the need for innovation in designing public services for the future. The steering group also identified the need for synergy and alignment, so far as possible and appropriate, between the statutory guidance and the [guidance on Best Value in public services](#), which applies to public bodies that are accountable to the Scottish ministers.

This revised guidance has been produced by the steering group and reflects the priorities that it identified. It replaces the previous guidance that was published in 2004, which comprised both the statutory guidance by Scottish ministers and supporting guidance by the then Best Value Task Force, so that all the relevant guidance is now contained in this single document.

Best Value Themes

This revised guidance is framed around the following Best Value themes:

1. Vision and leadership
2. Governance and accountability
3. Effective use of resources
4. Partnerships and collaborative working
5. Working with communities
6. Sustainability
7. Fairness and equality

As in the previous guidance, sustainability and fairness and equality continue to be cross-cutting themes that should be integral to all of the functions and activities carried out by a local authority to deliver good outcomes and achieve Best Value.

Section 2 of this guidance explains these themes and how a local authority can demonstrate that it is delivering Best Value in respect of each theme.

Scope of the Guidance

This guidance applies to other bodies as required by Section 106 of the Local Government (Scotland) Act 1973, notably health and social care integration joint boards and other joint committees or boards, that are subject to the same statutory Best Value duties as local authorities and it should be interpreted and applied accordingly. Section 14 of the 2003 Act applies the Best Value duty to these other bodies and thus references throughout the guidance to 'local authorities' cover all such bodies.

Other devolved public bodies, such as the NHS, are not directly covered by the 2003 Act. They are, however, under a similar Best Value duty, which is set out in the [Scottish Public Finance Manual](#), and a statutory duty under the [Public Finance and Accountability \(Scotland\) Act 2000](#) to use their resources 'economically, efficiently and effectively'.

Since 2003, the enactment of other key legislation has had a significant impact across Scotland, extending the requirements of Best Value beyond local authorities. The [Public Bodies \(Joint Working\) \(Scotland\) Act 2014](#) has resulted in the integration of health and social care, while the [Community Empowerment \(Scotland\) Act 2015](#) has strengthened the statutory base for community planning, and for involving and engaging communities in planning and decision-making about things that matter to them.

Working with Partners

Achieving Best Value is increasingly dependent on the effectiveness of partnerships and collaborative working arrangements with a range of stakeholders, in addition to how well a local authority manages its own activities. Since the original version of this guidance was published in 2004, there has been an increased focus on partnership and collaborative working across the public sector, with much more alignment of key plans and strategies among partners, and joint working to deliver shared outcomes. Alignment of key plans and strategies with its partners, an understanding of place, a commitment to reducing inequalities, empowering communities to affect change, and being able to demonstrate improved outcomes for people who use services are now key requirements in the achievement of Best Value.

Although local authorities are not responsible for the performance of all partners in their areas, they are crucial in influencing many local services through their relationships with others. Local authorities achieving Best Value will be able to demonstrate a vision and direction of travel shared with key stakeholders in order to achieve key outcomes for local people. There are a number of areas where Best Value can be demonstrated only by working in strong partnership arrangements with bodies not covered by the statutory Best Value duties in the 2003 Act, and this is reflected in the guidance.

This guidance should be read in conjunction with the [statutory guidance on community planning](#), which describes how local authorities and other public sector bodies should work together in the context of community planning.

Role of the Accounts Commission

The Accounts Commission for Scotland is responsible for reporting on the performance by local authorities (and those other bodies covered by section 14 of the 2003 Act as discussed above, such as integration joint boards) of their Best Value and community planning duties. The Commission considers, in public, statutory reports from the Controller of Audit on Best Value, based upon the annual audit work by appointed external auditors in individual councils. Having considered such a report, the Commission has a range of powers that it can use, as set out in the Local Government (Scotland) Act 1973. They also make use as appropriate of the work of other local government scrutiny and inspection bodies.

SECTION 2 – BEST VALUE THEMES

Overview

The 2004 Best Value guidance was structured around ten Best Value characteristics. This refreshed guidance reconfigures these characteristics into seven themes that better reflect the significantly changed policy and public service delivery landscape within which local authorities now operate.

Local authorities must be able to demonstrate a focus on continuous improvement in performance around each of these themes.

Theme 1 – Vision and Leadership

Effective political and managerial leadership is central to delivering Best Value, through setting clear priorities and working effectively in partnership to achieve improved outcomes. Leaders should demonstrate behaviours and working relationships that foster a culture of cooperation, and a commitment to continuous improvement and innovation.

In achieving Best Value, a local authority will be able to demonstrate the following:

- **Members and senior managers have a clear vision for their area that is shared with citizens, key partners and other stakeholders.**
- **Members set strategic priorities that reflect the needs of communities and individual citizens, and that are aligned with the priorities of partners.**
- **Effective leadership drives continuous improvement and supports the achievement of strategic objectives.**

This means that:

1. The local authority's vision for its area is developed in partnership with its citizens, employees, key partners and other stakeholders.
2. Members set strategic priorities that contribute to achieving the local authority's vision, reflect the needs of communities and individual citizens, and are aligned with the priorities of partners. They take decisions that contribute to the achievement of those priorities, in particular when allocating resources and in setting and monitoring performance targets.
3. The local authority's vision and strategic priorities are clearly communicated to its citizens, staff and other partners.

4. Strategic plans reflect a pace and depth of improvement that will lead to the realisation of the local authority's priorities and the long-term sustainability of services.
5. Service plans are clearly linked to the local authority's priorities and strategic plans. They reflect the priorities identified through community planning, and show how the local authority is working with partners to provide services that meet community needs.
6. Priority outcomes are clearly defined, and performance targets are set that drive continuous improvement in achieving those outcomes.
7. There are clear and effective mechanisms for scrutinising performance that enable the taking of informed decisions and the measuring of impacts and service outcomes.
8. There is a corporate approach to continuous improvement, with regular updating and monitoring of improvement plans.
9. The local authority and its partners agree on how the key elements of Best Value will contribute to achieving the commonly agreed local priorities and outcomes. These key elements include the need to:
 - secure continuous improvement, in particular for those services aligned to the local authority's priorities
 - provide customer- and citizen-focused public services, which meet the needs of diverse communities
 - achieve the best balance of cost and quality in delivering services (having regard to economy, efficiency, effectiveness and equalities)
 - contribute to sustainable development
 - encourage and support innovation and creativity.
10. Members and senior managers communicate the approach to Best Value methodically throughout the local authority in terms that are relevant to its staff and set out clear expectations of them. The local authority has a positive culture in which its people understand its vision and objectives and how their efforts contribute to their achievement, and they are engaged with and committed to improvement.
11. Members and senior managers are self-aware. They commit to training and personal development to update and enhance their knowledge, skills, capacity and capabilities to deliver Best Value and perform their leadership roles, and they receive sufficient support to do so.
12. Leadership is effective and there is good collaborative working. Members and senior managers have a culture of cooperation and working constructively in partnership, informed by a clear understanding of their respective roles and responsibilities and characterised by mutual respect, trust, honesty and openness and by appropriate behaviours.

Theme 2 – Governance and Accountability

Effective governance and accountability arrangements, with openness and transparency in decision-making, schemes of delegation and effective reporting of performance, are essential for taking informed decisions, effective scrutiny of performance and stewardship of resources.

In achieving Best Value, a local authority will be able to demonstrate the following:

- **A clear understanding and the application of the principles of good governance and transparency of decision-making at strategic, partnership and operational levels.**
- **The existence of robust arrangements for scrutiny and performance reporting.**
- **The existence of strategic service delivery and financial plans that align the allocation of resources with desired outcomes for the short, medium and long terms.**

This means that:

1. Members and senior managers ensure accountability and transparency through effective internal and external performance reporting, using robust data to demonstrate continuous improvement in the local authority's priority outcome measures.
2. Management information and indicators that allow performance to be assessed are widely and consistently used by the local authority. Senior management regularly receives information that is used to inform members about performance.
3. Performance is reported to the public, to ensure that citizens are well informed about the quality of services being delivered and what they can expect in future.
4. Learning from previous performance, and from the performance of other local authorities, informs the review and development of strategies and plans to address areas of underperformance.
5. Key organisational processes are linked to, or integrated with, the planning cycle; these include strategic analyses, stakeholder consultations, fundamental reviews, performance management, staff appraisal and development schemes, and public performance reporting.
6. The local authority has a responsible attitude to managing risk, and business continuity plans (including civil contingencies and emergency plans) are in place to allow an effective and appropriate response to planned and unplanned events and circumstances.

7. Key discussions and decision-making take place in public meetings, and reasonable measures are taken to make meeting agendas, reports and minutes accessible to the public, except when there are clear reasons why this would be inappropriate.
8. The local authority's political structures support members in making informed decisions.
9. The scrutiny structures in the local authority support members in reviewing and challenging its performance.
10. Members and senior managers promote the highest standards of integrity and responsibility, establishing shared values, mutual trust and sound ethics across all activities. Effective procedures are in place to ensure that members and staff comply with relevant codes of conduct and policies. This includes ensuring that appropriate policies on fraud prevention, investigation and whistleblowing are established and implemented.
11. Members and senior managers understand and effectively communicate their respective and collective roles and responsibilities to members and staff. They understand that effective delegation enables and supports the local authority's ability to achieve Best Value.
12. An information governance framework is in place that ensures proper recording of information, appropriate access to that information including by the public, and legislative compliance.
13. Technological innovation and digital transformation are promoted and used to ensure accessibility of performance information and public accountability.
14. Members and employees across the local authority understand and implement their responsibilities in relation to its Standing Orders and Financial Regulations.
15. There are clear governance and lines of accountability when delivering services via a third party, and there is evidence of the application of the principles within the ['Following the Public Pound' guidance](#) when funding is provided to external bodies.

Theme 3 – Effective Use of Resources

Making the best use of public resources is at the heart of delivering Best Value. With clear plans and strategies in place, and with sound governance and strong leadership, a local authority will be well placed to ensure that all of its resources are deployed to achieve its strategic priorities, meet the needs of its communities and deliver continuous improvement.

In achieving Best Value, a local authority will be able to demonstrate the following:

- **It makes best use of its financial and other resources in all of its activities.**
- **Decisions on allocating resources are based on an integrated and strategic approach, are risk-aware and evidence-based, and contribute to the achievement of its strategic priorities.**
- **It has robust procedures and controls in place to ensure that resources are used appropriately and effectively, and are not misused.**
- **It works with its partners to maximise the use of their respective resources to achieve shared priorities and outcomes.**

This means that:

Staff

1. A workforce strategy is in place that sets out expectations on how the local authority's staff will deliver its vision, priorities and values.
2. The strategy is translated into workforce plans, covering employee numbers, skills, knowledge, competencies and organisational structures, that demonstrate how staff will be deployed to deliver the services planned for the future. Plans are regularly reviewed at appropriate intervals according to a clear review cycle.
3. All employees are managed effectively and efficiently, and know what is expected of them. Employee performance is regularly assessed through performance appraisal, with individuals and teams being supported to improve, where appropriate.
4. Members and senior managers understand and demonstrate that effective delegation is an important contribution to the local authority's ability to achieve Best Value.
5. The contribution of staff to ensuring continuous improvement is supported, managed, reviewed and acknowledged.

6. The local authority demonstrates a commitment to fairness, equity and safety in the workplace; it adopts relevant statutory guidance through progressive workplace policies and a commitment to best practice in workplace relationships.
7. Leaders ensure that there is the organisational capacity to deliver services through effective use of all employees and other resources. They communicate well with all staff and stakeholders, and ensure that the organisation promotes a citizen- and improvement-focused culture that delivers meaningful actions and outcomes.

Asset management

1. There is a corporate approach to asset management that is reflected in asset management strategies and plans, which are subject to regular review.
2. There is a systematic and evidence-based approach to identifying and managing risks in relation to land, buildings, plant, equipment, vehicles, materials and digital infrastructure.
3. The local authority actively manages its asset base to contribute to its objectives and priorities.
4. Fixed assets are managed efficiently and effectively, taking account of availability, accessibility, safety, utilisation, cost, condition and depreciation.

Information

1. Information is regarded as a strategic resource and is managed accordingly.
2. There is a clear digital strategy in place, which includes resilience plans for information systems.
3. Information is shared appropriately, and the local authority seeks to develop data compatibility with its partners.

Financial management and planning

1. There is clear alignment between the local authority's budgets and its strategic priorities.
2. Regular monitoring and reporting of financial outturns compared with budgets is carried out, and corrective action taken where necessary to ensure the alignment of budgets and outturns.
3. Financial plans show how the local authority will fund its services in the future. Long-term financial plans that include scenario planning for a range of funding levels are prepared and linked to strategic priorities.
4. An appropriate range of options is considered when taking decisions, and robust processes of option appraisal and self-assessment are applied.

5. The local authority has clear plans for how it will change services and realise efficiencies to close future budget gaps.
6. Members and senior managers have a clear understanding of likely future pressures on services and of how investment in preventative approaches can help alleviate those pressures, and they use that understanding to inform decisions.
7. Financial performance is systematically measured across all areas of activity, and regularly scrutinised by managers and members.
8. There is a robust system of financial controls in place that provides clear accountability, stakeholder assurance, and compliance with statutory requirements and recognised accounting standards.
9. The local authority complies with legal and best practice requirements in the procurement and strategic commissioning of goods, services and works, including the [Scottish Model of Procurement](#). There is clear accountability within procurement and commissioning arrangements.
10. There are clear and effective governance and accountability arrangements in place covering partnerships between the local authority and its arm's-length external organisations (ALEOs), including for performance monitoring and the early identification of any significant financial and service risks; there is evidence of the application of the principles of 'Following the Public Pound.'
11. The local authority has a reserves policy that supports its future financial sustainability, and its reserves are held in accordance with that policy.

Performance management

1. Effective performance management arrangements are in place to promote the effective use of the local authority's resources. Performance is systematically measured across all areas of activity, and performance reports are regularly scrutinised by managers and elected members. The performance management system is effective in addressing areas of underperformance, identifying the scope for improvement and agreeing remedial action.
2. There is a corporate approach to identifying, monitoring and reporting on improvement actions that will lead to continuous improvement in priority areas. Improvement actions are clearly articulated and include identifying responsible officers and target timelines.
3. The local authority uses self-evaluation to identify areas for improvement. This includes the use of comparative analyses to benchmark, monitor and improve performance.

4. The local authority takes an innovative approach when considering how services will be delivered in the future. It looks at the activities of other organisations, beyond its area, to consider new ways of doing things. A full range of options is considered, and self-assessment activity and options appraisal can be demonstrated to be rigorous and transparent.
5. Evaluation tools are in place to link inputs, activities and outputs to the outcomes that they are designed to achieve. There is evidence to demonstrate that improvement actions lead to continuous improvement and better outcomes in priority service areas.
6. The local authority seeks and takes account of feedback from citizens and service users on performance when developing improvement plans.
7. Improvement plans reflect a pace and depth of improvement that will lead to the realisation of the local authority's priorities and the long-term sustainability of services.
8. Performance information reporting to stakeholders is regular and gives a balanced view of the local authority's performance, linked to its priority service areas. The information provided is relevant to its audience, and clearly demonstrates whether or not strategic and operational objectives and targets are being met.
9. The local authority demonstrates a trend of improvement over time in delivering its strategic priorities.

Theme 4 – Partnerships and Collaborative Working

The public service landscape in Scotland requires local authorities to work in partnership with a wide range of national, regional and local agencies and interests across the public, third and private sectors.

A local authority should be able to demonstrate how it, in partnership with all relevant stakeholders, provides effective leadership to meet local needs and deliver desired outcomes. It should demonstrate commitment to and understanding of the benefits gained by effective collaborative working and how this facilitates the achievement of strategic objectives.

Within joint working arrangements, Best Value cannot be measured solely on the performance of a single organisation in isolation from its partners. A local authority will be able to demonstrate how its partnership arrangements lead to the achievement of Best Value.

In achieving Best Value, a local authority will be able to demonstrate the following:

- **Members and senior managers have established and developed a culture that encourages collaborative working and service provision that will contribute to better and customer-focused outcomes.**
- **Effective governance arrangements for Community Planning Partnerships and other partnerships and collaborative arrangements are in place, including structures with clear lines of responsibility and accountability, clear roles and responsibilities, and agreement around targets and milestones.**

This means that:

1. Members and senior managers actively encourage opportunities for formal and informal joint/integrated working, joint use of resources and joint funding arrangements, where these will offer scope for service improvement and better outcomes.
2. The local authority is committed to working with partner organisations to ensure a coordinated approach to meeting the needs of its stakeholders and communities. This includes:
 - scenario planning with partners to identify opportunities to achieve Best Value
 - collaborative leadership to identify Best Value partnership solutions to achieve better outcomes for local people
 - proactively identifying opportunities to invest in and commit to shared services
 - integrated management of resources where appropriate
 - effective monitoring of collective performance, including self-assessment and reviews of the partnership strategy, to ensure the achievement of objectives

- developing a joint understanding of all place-based capital and revenue expenditure.
3. Members and senior managers identify and address any impediments that inhibit collaborative working. The local authority and its partners develop a shared approach to evaluating the effectiveness of collaborative and integrated working.
 4. In undertaking its community planning duties the local authority works constructively with partners to agree a joint vision for the Community Planning Partnership and integrates shared priorities and objectives into its planning, performance management and public reporting mechanisms. Service plans clearly reflect the priorities identified through community planning, and show how the local authority is working with partners to provide services that meet stakeholder and community needs.

Theme 5 – Working with Communities

Local authorities, both individually and with their community planning partners, have a responsibility to ensure that people and communities are able to be fully involved in the decisions that affect their everyday lives. Community bodies – as defined in the Community Empowerment Act 2015 (section 4(9)) – must be at the heart of decision-making processes that agree strategic priorities and direction.

In achieving Best Value, a local authority will be able to demonstrate the following:

- **Early and meaningful engagement and effective collaboration with communities to identify and understand local needs, and in decisions that affect the planning and delivery of services.**
- **A commitment to reducing inequalities and empowering communities to effect change and deliver better local outcomes.**
- **That engagement with communities has influenced strategic planning processes, the setting of priorities and the development of locality plans.**

This means that:

1. Members and senior managers ensure that meaningful consultation and engagement in relation to strategic planning take place at an early stage and that the process of consultation and engagement is open, fair and inclusive.
2. Members and senior managers are proactive in identifying the needs of communities, citizens, customers, staff and other stakeholders; plans, priorities and actions are demonstrably informed by an understanding of those needs.
3. Communities are involved in making decisions about local services, and are empowered to identify and help deliver the services that they need. Suitable techniques are in place to gather the views of citizens, and to assess and measure change in communities as a result of service interventions.
4. Active steps are taken to encourage the participation of hard-to-reach communities.
5. The local authority and its Community Planning Partnership work effectively with communities to improve outcomes and address inequalities.
6. A locality-based approach to community planning has a positive impact on service delivery within communities, and demonstrates the capacity for change and for reducing inequality in local communities by focusing on early intervention and prevention.

7. Members and senior managers work effectively with partners and stakeholders to identify a clear set of priorities that respond to the needs of communities in both the short and the longer term. The local authority and its partners are organised to deliver on those priorities, and clearly demonstrate that their approach ensures that the needs of their communities are being met.
8. The local authority engages effectively with customers and communities by offering a range of communication channels, including innovative digital solutions and social media.
9. The local authority plays an active role in civic life and supports community leadership.

The two cross-cutting themes that a Best Value local authority should fully embrace across all of its activities are Theme 6, sustainable development, and Theme 7, fairness and equality.

Theme 6 – Sustainable Development

Sustainable development is commonly defined as securing a balance of social, economic and environmental wellbeing in the impact of activities and decisions, and seeking to meet the needs of the present without compromising the ability of future generations to meet their own needs. The [United Nations Sustainable Development Goals](#) provide a fuller definition and set out an internationally agreed performance framework for their achievement.

Sustainable development is a fundamental part of Best Value. It should be reflected in a local authority's vision and strategic priorities, highlighted in all plans at corporate and service level, and a guiding principle for all of its activities. Every aspect of activity in a local authority, from planning to delivery and review, should contribute to achieving sustainable development.

In achieving Best Value, a local authority will be able to demonstrate the following:

- **Sustainable development is reflected in its vision and strategic priorities.**
- **Sustainable development considerations are embedded in its governance arrangements.**
- **Resources are planned and used in a way that contributes to sustainable development.**
- **Sustainable development is effectively promoted through partnership working.**

This means that:

1. Leaders create a culture throughout the local authority that focuses on sustainable development, with clear accountability for its delivery across the leadership and management team.
2. There is a clear framework in place that facilitates the integration of sustainable development into all of the local authority's policies, financial plans, decision-making, services and activities through strategic-, corporate- and service-level action. In doing so, the local authority will be able to demonstrate that it is making a strategic and operational contribution to sustainable development.
3. The local authority has set out clear guiding principles that demonstrate its, and its partners', commitment to sustainable development.
4. There is a broad range of qualitative and quantitative measures and indicators in place to demonstrate the impact of sustainable development in relation to key economic, social and environmental issues.
5. Performance in relation to sustainable development is evaluated, publicly reported and scrutinised.

Theme 7 – Fairness and Equality

Tackling poverty, reducing inequality and promoting fairness, respect and dignity for all citizens should be key priorities for local authorities and all of their partners, including local communities.

In achieving Best Value, a local authority will be able to demonstrate the following:

- **That equality and equity considerations lie at the heart of strategic planning and service delivery.**
- **A commitment to tackling discrimination, advancing equality of opportunity and promoting good relations both within its own organisation and the wider community.**
- **That equality, diversity and human rights are embedded in its vision and strategic direction and throughout all of its work, including its collaborative and integrated community planning and other partnership arrangements.**
- **A culture that encourages equal opportunities and is working towards the elimination of discrimination.**

This means that:

1. The local authority demonstrates compliance with all statutory duties in relation to equalities and human rights.
2. The local authority is taking active steps to tackle inequalities and promote fairness across the organisation and its wider partnerships, including work and living conditions, education and community participation.
3. The local authority and its partners have an agreed action plan aimed at tackling inequality, poverty and addressing fairness issues identified in local communities.
4. The local authority engages in open, fair and inclusive dialogue to ensure that information on services and performance is accessible to all, and that every effort has been made to reach hard-to-reach groups and individuals.
5. The local authority ensures that all employees are engaged in its commitment to equality and fairness outcomes, and that its contribution to the achievement of equality outcomes is reflected throughout its corporate processes.
6. The local authority engages with and involves equality groups to improve and inform the development of relevant policies and practices, and takes account of socio-economic disadvantage when making strategic decisions.

7. The equality impact of policies and practices delivered through partnerships is always considered. Equality impact information and data is analysed when planning the delivery of services, and measuring performance.
8. The local authority's approach to securing continuous improvement in delivering on fairness and equality priorities and actions is regularly scrutinised and well evidenced.

Best Value Guidance Refresh – National Steering Group

The steering group comprised officials from the Scottish Government, the Convention of Scottish Local Authorities (COSLA), the Society of Local Authority Chief Executives (SOLACE), the Scottish Trades Union Congress (STUC) and the Scottish Public Services Ombudsman (SPSO). Officials from Audit Scotland also attended meetings in an observational capacity:

David Martin, SOLACE and Chief Executive of Dundee City Local Authority (Chair)
Fiona Mitchell-Knight, Audit Scotland (observer)
Fraser McKinlay, Audit Scotland (observer)
Garrick Smyth, COSLA
James Fowlie, COSLA
Sandra Lorimer, Dundee City Local Authority
Brian Peddie, Scottish Government
John Stevenson, SPSO
Mike Kirby (Unison), STUC

Contributors:

Anne Margaret Black, East Ayrshire Integration Joint Board
Lorraine Gillies, Audit Scotland

Useful Resources

Audit Scotland

Further information on the audit of Best Value can be found on the [Audit Scotland website](#)

Audit Scotland issued on behalf of the Strategic Scrutiny Group [Principles for community empowerment](#) which aims to raise awareness of community empowerment and promote a shared understanding across scrutiny bodies to support high-quality scrutiny of community empowerment.

Accounts Commission

The [“How Councils Work”](#) series of reports produced by the Accounts Commission provides useful information and practical advice on a range of issues that are relevant to Best Value.

[‘Following the Public Pound’ guidance](#) is intended to ensure proper accountability for funds or other resources that are transferred by councils to arm’s-length bodies, such as companies, trusts and voluntary bodies funds, and to ensure that the principles of regularity and probity are not circumvented. It has the support of the Convention of Scottish Local Authorities.

Scottish Government

[Best Value in Public Services: Guidance for Accountable Officers](#)

[Community empowerment](#): information can be found on the Scottish Government website.

Other resources

The European Foundation for Quality Management (EFQM) Excellence Model was developed by the EFQM. It is widely used as a framework for continuous improvement activity by private, public and voluntary sector organisations. More information can be found on the [Quality Scotland web site](#).

The [National Standards for Community Engagement](#) are good-practice principles designed to improve and guide the process of community engagement.

The [Place Standard tool](#) provides a simple framework to structure conversations about place taking into account both the physical elements of a place and its social aspects.

The [Public Service Improvement Framework](#) (PSIF), produced by the Improvement Service, is a self-assessment framework that enables organisations to conduct a comprehensive review of their own activities and results.

The [Sustainable Development Network](#) provides information and advice on sustainable development in the public sector in Scotland.



Scottish Government
Riaghaltas na h-Alba
gov.scot

© Crown copyright 2020

OGL

This publication is licensed under the terms of the Open Government Licence v3.0 except where otherwise stated. To view this licence, visit nationalarchives.gov.uk/doc/open-government-licence/version/3 or write to the Information Policy Team, The National Archives, Kew, London TW9 4DU, or email: psi@nationalarchives.gsi.gov.uk.

Where we have identified any third party copyright information you will need to obtain permission from the copyright holders concerned.

This publication is available at www.gov.scot

Any enquiries regarding this publication should be sent to us at

The Scottish Government
St Andrew's House
Edinburgh
EH1 3DG

ISBN: 978-1-83960-602-1 (web only)

Published by The Scottish Government, March 2020

Produced for The Scottish Government by APS Group Scotland, 21 Tennant Street, Edinburgh EH6 5NA
PPDAS704906 (03/20)

Midlothian Integration Joint Board Audit and Risk Committee



3rd March 2022

Audit Scotland – Recent Audit Reports of Interest

Item number: 5.7

Executive summary

This report highlights audit reports from Audit Scotland of areas of interest to the IJB audit and risk committee

Committee members are asked to:

1. *Committee members are asked to note the key messages*

Audit Scotland – Recent Audit Reports of Interest

1 Purpose

- 1.1 This report highlights audit reports from Audit Scotland on areas of interest to the IJB Audit and Risk Committee.

2 Recommendations

- 2.1 Committee members are asked to note the publications and the key messages
- Consider if any actions arising from this reports should be brought to the attention of the IJB.

3 Background and main report

- 3.1 The publications from Audit Scotland are reviewed regularly and those reports that may be of interest to the committee are highlighted for its attention
- 3.2 Much of the publications since the last update are the annual accounts of a whole range of public bodies. All of the IJB's annual accounts reports have been published and its interesting to examine a few of reports to see if there are any significant difference from the audit Scotland report to this IJB. A (admittedly) high level review suggests that there are not with the challenges of Covid and on-going financial sustainability being key themes.
- 3.3 A significant report, 'Social Care Briefing' was published in January 2022 and this was highlighted to the IJB by the Chief Officer in her report at the February meeting. This is attached in full to this paper and its recommended that members read this.
- 3.4 Two other reports may be worthy of consideration. Those being

https://www.audit-scotland.gov.uk/uploads/docs/report/2022/nr_220120_planning_skills.pdf

which is a report entitled 'Planning for Skills' which is, as its name suggests, a consideration of ensuring that the appropriate workforce skills are available.

<https://www.audit-scotland.gov.uk/publications/blog-statutory-performance-indicators>

which is a blog considering the use and application of performance indicators in the public sector

4 Policy Implications

- 4.1 There are no policy implications from this report.

5 Directions

5.1 There are no implications on directions from this report.

6 Equalities Implications

6.1 There are no equalities implications from this report

7 Resource Implications

7.1 There are no resource implications from this report.

8 Risk

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

9 Involving people

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

10 Background Papers

10.1 None.

AUTHOR'S NAME	David King
DESIGNATION	Interim Chief Finance Officer
CONTACT INFO	David.King4@nhslothian.scot.nhs.uk
DATE	February 2022

Appendix – Social Care Briefing

Social care

Briefing



ACCOUNTS COMMISSION 

AUDITOR GENERAL 

Briefing prepared by Audit Scotland
January 2022

Key messages

- 1** There are huge challenges facing the sustainability of social care, and the integration of health and social care more widely. There are good examples of improved service delivery, but despite efforts made by the Scottish Government, Integration Authorities, NHS, local government, and their partners in recent years, the pace of change has been slow. At the same time, the pressures from increasing demand and demographic changes are growing. Although a lot of money is spent on social care (£5.2 billion in 2019/20), progress in moving to more preventative approaches to delivering social care has been limited. This has led to tighter eligibility criteria being applied for accessing care and increasing levels of unmet need.
- 2** Service users and carers do not always have a say or choice about what support works best for them. Bringing together their views, knowledge and experience is critical if the Scottish Government is to deliver its long-standing ambitions for social care. There are around 700,000 unpaid carers who provide most of the social care support in Scotland. Many carers are forced to give up work because of their caring responsibilities and most are not aware of their rights under the Carers (Scotland) Act 2016.

- 3** The 209,690 people working in social care are under immense pressure, and the sector faces ongoing challenges with recruitment and retention. Staff are not adequately valued, engaged, or rewarded for their vitally important role. The workforce is predominantly female and poor terms and conditions for staff contribute to recruitment difficulties, rising sickness absence and high vacancy levels. This puts the capacity, sustainability, and quality of care services at a considerable risk.
- 4** Other challenges we have identified through this and past audit work include:
- Commissioning tends to focus on cost rather than quality or outcomes. Current commissioning and procurement procedures have led to competition between providers at the expense of collaboration and quality.
 - A high turnover of senior staff in councils, the NHS and Integration Authorities, increasing short-term posts and an ageing workforce are affecting leadership capacity. Cultural differences between partner organisations are a barrier to collaborative working.
 - An inability or unwillingness to share information, along with a lack of relevant data, means that there are major gaps in the information needed to inform improvements in social care.

- 5** The Scottish Government is planning significant changes in social care over the next five years. This includes the introduction of a new National Care Service (NCS) which will need legislation to implement it. Work is under way, but there is much to do, including establishing the true costs of reform. Stakeholders have raised concerns about the scale of reform and the time it will take to implement it. They told us about services in near-crisis, and that a lack of action now presents serious risks to the delivery of care services for individuals.
 - 6** Regardless of what happens with reform, some things cannot wait. A clear plan is needed now to address the significant challenges facing social care in Scotland based on what can be taken forward without legislation, which could provide strong foundations for an NCS. The Scottish Government should develop this quickly, with clear timescales, to remove any uncertainty about the future direction of social care, building on lessons learned from previous reform.
-

Introduction

1. Our previous reports have highlighted the significant challenges facing social care and the integration of health and social care more widely. Other stakeholders have also recognised these challenges, including the Scottish Government, the NHS and local government. Despite the efforts of these stakeholders and their partners, and some good examples of improvements in service delivery, progress has been slow. There is widespread agreement that the way social care is provided still needs to change significantly.

2. Our previous reports have regularly highlighted the following key themes and challenges in delivering improvements in social care:

- the importance of the service user's perspective and voice
- the fragility of the social care workforce
- tensions between cost and quality in the commissioning of social care
- instability of leadership and leaders failing to work effectively together
- a lack of key data, and ineffective use of existing data, to inform decision-making
- increasing financial challenges and threats to the sustainability of services, including lack of progress in shifting resources to preventative approaches.

3. Since we last prepared a detailed report on health and social care, there have been significant developments in the sector, most notably:

- [The Independent Review of Adult Social Care \(IRASC\)](#) and the Health and Sports Committee's [The Future of Social Care and Support in Scotland](#), both published in February 2021. These reports highlighted many of the same issues we have raised in our work.
- The Scottish Government held an extensive consultation on a new National Care Service between August and November 2021. Our response to the consultation can be viewed on our [website](#).
- The Independent Care Review and its report [The Promise](#) published in February 2020, setting out improvements for how partner bodies can work together better to care for vulnerable children and their families.

4. While this briefing acknowledges the work planned by the Scottish Government and stakeholders, it notes that work in many of these areas cannot await the creation of a new organisation. The associated changes to governance and management structures will require legislation and several years to implement.

5. This briefing summarises the key challenges and recent progress in social care in Scotland against each of the themes listed above. We have included quotes from recent publications containing the views of people with experience of social care support and providers of social care. It should help inform Scottish Government and stakeholders' immediate planning for social care alongside longer-term plans for reform. We plan to follow this up with more detailed work on social care in 2022/23.

Social care challenges

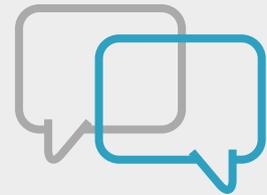
Challenges we have identified through this and past audit work include the service user's perspective and voice, pressures on the workforce, increasing financial challenges and threats to the sustainability of services.

Service users and carers do not always have a say or choice about what support works best for them

6. In our reports, we have consistently highlighted the importance of the user's perspective on what good-quality care looks like. This includes those currently providing unpaid care – family members and friends. Bringing together their views, knowledge and experience will be a critical part of supporting improvements needed for the current pressing challenges facing social care services.

7. We have highlighted in our [Principles for community empowerment report](#) that that services can be most effective when delivered in, or by, communities. People contributing to the IRASC, spoke of the need for a flexible approach that takes account of wider supports, such as the support of carers and local services offered by community organisations to enable people to fulfil their potential, goals, and outcomes.

8. Self-directed support (SDS) was introduced jointly by the Scottish Government and Convention of Scottish Local Authorities (COSLA) in 2013. It was designed to give people choice and control over their care, including personalised options for carers to take short breaks from caring. In our [Self-directed support progress report](#), we noted that, despite many examples of positive progress, SDS has not yet been fully implemented. People using social care support who contributed to the IRASC described the hurdles encountered in accessing services and described accessing support as a battle. They summed up the process of accessing social care as notoriously difficult, over-complicated and bureaucratic.



"with SDS I have control. I can choose what option I want (within the rules, of course!). I find this is much more liberating ... Basically, it has been the passport to independence."

Source: 1

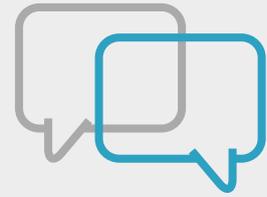
Unpaid carers provide a huge amount of support

9. Unpaid carers provide most of the social care support in Scotland. There are an estimated 700,000 unpaid carers, with around 20 per cent of carers aged over 65 and four per cent under the age of 16.¹ Under the Carers (Scotland) Act 2016, carers have a right to support, information and advice. However, a 2019 survey by the Coalition of Carers found that only 16 per cent of carers knew of the Act and what rights it provides; 33 per cent had heard of it but did not know what it was about; and 51 per cent had never heard of it.² Women are more likely to work part-time and provide unpaid care. This results in a financial penalty, affecting women more than men and which lasts into retirement.³ The IRASC highlighted that many carers are forced to give up work because of their caring responsibilities and that access to and options for respite care are limited.

The social care workforce is under immense pressure

10. The paid social care workforce provides support and care to people with a wide range of different needs in society, including learning disabilities, physical disabilities, and dementia. With around 209,690 people, it accounts for approximately eight per cent of all Scottish employment. There is increasing demand for social care and ongoing challenges with recruitment and retention ([Exhibit 1, page 9](#)).

11. In our 2016 [Social work in Scotland publication](#), we reported on the difficulties in recruitment, including low pay, antisocial hours and difficult working conditions, with women making up approximately 85 per cent of the workforce. The IRASC highlighted the gender inequality this creates because the predominantly female workforce is not adequately valued, engaged, or rewarded for its vitally important role. There is too much focus on costs, rather than on high-quality, person-centred care and support. The focus on costs leads to poor terms and conditions for staff and contributes to recruitment difficulties, rising sickness absence and high vacancy levels. This presents a risk to the capacity and quality of care services.



“When unpaid carers are dealing with caring 24/7 it is very difficult for them to have any energy left to ‘fight’ for social care support.”

Source: 4

Exhibit 1

Social care workforce

The social care workforce has high vacancy rates with many services facing recruitment problems.



209,690

people working in social care

- 159,260 full-time equivalents (FTE) in 2020
- ↑ an increase of 1.6% from 2019



36%

of services reported having vacancies in December 2020

- ↓ 3 percentage point decrease from 2019
- > three times higher than across all employers in Scotland (11%)

Services with high vacancy rates are:

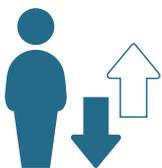
- housing support services (60%)
- care at home services (59%)
- care homes for older people (55%)
- care homes for adults (48%)



5.1%

FTE vacancy rate for all services at 31 December 2020

- ↓ down from 6.2% in 2019
- > more than two and a half times the overall vacancy rate across all establishments in Scotland (1.9%)



20%

are **not** on permanent contracts



11%

are on **zero hours** contracts



13%

of the workforce work over **50 hours a week**



15%

of social care workers work **unpaid overtime**



£9.79

average hourly pay

Source: Scottish Social Services Council (SSSC) workforce survey October 2021, FWC's Fair work in Scotland's social care sector 2019 report, Care Inspectorate and SSSC Staff vacancies in care services 2020 report, Scottish Government's Employer Skills Survey 2020

12. The Fair Work Convention (FWC) has been in place since April 2015 and acts as an independent advisory body to Scottish ministers. Following publication of its Fair Work Framework in 2016, the FWC established a social care inquiry because of concerns raised about the social care workforce during consultation on the framework. The overarching finding was that fair work is not consistently delivered in the social care sector. Despite some good practice and efforts by some employers, the wider funding and commissioning system makes it almost impossible for care providers to offer fair work.

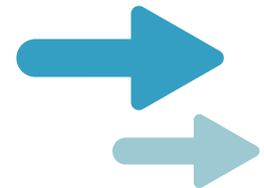
13. The Scottish Government established a Fair Work in Social Care Group, including representation from local government, private sector, third sector, trade unions, and COSLA. Since summer 2020 the group has been discussing improving pay and conditions and improving the staff consultative framework, called Effective Voice.

14. Since 2016, the Scottish Government has provided funding for adult social care staff to be paid the Real Living Wage. However, care providers have expressed concern that this may still not be enough to attract people into the sector. Recent announcements include:

- [Funding announced in March 2021](#) for adult social care workers to receive at least the Real Living Wage of £9.50 an hour. The Real Living Wage increased to £9.90 an hour in November 2021.
- [Winter funding announcement](#) in October 2021 included additional funding of up to £48 million this financial year to enable employers to provide an uplift to the hourly rate of pay for staff offering direct care within adult social care to a minimum £10.02 per hour.
- The [Scottish budget](#) in December 2021 announced funding for local government to deliver a £10.50 per hour minimum pay settlement for adult social care workers in commissioned services.

15. The Covid-19 pandemic has exacerbated the long-standing challenges facing the social care sector and put the workforce under immense pressure. This has led to increased workloads, staff burnout, and rising sickness levels. Additional pressures on unpaid carers, owing to the closure of day centres and respite services, have resulted in increased feelings of anxiety, depression, and mental exhaustion.⁴ Surveys of staff and providers show concerning issues:

- Almost a quarter of staff leave within the first three months of joining an organisation.⁵
- 88 per cent of social care providers said that recruitment and retention was problematic.⁶ Ongoing recruitment is a massive cost to the sector as providers are advertising vacancies on a rolling basis.⁷
- 63 per cent of Coalition of Care and Support Providers in Scotland (CCPS) members had to reduce the volume of care provided.⁸
- 7 per cent of CCPS members have returned care packages and 53 per cent have refused/would refuse new care packages.⁹
- 78 per cent of home care workers and 74 per cent of care home workers reported that they frequently did not have enough time with clients to deliver compassionate and dignified care.¹⁰
- 73 per cent of home care and care home staff reported they frequently had to do training in their own time.¹¹



Commissioning focuses on cost at the expense of high-quality, person-centred care and support.

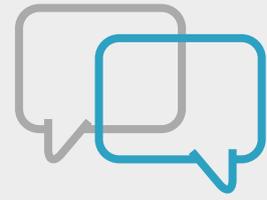
Commissioning tends to focus on cost rather than quality or outcomes

16. We have highlighted [the challenging task that councils face](#) responding to financial pressures and managing the market for providing social care services in their local area. There are tensions around making savings while ensuring high-quality services at a fair cost in an environment of increasing demand and financial pressures. However, there is scope for providers to be more involved in commissioning services and at an earlier stage. Our [local government financial overview](#) reported that 2019/20 saw a cash increase of £0.5 billion to local government, but reductions over the past seven years are still larger than in other areas of the Scottish Government budget.

17. Current commissioning and procurement procedures have led to competition between providers, at the expense of collaboration. The result is that price is often the main driver for decision-making. The Scottish Government states commissioners could be more flexible in how they procure care and support services, but that it is not being fully used by commissioners.¹² The IRASC highlighted that this focus on cost comes at the expense of high-quality, person-centred care and support. It has led to home care visits being planned on a 15-minute basis, which prioritises social care tasks at the expense of relationships. Short-term approaches to procurement also contribute to poor staff terms and conditions and to providers spending significant time and resources applying and reapplying for contracts.

18. The FWC concluded that low pay in the sector is a symptom of wider structural problems arising from the commissioning system for social care itself. The current method of competitive tendering is based on framework agreements where too often, care provider organisations do not know how many support hours are needed on a day-to-day basis. Employers pass this risk on to staff by giving them contracts that maximise employer flexibility (zero-hours, low-hours, and sessional contracts). This can mean workers having their shifts cancelled if demand falls or being asked to do extra hours at short notice if demand increases, leading to feelings of being always on-call.¹³

19. Voluntary and private sector providers deliver most social care services in Scotland, representing 20 and 57 per cent of registered services respectively.¹⁴ The sustainability of the social care market is key to maintaining Scotland's capacity to address individual care needs. The CCPS 2020 Business Resilience Survey reported that a third of respondents from voluntary services had decided to withdraw from or not to bid for contracts considered unsustainable.¹⁵ Scottish Care reported that half of private care at home services did not apply for local authority contracts in 2017 and 39 per cent handed work back to councils.¹⁶ This was largely because of funding levels for contracts, requirements or penalties in contracts, extent of travel, and a lack of available staff. With the growing financial and workforce pressures facing private and voluntary providers, it is important that Integration Authorities have contingency plans in place and that the financial health of key strategic providers is monitored.



“Everything has a cost, but it is more useful to look at things as a choice rather than a cost, some things are worth the investment.”

Source: 4

Capacity and cultural differences are affecting leadership

20. The health and social care sector needs stable and collaborative leadership to address the ongoing challenges, to remobilise services following the pandemic, and to implement significant reform. In recent years, we have highlighted significant challenges for leadership capacity across the public sector. Our [Local government in Scotland: Overview 2020](#) report emphasised the critical need for effective leadership at a time of increasing pressures and change. It highlighted that councils and Integration Authorities are experiencing high turnover of senior staff and are competing not only with each other for the best quality leaders but also with the private and third sectors. Similarly, our [NHS in Scotland 2020](#) report highlighted the continuing lack of stable NHS senior leadership, with high turnover and short-term posts.

21. The current model of governance for Integration Authorities is complicated, with decisions made at Integration Authority, council and health board level. We have found that [cultural differences between partner organisations](#) are a barrier to achieving collaborative working. Partner organisations work in very different ways, and this can result in a lack of trust and understanding of each other's working practices and business pressures. There can also be tendency to put the organisation first when alternative actions would benefit partners.

A lack of key data limits informed decision-making

22. The lack of relevant data, or analysis of primary, community and social care data, has been a common theme across a range of our reports. Good data and analysis will be essential for implementing social care reform. For example, in our [health and social care integration](#) report, we noted that, despite work to better analyse data, there were still gaps. That report also highlighted that an inability or unwillingness to share information was slowing the pace of health and social care integration. In October 2021, the Scottish Government and COSLA published a revised Digital Health and Care Strategy. The strategy includes a focus on harnessing data for the benefit of citizens and services, with further detail to be published this year on how this will be achieved.

23. Current limitations of social care data include:

- No individual social care record in the same way that each member of society has an NHS record. This makes it difficult to assess whether social care is meeting people's needs.
- No consistent method for recording unmet need. A person may be assessed as needing social care support but may not meet the eligibility criteria in place. This makes it difficult to assess the level of unmet need and therefore what more is required to deliver a person-centred, human-rights approach to social care.
- No coordinated approach to anticipating future demand for and costs of delivering services. Although some individual health and social care partnerships base their strategic plans on data for the prevalence of conditions in their area, for example heart disease, there is limited evidence of this being used in budget decisions.

Pressure on social care spending is increasing

24. A considerable amount of money is already spent on social care and pressures are growing because of increasing demand and demographic changes. In 2019/20, total social care expenditure was £5.2 billion, most of which was on adult social care – £4.0 billion (77 per cent) ([Exhibit 2, page 16](#)).

25. By 2038, forecasts suggest that nearly a quarter of people living in Scotland will be over the age of 65.¹⁷ Scotland's increasingly ageing population means that the demand for social care services will rise, and more resources will be required for social care over the long term. Around a fifth of the population of Scotland define themselves as having a disability and disability is more prevalent in older people. As our older population rises, the number of people with a disability, as a proportion of the population, is expected to increase too. For example, research by Horizon Housing in 2018 projected an 80 per cent increase in the population of wheelchair users by 2024.¹⁸

26. The Scottish Government has committed to increasing social care funding by at least 25 per cent in cash terms over the current parliamentary term. This should mean over £800 million of additional funding by 2026/27.¹⁹ Moreover, the UK Government's announced increase in national insurance contributions will provide an estimated additional £1.1 billion to Scotland by 2024/25, some of which will go towards funding social care.²⁰

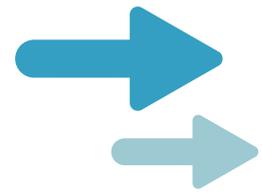


“Consultation has to be honest. You won't be able to deliver on everything people want, but you have to show them how they can be involved in change”

Source: 2

27. In previous reports we have highlighted the importance of public bodies developing medium- and long-term financial plans that take account of forecast demand. The current lack of multi-year budgeting has made managing costs and potential funding shortfalls more difficult in the medium to longer term. We have also commented on [the lack of progress in shifting resources](#) from acute to community settings and preventative approaches. A preventative, person-centred approach, as set out by Christie ten years ago, is key for improving outcomes and reducing inequalities.²¹ However, we repeatedly reported in our [Christie: 10-years on blog](#) that this is not being achieved consistently or at scale. Christie stated that one of the major barriers to preventative action was the extent to which resources are currently tied up in dealing with short-term problems. The report warned that without a shift to preventative action, increasing demand would swamp public services' capacity to achieve outcomes.

28. [Health and social care partnerships face ongoing challenges](#), with over two-thirds of Integration Authorities unable to achieve a balanced budget without additional funding from partners in 2018/19. Our report on [free personal and nursing care](#) found that abolishing charging led to councils developing eligibility criteria to manage the demand for services. Financial pressures across Scotland are leading to local variations in how those eligibility criteria are being applied to manage access to social care.

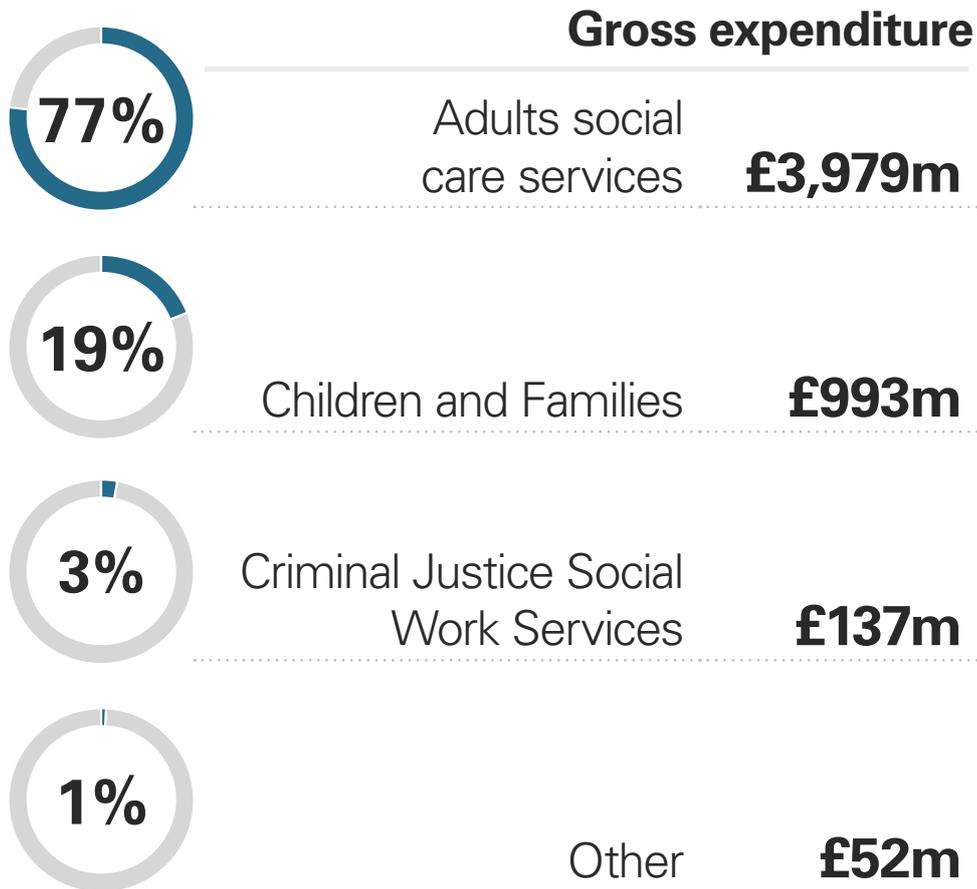


A preventative, person-centred approach, is key for improving outcomes and reducing inequalities.

Exhibit 2

Social care expenditure in Scotland, 2019/20

Of the £5.2 billion spent on social care in 2019/20, £4.0 billion (77 per cent) was spent on adult social care.



Note: Adult social care expenditure includes an estimated £410 million from individuals funding all or part of their care in care homes. This means that total public funding for social care is £4.7 billion. Social care expenditure incurred by the NHS (e.g. occupational therapists) is not included as this is not routinely collected.

Source: Scottish Government collated information including Local Finance Returns 2019/20, Independent Living Fund Accounts 2019/20, National Care Home census 2019.



Quotes from people with experience of social care support and providers of social care.

“There are many, many people who do not speak the language, they will never know who to contact, where to phone, what they get or don’t get. Just think about it, their situations, where they’re just left, in such a dire situation sometimes.” Source: 1

“Disabled people are apprehensive about moving home from one local authority area to another because they know that they will have to go through yet another assessment process. Most of them will have battled with social services for years to get the support that they have currently and are not keen to have to repeat the trauma...” Source: 2

“We are hearing repeatedly from unpaid carers that carers assessments are not being undertaken, that they feel undervalued and their human rights as people are being ignored. Unpaid carers are relentlessly providing care, night and day, with many paying for provision themselves in order to get a break from their caring responsibilities.” Source: 4

“I think [we need] recognition that care work is really important and is essential. [...] I think if it was better pay and it was more secure and the hours were better than I wouldn’t be so afraid that my personal assistant would leave.” Source: 1

“It took 2 years and 6 different social workers to finally get a budget for my daughter.” Source: 2

“There is an understanding that eligibility criteria act as a device for local authorities to manage limited resources, however this has resulted in service provision being focused on critical care responses rather than prevention. Social care should be considered an investment and not a cost.” Source: 3

Social care next steps

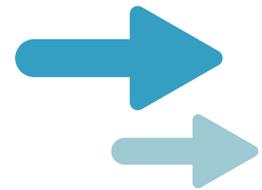
There is much to do to improve social care. Stakeholders have raised concerns about the scale of reform and how a lack of action now presents serious risks.

The Scottish Government is planning significant changes in social care over the next five years

29. On 1 September 2020, the Cabinet Secretary for Health and Sport confirmed the Scottish Government was commissioning [a review of adult social care](#). The cabinet secretary said that the pandemic had ‘shone a light on the pressing work we need to do to improve those services and support those who need them and those who work in them’. The key developments and anticipated timescales for [social care reform are set out on page 19](#).

30. The IRASC recommendations were focused on adult social care. The Scottish Government NCS consultation goes further and sets out a vision to create a community health and social care service that supports people of all ages and with a wider range of needs. This includes children’s services, community justice, alcohol and drug services, and social work. The proposals are not costed. It states that all proposals will be assessed for value for money as the consultation feedback is considered but there is still much to do to establish the true costs of reform.

31. It is still early days for the Scottish Government’s plans for reform. However, stakeholders have raised concerns about the extent of the proposals for reform and the time it will take to implement them. Many of the issues cannot wait for the Scottish Government to implement an NCS. Stakeholders told us of services in near-crisis and explained that a lack of action now presents serious risks to the delivery of care services for individuals. And this in turn will affect the delivery of the Scottish Government’s ambitions for social care in Scotland. The social care workforce was frequently described as undervalued, with low wages for the responsibilities of their work, and vacancies hard to fill owing to similar or better wages paid in retail and hospitality sectors.



Stakeholders have raised concerns about the extent of the proposals for reform and the time it will take to implement them.

Timeline for social care reform

2021 	3 February	the IRASC advisory panel published its report and made 53 recommendations for improvement
	16 February	the Scottish Government confirmed it accepted the IRASC recommendations
	24 March	the Scottish Government and COSLA issued a joint statement of intent outlining how they would work together to deliver the intentions of the IRASC
	20 July	the Social Care Covenant Group held its first meeting. Chaired by the Minister for Mental Wellbeing and Social Care and including members with first-hand experience, the group was set up to establish a common set of values and beliefs for social care
	9 August to 2 November	the Scottish Government held a wide-ranging consultation on a national care service (NCS) for Scotland
	August and October	the Scottish Government held a series of engagement events at which stakeholders, individuals, and communities came together to share their views on the consultation
	2 September	the Scottish Government awarded a contract to PricewaterhouseCoopers for setting up a programme management structure for an NCS
2022 	2 November	the Scottish Government tendered work on developing an operating model and business case for an NCS
	January/February	the Scottish Government expects to publish the results of the consultation in early 2022
	June	the Scottish Government has committed to begin the legislative process to set up an NCS
2026 	May	the Scottish Government expects that an NCS would be fully operational by the end of the current parliamentary term.

Implementing reform will take significant work, but some things cannot wait

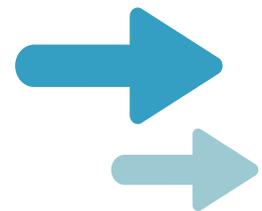
32. The Scottish Government's commitments to an NCS indicates that it recognises the significance of the challenge, but it is at an early stage, with little planning having yet taken place. As we and others have indicated, the need for improvements in social care are now urgent and the government and key stakeholders need to remain focused on making improvements in the areas we have highlighted. The need to address the significant and pressing challenges facing social care in Scotland cannot wait to be solved by a new NCS.

33. The pandemic has exacerbated the long-standing challenges facing the social care sector, highlighting the precarious situation of many vulnerable people who rely on social care or support. The Scottish Human Rights Commission (SHRC) reported on the negative impact Covid-19 had on people requiring support and their rights. The SHRC expressed deep concern about future levels of social care support likely to be available to people whose packages were reduced or withdrawn during the pandemic. It highlighted the need to invest in a social care system, based on human rights, that meets people's needs and improves outcomes.²²

34. Although there is still uncertainty about what social care reform will look like in terms of scope, the additional funding needed will be significant. It is important that the [additional investment set out in paragraph 26](#) is used effectively to make the changes required in social care and that services do not continue to be funded and delivered in the same way.

Next steps for the Scottish Government

35. Following the end of its consultation, the Scottish Government needs to establish what is included in an NCS and the legislative programme needed to progress it. It should also identify what can be taken forward now without legislation, which could provide a strong foundation for an NCS. Considerable work has already been carried out in some areas on the improvements required, for example on the workforce (Fair Work Commission) and commissioning (CCPS, Healthcare Improvement Scotland).



The Scottish Government should identify where improvement can be made now, drawing on existing work and recommendations and bringing together key stakeholders.

36. It is important the Scottish Government develops a clear scope quickly, with timescales for implementing each workstream, to remove uncertainty about the future direction of social care. The Scottish Government needs to consider the following in developing a plan:

- the functions where there may be value in adopting a national approach to achieve consistency and equity
- areas where improvement can be made now, drawing on existing work and recommendations, by bringing together key stakeholders with a clear remit to deliver the changes required
- developing an understanding of the longer-term costs and funding, including effective exit strategies from current services, identifying double-running costs while setting up new services, and moving more resources into preventative services
- prioritising developing a long-term, integrated workforce plan to address the crisis in the social care workforce and to implement the FWC's recommendations
- developing an understanding of what a preventative and human rights-based approach to social care looks like and a plan for co-producing it. This includes how it will continue to embed the voice of care experienced people in all aspects of developing, planning, and delivering effective social care for people who require support and their carers.

37. The Scottish Government will need to link plans for social care with developments in other policy areas, such as the NHS and housing. This includes the Scottish Government's plans to set up a new care and wellbeing portfolio to focus on reducing inequality, prioritising prevention and early intervention, and improving health and wellbeing outcomes.

38. Lessons also need to be learned from past restructuring and public service reform, for example health and social care integration, police and fire reform, college sector regionalisation, and the development of social security responsibilities in Scotland. Our reports in these sectors have found that reform is challenging and public bodies have experienced difficulties implementing elements of reform – expected benefits are not always clearly defined and, even if they are, reform does not always deliver the expected benefits, particularly in the short term. Any difficulties in implementing social care reform could have a significant negative impact on vulnerable people who rely on care and support. Key learning points include the importance of including:

- realistic costs in financial memorandums accompanying parliamentary bills for legislative change
- a comprehensive business case, clearly setting out the purpose and objectives of reform, timescales, key roles, responsibilities and accountability, risks, and the budget
- evidence to support major changes and being clear about how they will improve outcomes, options appraisal, and economic modelling
- good baseline information and a clear plan for measuring performance and improvement
- governance, accountability, roles and responsibilities in the new structure, and ensuring a shared understanding and agreement among key stakeholders
- strong, consistent strategic leadership from the outset
- an understanding of the time and effort needed to implement major change and complex restructuring, and of the cultural differences between partners.

Endnotes

- 1 www.gov.scot/publications/scotlands-carers
- 2 Coalition of Carers in Scotland survey, 2019.
- 3 State of Caring Survey 2021, Carers UK, October 2021.
- 4 Health and Sport Committee Social Care Inquiry – Care at Home Survey Results, Scottish Parliament, November 2020.
- 5 Workforce Recruitment and Retention Survey Findings – Interim report, Scottish Care, September 2021.
- 6 Workforce Recruitment and Retention Survey Findings – Interim report, Scottish Care, September 2021.
- 7 Workforce Recruitment and Retention Survey Findings – Interim report, Scottish Care, September 2021.
- 8 Evidencing the current recruitment picture, CCPS survey, September 2021.
- 9 Evidencing the current recruitment picture, CCPS survey, September 2021.
- 10 Show You Care survey, GMB Scotland, August 2020. Survey of 1600 GMB members/social care workers.
- 11 Show You Care survey, GMB Scotland, August 2020. Survey of 1600 GMB members/social care workers.
- 12 Procurement of care and support services: Best practice guidance summary, Scottish Government, published March 2016 and updated June 2021.
- 13 Fair Work in Scotland's Social Care Sector, Fair Work Convention, February 2019.
- 14 Quarterly statistical summary report (Q2 2021/22), Care Inspectorate, October 2021.
- 15 Business Resilience Survey 2020, Coalition of Care and Support Providers in Scotland, May 2021.
- 16 Care at Home Contracts & Sustainability Report, Scottish Care, January 2018.
- 17 A Scotland for the Future: The opportunities and challenges of Scotland's changing population, Scottish Government, March 2021.
- 18 Housing to 2040 - The Route Map, Scottish Government, March 2021.
- 19 A Fairer, Greener Scotland: Programme for Government 2021-22, Scottish Government, September 2021.
- 20 Build Back Better: Our plan for health and social care, UK Government, September 2021.
- 21 Christie Commission on the future delivery of public services, Scottish Government June 2011.
- 22 COVID-19, Social Care and Human Rights: Impact Monitoring Report, Scottish Human Rights Commission, October 2020.

Quote Sources:

- Source 1:** My Support My Choice, People's Experiences of Self-directed Support and Social Care in Scotland, Self Directed Support Scotland, National Report, October 2020.
- Source 2:** Social Care Inquiry, Responses from Members of Public, Citizens Space, 2020.
- Source 3:** Health and Social Care Alliance Scotland, Social Care Review Engagement Activity- Carers People at the Centre September, 2020.
- Source 4:** Health and Social Care Alliance Scotland, Social Care Review Engagement Activity in partnership with Age Scotland 29 October, 2020.

Social care

Briefing

Audit Scotland's published material is available for download on the website in a number of formats. For information on our accessibility principles, please visit: www.audit-scotland.gov.uk/accessibility

For the latest news follow us on social media or [subscribe to our email alerts](#).

For further information visit our [Transforming Health and Social Care e-hub](#).

Audit team

The core audit team consisted of: Jillian Matthew, Shelagh Stewart, Christopher Lewis and Aileen Campbell under the direction of Mark MacPherson.



Audit Scotland, 4th Floor, 102 West Port, Edinburgh EH3 9DN
Phone: 0131 625 1500 Email: info@audit-scotland.gov.uk
www.audit-scotland.gov.uk

ISBN 978 1 913287 69 6