

# Midlothian Integration Joint Board

2023/24 Annual Audit Report – Draft



 AUDIT SCOTLAND

Prepared for Midlothian Integration Joint Board and the Controller of Audit  
September 2024

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# Key messages

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## 2023/24 annual accounts

- 1 Audit opinions on the annual accounts of Midlothian Integration Joint Board are unmodified.
- 2 The unaudited accounts and supporting working papers, including assurance letters from the constituent bodies, were provided within the agreed timescale. However, similar to 2022/23, further working papers were required to enable agreement of social care figures between the unaudited accounts and the ledger.
- 3 There is scope to improve the narrative in the annual report and accounts.

## Financial management and sustainability

- 4 Midlothian IJB returned a planned deficit in 2023/24 and utilised £12 million of reserve funding to commission services from partner bodies. The transfer of £12 million from reserves reduced the overall balance from £13 million at 1 April 2023 to £1 million at 31 March 2024.
- 5 A medium-term financial strategy is in place which is forecasting a £52 million cumulative budget gap from 2024/25 to 2028/29. Recovery plans have been identified to bridge £10 million of the funding gap for 2024/25 but the IJB is finding it significantly challenging to identify plans to bridge the remaining gap of £42 million.

## Vision, leadership, and governance

- 6 Governance arrangements are appropriate and support effective scrutiny, challenge and informed decision making though there is scope to further enhance arrangements.

## Use of resources to improve outcomes

- 7 Midlothian IJB has effective arrangements for managing and reporting performance.
- 8 Good progress has been made in demonstrating compliance with the duty of best value through the new Best Value Framework which will form part of an annual assessment of the board's Best Value arrangements.

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# Introduction

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**1.** This report summarises the findings from the 2023/24 annual audit of Midlothian Integration Joint Board (Midlothian IJB). The scope of the audit was set out in an Annual Audit Plan presented to the audit and risk committee meeting on 7 March 2024. This Annual Audit Report comprises:

- significant matters arising from an audit of Midlothian IJB's annual accounts
- conclusions on the following wider scope areas that frame public audit as set out in the [Code of Audit Practice 2021](#):
  - Financial Management
  - Financial Sustainability
  - Vision, Leadership, and Governance
  - Use of Resources to Improve Outcomes.
- conclusions on Midlothian IJB's arrangements for meeting its Best Value duties.

**2.** This report is addressed to the board of Midlothian IJB and the Controller of Audit and will be published on Audit Scotland's website [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk) in due course.

## Audit appointment

**3.** Claire Gardiner has been appointed by the Accounts Commission as auditor of Midlothian IJB for the period from 2022/23 until 2026/27.

**4.** We would like to thank management, particularly those in finance, for their cooperation and assistance this year and we look forward to working together constructively over the course of the remainder of the five-year appointment.

## Responsibilities and reporting

**5.** Midlothian IJB has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing annual accounts that are in accordance with proper accounting practices. Midlothian IJB is also responsible for compliance with legislation and putting arrangements in place for governance and propriety that enable it to successfully deliver its objectives.

**6.** The responsibilities of the independent auditor are established by the Local Government (Scotland) Act 1973, the [Code of Audit Practice](#), and supplementary guidance and International Standards on Auditing in the UK.

**7.** Weaknesses or risks identified are only those which have come to our attention during our normal audit work and may not be all that exist. Communicating these does not absolve management of Midlothian IJB from its responsibility to address the issues raised and to maintain adequate systems of control.

**8.** This report contains an agreed action plan at [Appendix 1](#). This sets out specific recommendations, the responsible officers, and dates for implementation.

## Auditor Independence

**9.** We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can also confirm that we have not undertaken any non-audit related services and therefore the 2023/24 audit fee of £33,360 as set out in the 2023/24 Annual Audit Plan remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

## Adding value through audit

**10.** The annual audit adds value to Midlothian IJB by:

- identifying and providing insight on significant risks, and making clear and relevant recommendations
- providing clear and focused conclusions on the appropriateness, effectiveness and impact of corporate governance, arrangements to ensure the best use of resources and financial sustainability.
- sharing intelligence and good practice identified.

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# 1. Audit of 2023/24 annual accounts

Public bodies are required to prepare annual accounts comprising financial statements and other related reports. These are the principal means of accounting for the stewardship public funds.

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## Main judgements

Audit opinions on the annual accounts of Midlothian IJB are unmodified.

The unaudited accounts and supporting working papers, including assurance letters from the constituent bodies, were provided within the agreed timescale. However, similar to 2022/23, further working papers were required to enable agreement of social care figures between the unaudited accounts and the ledger.

There is scope to improve the narrative in the annual report and accounts.

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## Audit opinions on the annual accounts are unmodified

**11.** The Board approved the annual accounts for Midlothian IJB for the year ended 31 March 2024 on 19 September 2024. As reported in the independent auditor's report, in my opinion as the appointed auditor:

- the financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework.
- the audited part of the Remuneration Report was prepared in accordance with the Local Authority Accounts (Scotland) Regulations 2014.
- the Management Commentary and Annual Governance Statement were consistent with the financial statements and properly prepared in accordance with the applicable requirements.

## Overall materiality was assessed on receipt of the annual accounts as £3.9 million

**12.** The concept of materiality is applied by auditors to determine whether misstatements identified during the audit could reasonably be expected to influence the economic decisions of users of the financial statements, and hence impact their opinion set out in the independent auditor's report. Auditors set a monetary threshold when considering materiality, although some issues

may be considered material by their nature. It is ultimately a matter of the auditor's professional judgement.

**13.** My initial assessment of materiality was carried out during the risk assessment phase of the audit. This was reviewed and revised on receipt of the unaudited annual accounts and is summarised in [Exhibit 1](#).

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## Exhibit 1

### Materiality values

Materiality level	Revised Amount
Overall materiality	£3.9 million
Performance materiality	£2.7 million
Reporting threshold	£0.2 million

Source: Audit Scotland

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**14.** The overall materiality threshold for the audit of the annual accounts of Midlothian IJB was set with reference to gross expenditure, which we judged as the figure most relevant to the users of the financial statements.

**15.** Performance materiality is used by auditors when undertaking work on individual areas of the financial statements. It is a lower materiality threshold, set to reduce the probability of aggregated misstatements exceeding overall materiality. Performance materiality was set at 70% of overall materiality, reflecting a history of no significant matters arising, audit recommendations, adjusted or unadjusted errors.

**16.** It is my responsibility to request that all misstatements, other than those below the reporting threshold are corrected. However, the final decision on making the correction lies with those charged with governance.

## Significant findings and key audit matters

**17.** Under ISA (UK) 260, we communicate significant findings from the audit to the Board, including our view about the qualitative aspects of the body's accounting practices.

**18.** The Code of Audit Practice also requires me to highlight key audit matters, which are defined in ISA (UK) 701 as those judged to be of most significance. The significant findings are summarised in [Exhibit 2](#).

## Exhibit 2

### Significant findings from the audit of the annual accounts

Issue	Resolution
<p><b>1. Constituent body working papers</b></p> <p>The unaudited accounts and supporting working papers, including assurance letters from the constituent bodies, were provided within the agreed timescale. However, similar to 2022/23, further working papers and revisions to the Midlothian Council assurance letter were required to enable agreement of social care figures between the unaudited accounts and the ledger. This led to a delay in the audit process and increasing pressure for the audit team and finance staff to complete the audit by the agreed deadline of 19 September.</p>	<p>Additional working papers and a revised assurance letter were provided by Midlothian Council and reviewed by external audit.</p> <p>We are satisfied that the figures in the unaudited accounts have been agreed to constituent bodies ledgers and assurance letters.</p> <p><b>Recommendation 1</b></p> <p>Working papers and assurance letters should be reviewed by management, prior to submission to audit. It is the IJB's responsibility working with partner bodies, to ensure assurance letters agree to the unaudited accounts and provide sufficient detail to enable external audit to agree the figures to the ledger.</p> <p>(Refer <a href="#">Appendix 1</a> action plan).</p>

## Our audit work responded to the risks of material misstatement identified in the annual accounts

19. We have obtained audit assurances over the identified significant risks of material misstatement in the annual accounts. [Exhibit 3](#) sets out the significant risks of material misstatement to the financial statements we identified in the 2023/24 Annual Audit Plan. It also summarises the further audit procedures performed during the year to obtain assurances over these risks and the conclusions from the work completed.

## Exhibit 3

### Significant risks of material misstatement in the annual accounts

Audit risk	Assurance procedure	Results and conclusions
<p><b>1. Risk of material misstatement due to fraud caused by management override of controls</b></p> <p>As stated in International Standard on Auditing (UK) 240, management is in a unique position to perpetrate fraud because of management's ability to override controls that</p>	<p>Agreement of balances and transactions to Midlothian Council and NHS Lothian financial reports/ledger and correspondence.</p> <p>Constituent body auditor assurances will be obtained over the completeness, accuracy and allocation of income and expenditure to Midlothian Integration Joint</p>	<p>Additional working papers and a revised assurance letter from Midlothian Council were obtained and have been assessed as satisfactory.</p> <p>We obtained satisfactory assurances from the external auditors of NHS Lothian and Midlothian Council.</p>



Audit risk	Assurance procedure	Results and conclusions
otherwise appear to be operating effectively.	Board activities included in the annual accounts.  Review of year-end transactions and journals.	No significant weaknesses in the systems of internal control have been identified that impact on Midlothian IJB.  We reviewed adjustments at year end and financial monitoring reports.  <b>Conclusion:</b> No incidents of management override of controls were identified.

## There were no identified misstatements in the audited annual accounts

**20.** It is our responsibility to request that all misstatements, other than those below the reporting threshold, are corrected. However, the final decision on making the correction lies with those charged with governance considering advice from senior officers and materiality.

**21.** Our audit identified no misstatements above our reporting threshold.

## The unaudited annual accounts were received in line with the agreed audit timetable

**22.** The unaudited annual accounts were received in line with the agreed audit timetable on 21 June 2024. However, there is scope to improve the narrative in the annual report and accounts. The management commentary in the unaudited accounts did not fully tell the story of the IJB, give good performance detail or transparently set out financial information (e.g. detail on use of earmarked reserves and gross expenditure which was included in the prior year accounts was excluded this year).

## Recommendation 2

The management commentary should be reviewed to ensure it provides a clear summary of performance during the year and transparently sets out financial information.

## There were no objections to the annual accounts

**23.** The Local Authority Accounts (Scotland) Regulations 2014 require local government bodies to publish a public notice on their website that includes details of the period for inspecting and objecting to the annual accounts. This must remain on the website throughout the inspection period. Midlothian IJB complied with this requirement and there were no objections to the 2023/24 annual accounts.

## **Progress was made on prior year recommendations**

**24.** Midlothian IJB has made some progress in implementing and partially implanting two of the four agreed prior year audit recommendations. For actions not yet implemented, revised responses and timescales have been agreed with management, and are set out in [Appendix 1](#).

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## 2. Financial management and sustainability

Financial management means having sound budgetary processes, and the ability to understand the financial environment and whether internal controls are operating effectively.

Financial Sustainability means being able to meet the needs of the present without compromising the ability of future generations to meet their own needs.

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### Conclusion

Midlothian IJB returned a planned deficit in 2023/24 and utilised £12 million of reserve funding to commission services from partner bodies. The transfer of £12 million from reserves reduced the overall balance from £13 million at 1 April 2023 to £1 million at 31 March 2024.

A medium-term financial strategy is in place which is forecasting a £52 million cumulative budget gap from 2024/25 to 2028/29. Recovery plans have been identified to bridge £10 million of the funding gap for 2024/25 but the IJB is finding it significantly challenging to identify plans to bridge the remaining gap of £42 million.

Work is currently underway at the IJB to map the financial strategy to the Strategic Plan.

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### **We carried out audit work in response to risks relating to financial management and sustainability identified in the 2023/24 Annual Audit Plan**

25. [Exhibit 4](#) sets out the wider scope risks relating to financial management and sustainability identified in the 2023/24 Annual Audit Plan. It summarises the audit procedures we performed during the year to obtain assurances over these risks and the conclusions from the work completed.

**Exhibit 4**

Risks identified from my wider responsibility under the Code of Audit Practice

Audit risk	Assurance procedure	Results and conclusions
<p><b>Financial sustainability</b></p> <p>Midlothian IJB has developed a rolling five-year financial plan for the period 2023/24 to 2028/29. The latest plan is forecasting a cumulative funding gap of £27 million to 2028/29.</p> <p>The latest partner funding levels, cost pressures and inflation figures have been applied in the financial plan but these pressures will continue to present significant challenges to financial planning and the ability of the Integration Joint Board to deliver quality services.</p>	<p>We performed a review of the five-year financial plan, providing comment in our Annual Audit Report</p>	<p>The cumulative funding gap has now increased significantly to £52 million to 2028/29.</p> <p>Recovery plans have been identified to bridge £10 million of the funding gap for 2024/25 but the IJB is finding it significantly challenging to identify recovery actions to bridge the remaining gap of £42 million.</p> <p>We conclude at <a href="#">paragraph 42</a> a funding gap of this magnitude, coupled with a very low reserves balance of £1 million presents an increasing risk to financial sustainability and the ability of the IJB to deliver quality services.</p>

**The 2023/24 budget included contributions of £12 million from reserves**

**26.** The 2023/24 budget was approved by Midlothian IJB in June 2023. The IJB agreed a balanced budget of £152 million based on agreed funding contributions from constituent bodies. During the year additional funding allocations of £35 million were received from the Scottish Government, increasing the annual budget to £187 million.

**27.** As part of the budgeting process Midlothian IJB approved total contributions of £12 million from reserves (£2 million from NHS earmarked reserves, £4 million from social care earmarked reserves and £6 million from general fund reserves).

**28.** The transfer of £12 million from reserves reduced the overall balance from £13 million at 1 April 2023 to £1 million at 31 March 2024.

**29.** The current level of reserves falls below the Midlothian IJB Reserve Policy, approved by members in 2017, which indicates that a general reserve of 2% of net expenditure should be maintained. General reserves are held to provide flexibility where unexpected events or emergencies occur. Looking forward, the reduction in reserves may result in difficult decisions. The IJB may have to commission a lower level of services from partner bodies or may require additional financial support from partner bodies to alleviate financial pressures.

### Recommendation 3

Midlothian IJB should ensure reserves are held in line with approved policy. The Board should ensure the policy is reviewed with due consideration of risk and revised if appropriate.

#### Midlothian IJB returned a planned deficit on the provision of services of £12 million in 2023/24

**30.** Funding levels of £187 million were provided to the IJB in 2023/24 and Midlothian IJB expenditure totalled £199 million for the year. The health budget returned a planned deficit of £4 million and social care returned a planned deficit of £8 million for 2023/24. The deficit was met through planned use of reserves as outlined at [paragraphs 26-29](#).

**31.** The main overspends in health arose from the cost pressures related to set aside budgets for those functions delegated to the IJB which are managed by the Acute Management Teams at the Royal Infirmary of Edinburgh and the Western General Hospital and from the prescribing budget which was driven by increased demand and demographic pressures. Social care overspends related to inflationary pressures including pay awards, demographic pressures from the fast-growing Midlothian population and associated service changes that have arisen from Covid-19.

### Exhibit 5

Performance against budget

IJB budget summary	£ million
<b>Cost of Services</b>	<b>199</b>
NHS Lothian Health Care Services	133
Midlothian Council Social Care Services	66
Taxation and Non-Specific Grant Income	187
<b>Deficit on Provision of Services</b>	<b>12</b>
Reserves brought forward	13
Reserves used in year	12
<b>Earmarked Reserves at 31 March 2024</b>	<b>1</b>

Source: Midlothian IJB Accounts

## **Budget monitoring arrangements were appropriate**

**32.** Budget monitoring reports were submitted to the Midlothian IJB throughout the year. The outturn to date and projected year-end outturn position were clearly stated in these reports, with the actual year-end outturn position being in line with expectations.

**33.** Through attending committee meetings, we observed that senior management and members receive regular and accurate financial information on Midlothian IJB's financial position and have concluded the IJB has appropriate budget monitoring arrangements.

## **Financial systems of internal control operated effectively**

**34.** Midlothian IJB does not have any assets, nor does it directly incur expenditure or employ staff, other than the Chief Officer. All funding and expenditure are incurred by constituent bodies and processed in their accounting records. Midlothian IJB does not have its own financial systems and instead relies on the financial systems of its constituent bodies, NHS Lothian and Midlothian Council.

**35.** As part of our audit approach, we obtained assurances from the external auditors of NHS Lothian and Midlothian Council. The assurances confirmed that there were no significant weaknesses in the systems of internal control for either body which would impact on the IJB.

## **Standards of conduct and arrangements for the prevention and detection of fraud and error were appropriate**

**36.** Midlothian IJB does not maintain its own policies relating to the prevention and detection of fraud and error but instead depends on those in place at its constituent bodies. Midlothian IJB has a Code of Conduct for members and could improve transparency further by making all Members' Registers of Interest publicly available on Midlothian IJB's website as currently interests relating only to those members who are also members of Midlothian Council are available.

**37.** As part of our audit approach, we obtained assurances from the external auditors of NHS Lothian and Midlothian Council. The assurances confirmed that there were no significant weaknesses in the arrangements for the prevention and detection of fraud at either body.

## **Midlothian IJB has an agreed five year financial strategy and work is ongoing to ensure that it is aligned to the Strategic Plan scheduled for publication in April 2025**

**38.** Financial sustainability looks forward to the medium and longer term to consider whether the body is planning effectively to continue to deliver its services or the way in which they should be delivered.

**39.** Midlothian IJB has an agreed five year financial strategy (MTFS) which is reviewed and refined annually at December Board meetings and is derived from the information provided by the IJB's partners along with further consideration of the impact of demographic changes and other upcoming pressures such as the

costs of transitions from children's services to adult services. Work is currently underway at Midlothian IJB to ensure that the MTFs is fully mapped to the Strategic Commissioning Plan.

**40.** At the beginning of April 2024 the MTFs was forecasting a cumulative budget gap of £39 million to 2028/29. By August 2024, the budget gap was forecast to increase to £52 million, noting that some of the pressures identified are based on indicative costs that require further review and refinement. Recovery plans have been identified to bridge £10 million of the funding gap for 2024/25 but the IJB is finding it significantly challenging to identify recovery actions to bridge the remaining gap of £42 million.

**41.** A funding gap of this magnitude, coupled with a low reserves balance of £1 million presents an increasing risk to financial sustainability and the ability of the IJB to deliver quality services. It will be increasingly important for the IJB to work with partners to explore all potential actions to move towards financial balance.

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# 3. Vision, leadership, and governance

Public sector bodies must have a clear vision and strategy and set priorities for improvement within this vision and strategy. They work together with partners and communities to improve outcomes and foster a culture of innovation.

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## Conclusion

Governance arrangements are appropriate and support effective scrutiny, challenge and informed decision making though there is scope to further enhance arrangements.

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### Governance arrangements are appropriate and support scrutiny

**42.** The Midlothian IJB Board met seven times during 2023/24 and the audit and risk committee met five times in the same period. The meetings have been held virtually since 2020 but have now moved to being held in person with the option for members to join virtually. Our observations at committee meetings have found that these are conducted in a professional manner and there is a reasonable level of scrutiny and challenge by members.

**43.** An annual review of the effectiveness of the governance framework, informed by the work of Internal Audit in 2023/24 identified three areas where further improvements could be made within Midlothian IJB to enhance compliance with the Local Code of Governance. The issues highlighted were:

- further developing the MTFS and making a more explicit link to the Midlothian IJB Strategic Plan
- ensuring governance arrangements are in place for monitoring against financial recovery plans
- improving the publication scheme to ensure that the Register of Interests for members, the Public Engagement Statement and the financial information is accessible through the Midlothian IJB publication scheme.

**44.** The Annual Governance Statement highlights these issues as improvement actions to be taken forward in 2024/25.

**45.** We consider that governance arrangements are appropriate and support effective scrutiny, challenge and decision making.



## Change in Chief Finance Officer

**46.** The IJB is required to appoint a s95 officer and this role was carried out by the Chief Finance Officer (CFO) in 2023 to the end of September. Following the resignation of CFO at the end of September an interim CFO was appointed from 1 October 2023 and we have been advised that the interim CFO will remain in post until a new permanent CFO is appointed.

**47.** A permanent CFO is crucial for providing long term strategic vision and leadership. This is particularly important when considering the financial challenges faced by the IJB. The appointment of a permanent CFO should therefore be a priority for Midlothian IJB.

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# 4. Use of resources to improve outcomes

Public sector bodies need to make best use of their resources to meet stated outcomes and improvement objectives, through effective planning and working with strategic partners and communities.

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## Conclusion

Midlothian IJB has effective arrangements for managing and reporting performance.

The Annual Performance Report is expected to be published three months after the required deadline.

Midlothian IJB has appropriate arrangements in place for securing Best Value.

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## Performance reporting is regularly monitored throughout the year but overall performance is not detailed in the Management Commentary

**48.** The Public Bodies (Joint Working) (Scotland) Act 2014 requires Midlothian IJB to produce an annual performance report covering areas such as assessing performance in relation to national health and wellbeing outcomes, financial performance, and best value, reporting on localities, and the inspection of services. The Ministerial Strategic Group for Health and Community Care has agreed a core suite of integration indicators against which all IJBs should report in their annual performance reports.

**49.** Midlothian IJB Board has continued to monitor key performance throughout the year. The 2023/24 Annual Performance Report is being progressed through the Strategic Planning Group and is expected to be submitted to the board for approval in October 2024 following detailed scrutiny by the Performance Assurance and Governance Group and the Senior Management Team. This will be later than the required deadline of 31 July.

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## Recommendation 4

The IJB should make every effort to publish by deadlines going forward.

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**50.** Underneath the nine National Health and Wellbeing Outcomes sit integration indicators which all Health and Social Care Partnerships use to report their performance. The National Indicators 1-9 are taken from the Health and Care Experience Survey (HACE) which is conducted every 2 years. 2023/24 is a reporting year for the HACE Survey and National survey results are published on the Scottish Government website. Published data shows Midlothian is above the national average for performance in 7 out of 9 of the integration indicators. These indicators can be compared to the Scottish national averages but cannot be compared with previous years data because of changes in the way the Experience Survey commissioned by the Scottish Government was designed.

### **Midlothian IJB has developed a meaningful performance framework**

**51.** Midlothian IJB developed a new Performance Framework in 2022/23 and have built on this in 2023/24 through work on an innovative integrated performance framework across health and social care which is expected to create meaningful outcome focused performance reporting and align strategic aims, national outcomes, operational planning and governance and assurance. Work to date on the integrated framework through outcome mapping has been recognised by a number of bodies, including the Scottish Government and Healthcare Improvement Scotland, as sector leading and pioneering and features as a case study in the July 2024 report prepared by Audit Scotland on [Integration Joint Boards – finance and performance](#).

**52.** The Audit Scotland report on Integration Joint Boards' Finance and Performance 2024 was presented to the audit and risk committee meeting in September 2024.

### **Midlothian IJB has appropriate arrangements in place for securing Best Value**

**53.** Integration Joint Boards have a statutory duty to have arrangements to secure Best Value. To achieve this, IJBs should have effective processes for scrutinising performance, monitoring progress towards their strategic objectives and holding partners to account.

**54.** Midlothian IJB, although previously demonstrating best value in a range of areas including partnership working and performance reporting are currently formalising the mechanism for monitoring and reviewing best value arrangements. The performance outcome map has been mapped to the seven themes of best value and key activities identified. This will shortly be presented to the audit and risk committee to provide assurance in relation to performance against the best value themes and the intention is to include this best value framework within the annual performance report.

# Appendix 1. Action plan 2023/24

## 2023/24 recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p><b>1. Constituent body working papers</b></p> <p>The unaudited accounts and supporting working papers, including assurance letters from the constituent bodies, were provided within the agreed timescale. However, similar to 2022/23, further working papers and revisions to the Midlothian Council assurance letter were required to enable agreement of social care figures between the unaudited accounts and the ledger.</p> <p>This led to a delay in the audit process and increasing pressure for the audit team and finance staff to complete the audit by the agreed deadline of 19 September.</p>	<p>Working papers and assurance letters should be reviewed by management, prior to submission to audit. It is the IJB's responsibility working with partner bodies, to ensure assurance letters agree to the unaudited accounts and provide sufficient detail to enable external audit to agree the figures to the ledger (refer <a href="#">paragraph 21</a> / <a href="#">exhibit 2</a>).</p>	<p>Accepted</p> <p>This reconciliation will now be part of the review of the IJB's accounts prior to the preparation of the Annual Accounts.</p> <p>Responsible officer: Chief Finance Officer</p> <p>Agreed date: 31 March 2025</p>
<p><b>2. Management Commentary</b></p> <p>The unaudited annual accounts were received in line with the agreed audit timetable on 21 June 2024. However, there is scope to improve the narrative in the annual report and accounts.</p> <p>The management commentary did not fully tell the story of the IJB, give good</p>	<p>The management commentary should be reviewed to ensure it provides a clear summary of performance during the year and transparently sets out financial information (refer <a href="#">paragraph 22</a>).</p>	<p>Accepted</p> <p>the accounts have been updated for the financial position and the MC has been expanded.</p> <p>Responsible officer: Chief Finance Officer</p> <p>Agreed date: 31 March 2025</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>performance detail or transparently set out financial information (e.g. detail on use of earmarked reserves and gross expenditure which was included in the prior year accounts was excluded this year).</p>		
<p><b>3. Financial Management – Reserves Policy</b></p> <p>The current level of reserves falls below the Midlothian IJB Reserve Policy, approved by members in 2017, which indicates that a general reserve of 2% of net expenditure should be held to cushion financial risk.</p> <p>Financial management will be more challenging without an adequate reserves cushion to support increases in expenditure and reduced funding levels.</p>	<p>Midlothian IJB should review its reserves policy to ensure it is up to date and takes in to account the fiscal challenges which the public sector is currently facing (<a href="#">paragraphs 26-29</a>).</p>	<p>Partially accepted</p> <p>At this time there is no opportunity to generate further general reserves. The IJB recognises this. A report will be made to the IJB clarifying the current position on reserves.</p> <p>Responsible officer: Chief Finance Officer</p> <p>Agreed date: 31 December 2024</p>
<p><b>4. Delay in publication of the Annual Performance Report</b></p> <p>The Board of Midlothian IJB has continued to monitor key performance throughout the year. The 2023/24 Annual Performance Report is being progressed through the Strategic Planning Group and is expected to be submitted to the board for approval in October 2024 following detailed scrutiny by the Performance Assurance and Governance Group and the Senior Management Team. This will be later than the required deadline of 31 July.</p>	<p>The IJB should make every effort to publish by deadlines going forward (refer <a href="#">paragraph 48-49</a>).</p>	<p>Partially accepted</p> <p>In principle we accept this recommendation on the basis that the legislation is clear about this timescale. However, in practice such a timescale is simply not deliverable. The data to complete the APR is often not available until late July. The APR report then has to be prepared, submitted to the SPG for comment and approval and then submitted to the IJB for comment and approval. This will not be completed until the meeting of the IJB in October 2024. This is not simply a Midlothian issue - we understand that other IJBs share the same challenges</p>

Issue/risk	Recommendation	Agreed management action/timing
		<p>with this timeline. We have, and we will continue to discuss these challenges with the Scottish Government</p> <p>Responsible officer: Chief Officer</p> <p>Agreed date: 31 December 2024</p>

## Follow-up of prior year recommendations

Issue/risk	Recommendation and agreed action	Progress
<p><b>b/f 1. Governance - Transparency</b></p> <p>The nationally validated PHS Members' Register of Interests is not accessible to local citizens as it is not published on the Midlothian IJB website.</p> <p>There is a lack of transparency in governance arrangements.</p>	<p>The Members Register of interests should be available from the Midlothian IJB website.</p> <p><b>Original agreed action:</b> Agreed for implementation by Integration Manager by March 2024 but this has only been completed for members who are also members of Midlothian Council.</p>	<p><b>Work in progress</b></p> <p>The register of interests has been published for all elected members and work is progressing to complete the disclosures for all members of the IJB.</p> <p><b>Revised action: Agreed for full implementation.</b></p> <p><b>Responsible officer: Chief Officer</b></p> <p><b>Revised date: 31 December 2024</b></p>
<p><b>b/f 2. Changes in Chief Finance Officer</b></p> <p>The IJB is required to appoint a s95 officer and this role was carried out by the Chief Finance Officer in 2022/23. However, the Chief Finance Officer is due to resign from the IJB and a replacement has not yet been identified for the post.</p>	<p>It is crucial that a replacement s95 Officer is appointed to ensure continued financial management arrangements and compliance with the Public Bodies (Joint Working) (Integration Joint Boards) (Scotland) Order 2014</p> <p><b>Original agreed action:</b> Agree, interim and future Chief Finance Officer post arrangements for the IJB will be presented to the next IJB Board meeting.</p>	<p><b>Superseded</b></p> <p>This point has been superseded by events as set out in <a href="#">paragraphs 46-47</a>.</p>

Issue/risk	Recommendation and agreed action	Progress
<p><b>b/f 3. Financial Sustainability</b></p> <p>Midlothian IJB agreed a 5-year financial plan in December 2022. This plan is projecting a budget gap for the IJB of £12.3 million over the five year period to 2026/27. By February 2023 financial recovery plans were in place to bridge £4 million of the £6 million forecast deficit for 2023/24.</p>	<p><b>Original officer / timeline:</b> Chief Officer December 2023</p> <p>To support effective decision making it is crucial that the 5-year financial plan is updated to reflect current funding levels, and the latest cost pressures. Financial recovery plans also need to be identified to bridge any projected budget gap.</p> <p><b>Original agreed action:</b> Agree, the IJBs financial plan will be updated in line with both Partners financial planning processes and presented to the next IJB meeting.</p> <p><b>Original officer / timeline:</b> Chief Finance Officer December 2023</p>	<p><b>Superseded</b></p> <p>This point has been superseded, please refer to <a href="#">2023/24 action plan point 3</a> above.</p>
<p><b>b/f 4. Best Value</b></p> <p>There is evidence of best value being demonstrated by Midlothian IJB across a range of areas including partnership working and performance reporting, however the mechanism for reviewing and reporting on the arrangements to secure Best Value has not been formalised or published.</p>	<p>To demonstrate full compliance with the duty of best value an annual assessment of the board's Best Value arrangements should be completed with the outcome of each assessment reported to the board.</p> <p><b>Original agreed action:</b> Agreed, an annual assessment on Best Value in relation to the IJB will be reported.</p> <p><b>Original officer / timeline:</b> Chief Finance Officer March 2024.</p>	<p><b>Complete</b></p>

# Midlothian Integrtrion Joint Board

## 2023/24 Annual Audit Report

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