

# Notice of Meeting and Agenda



## Midlothian Integration Joint Board - Audit and Risk Committee

**Venue:** Committee Room,  
Midlothian House, Dalkeith, EH22 1DN

**Date:** Thursday, 05 September 2019

**Time:** 14:00

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

**Contact:**

Clerk Name: Mike Broadway

Clerk Telephone: 0131 271 3160

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

**Further Information:**

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

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**1 Welcome, Introductions and Apologies**

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**2 Order of Business**

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

**3 Declaration of Interest**

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

**4 Minute of Previous Meeting**

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- 4.1** Minutes of Meeting held on 6 June 2019 - For Approval 3 - 8

**5 Public Reports**

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- 5.1** MIJB Annual Audit Report to Members and the Controller of Audit – year ended 31 March 2019 – Report by EY, External Auditors 9 - 40
- 5.2** 2018/19 Audited Annual Accounts – Report by Chief Finance Officer 41 - 82
- 5.3** Risk Register – Report by Risk Manager 83 - 94
- 5.4** MIJB Recommendations Internal Audit Follow-Up Review Completed Actions – Report by Chief Internal Auditor. 95 - 100
- 5.5** MIJB Audit and Risk Committee Annual Report 2018/19 and Self-Assessments – Report by Chair. 101 - 118

**6 Private Reports**

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No private reports to be discussed at this meeting.

**7 Date of Next Meeting**

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The next meeting of the Midlothian Integration Joint Board Audit and Risk Committee will be held on **Thursday 5<sup>th</sup> December 2019 at 2.00 pm**



## Midlothian Integration Joint Board Audit and Risk Committee

Date	Time	Venue
Thursday 6 <sup>th</sup> June 2018	2.00pm	Committee Room, Midlothian House, Buccleuch Street, Dalkeith EH22 1DN.

### Present:

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

### Present (non-voting):

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

### In attendance:

Chris Lawson (Risk Manager, Midlothian Council)	Mike Broadway (Clerk)

### Apologies:

Cllr Pauline Winchester	Alex Joyce
Stephen Reid (EY, External Auditors)	Sarah Croft (EY, External Auditors)

# Midlothian Integration Joint Board

## Audit and Risk Committee

Thursday 6 June 2019

### 1. Welcome and Introductions

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The Chair, Jim Muirhead, welcomed everyone to this Meeting of the Midlothian Integration Joint Board Audit and Risk Committee.

### 2. Order of Business

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

### 3. Declarations of interests

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No declarations of interest were intimated.

### 4. Note of Meeting

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The Minutes of Meeting of the Midlothian Integration Joint Board Audit and Risk Committee held on 7<sup>th</sup> March 2019 was submitted and approved.

With regards to paragraph 5.3 of the minutes, the Chief Internal Auditor updated the Committee on discussions with NHS Lothian regarding the support they provided for the Internal Audit function for the IJBs, advising that a further meeting with representatives from all four of the Lothian IJBs was planned for July.

With regards to paragraph 5.2 of the minutes, the Chief Officer advised that plans for the extended Audit & Risk Committee were still in the process of being finalised.

### 5. Reports

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Report No.	Report Title	Presented by:
5.1	Risk Register – Report by Risk Manager	Chris Lawson

#### Executive Summary of Report

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

#### Summary of discussion

Having heard from Risk Manager, Chris Lawson, who responded to Members' questions, the Committee took the opportunity to review, and comment on the contents of the current Risk Register. It was felt that it would be useful going forward to separate out the more general commentary from the actual risk control measures.

# Midlothian Integration Joint Board

## Audit and Risk Committee

Thursday 6 June 2019

With regard the most significant issues and risks on the MIJB strategic risk profile that were specifically highlighted in the report, the Chief Officer provided an update on the actions being taken and the progress that had been made in addressing them to date, including actions relating to 'Interagency Information Exchange' which had been raised at the previous meeting (paragraph 5.5 refers).

### Decision

**The Audit and Risk Committee, after further discussion:-**

- **noted the current Risk Register;**
- **noted the updates provided on the risk control measures and the progress being made to address all risks; and**
- **confirmed that, otherwise, the risks contained in the Risk Register reflected the current risks/opportunities facing the MIJB.**

### Action

Risk Manager

Report No.	Report Title	Presented by:
5.2	Midlothian Health and Social Care Integration Joint Board Internal Audit Annual Assurance Report 2018/19 – Report by MIJB Chief Internal Auditor	Jill Stacey

### Executive Summary of Report

The purpose of the report was to present to the Midlothian IJB Audit and Risk Committee the Internal Audit Annual Assurance Report for the year to 31 March 2019 for the Midlothian Integration Joint Board (MIJB) which included the Chief Internal Auditor's independent assurance opinion on the adequacy of MIJB's overall control environment.

The report explained that the Public Sector Internal Audit Standards (PSIAS) required the MIJB's Chief Internal Auditor to prepare an annual report that incorporates the annual opinion on the adequacy and effectiveness of Midlothian Integration Joint Board's framework of governance, risk management and control, a summary of the work that supports the opinion, and a statement on conformance with the PSIAS.

### Summary of discussion

The Chief Internal Auditor in presenting the report confirmed that based on their reviews, risk assessments and knowledge, the MIJB's governance arrangements, risk management and systems of internal control were adequate. Some recommendations were made which had been agreed with the Chief Officer and Chief Finance Officer, and it was confirmed that the work and opinion of Internal Audit had been taken into account when completing the MIJB's Annual Governance Statement 2018/19 prior to its inclusion within the unaudited accounts.

# Midlothian Integration Joint Board

## Audit and Risk Committee

Thursday 6 June 2019

The Committee in discussing the report acknowledged the good progress that continued to be made and the challenges presented in maintaining the process of continued improvement and also some of the wider challenges that lay ahead.

### Decision

**After further discussion, and having regards to the assurances contained therein, the Audit and Risk Committee agreed to approve the Midlothian Integration Joint Board Internal Audit Annual Assurance Report 2018/19.**

### Action

Chief Internal Auditor

Report No.	Report Title	Presented by:
5.3	Midlothian Health and Social Care Integration Joint Board Local Code of Corporate Governance - Report by Chief Officer	Jill Stacey

### Executive Summary of Report

With reference to paragraph 4.8 of the minutes of the MIJB of 11 February 2016, there was submitted a report proposing approval of a revised Local Code of Corporate Governance of the Midlothian Health and Social Care Integration Joint Board (MIJB).

The report explained that the MIJB's Code of Corporate Governance, summarised the key policies and procedures that were in place, providing the framework for the governance arrangements for delivering health and social care integration in Midlothian, ensuring that the MIJB operated to a high standard consistent with national guidance.

### Summary of discussion

The Chief Internal Auditor presented the report and explained the significant work that had been carried out by Internal Audit to revise the format and content of the MIJB Local Code of Corporate Governance to comply with the CIPFA/SOLACE Good Governance Framework (2016) to ensure it continues to be a value-added tool for members and officers of the MIJB in the conduct of its affairs against the seven core principles of good governance. The Committee, following questions to the Chief Internal Auditor, welcomed the revised Code of Corporate Governance, and noted that its update had addressed a previous year's Internal Audit recommendation for compliance and improvement.

### Decision

**The Audit and Risk Committee, after further discussion:-**

# Midlothian Integration Joint Board

## Audit and Risk Committee

Thursday 6 June 2019

- Noted the revised Local Code of Corporate Governance of the Midlothian Health and Social Care Integration Joint Board as appended to the report;
- Agreed to recommend to the MIJB approval of the revised Local Code of Corporate Governance of the Midlothian Health and Social Care Integration Joint Board; and
- Agreed to the annual review of the MIJB's governance arrangements and reporting of the outcome of that review in an Annual Governance Statement within the statutory accounts scrutinised by the MIJB Audit and Risk Committee in advance of MIJB approval.

### Action

Chief Internal Auditor

Report No.	Report Title	Presented by:
5.4	Midlothian Integration Joint Board Unaudited Annual Accounts 2018/19 – Report by Chief Finance Officer	Claire Flanagan

### Executive Summary of Reports

The purpose of the report was to present to the Midlothian IJB Audit and Risk Committee the unaudited Annual Accounts of the MIJB for the year ending 31 March 2018 for consideration and approval.

The report explained that MIJB was required to prepare a set of annual accounts for the financial year 2018/19. A draft of these accounts must be agreed by the MIJB before 30 June whereupon the draft must be published on the MIJB's website and presented to the MIJB's auditors for review.

### Summary of discussion

The Committee, heard from the Chief Finance Officer, who explained that the unaudited Annual Accounts, required to be considered in conjunction with earlier item of business regarding the Midlothian Health and Social Care Integration Joint Board Internal Audit Annual Assurance Report 2018/19.

In response to Members' comments, the Chief Finance Officer acknowledged that some further editorial work was still required, however in order to meet the required timescales it had been important for the unaudited Annual Accounts to be brought forward for consideration.

With regards the list of Board Members it was felt that a note should be added regarding proxy members, where appointed, and instances of their attendance at Board meetings recorded.

# Midlothian Integration Joint Board

## Audit and Risk Committee

Thursday 6 June 2019

The Chair then went on to draw to the Committee's attention that two of the Council's proxy members had recently been sanctioned by the Standards Commission for breaches of the Councillors' Code of Conduct in regards to a planning matter. An unfortunate consequence of this was that in terms of section 8 of the of the Public Bodies (Joint Working) (Integration Joint Boards) (Scotland) Order 2014, any member who had been subject to a sanction other than censure by the Standards Commission was automatically disqualified from sitting on the Integration Joint Board.

### Decision

**After further discussion, and having regards to the Midlothian Health and Social Care Integration Joint Board Internal Audit Annual Assurance Report 2018/19, the Audit and Risk Committee agreed to recommend to the MIJB approval of the unaudited draft Annual Accounts for 2018/19 for publication and submission to the MIJB's external auditors for audit.**

**The Committee also noted the position in relation to the Council's proxy members.**

### Action

Chief Finance Officer

## 6. Private Reports

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No private reports were submitted to this meeting.

## 7. Date of next meeting

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The next meeting of the Midlothian Integration Joint Board Audit and Risk Committee will be held on Thursday 5<sup>th</sup> September 2019 at 2.00pm.

The meeting terminated at 3.11 pm.



# Midlothian Integration Joint Board

**Annual Audit Report to Members  
and the Controller of Audit - year  
ended 31 March 2019**

**6 September 2019**

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<b>Wider scope dimensions</b>	Demonstrate compliance with the wider public audit scope by reviewing and providing judgements and conclusions on the audited body's: <ul style="list-style-type: none"> <li>▶ financial position and arrangements for securing financial sustainability</li> <li>▶ suitability and effectiveness of corporate governance arrangements</li> <li>▶ effectiveness of performance management arrangements in driving economy, efficiency and effectiveness in the use of public money and assets</li> </ul>	<b>10</b>
<b>Appendices</b>	Undertake statutory duties, and comply with professional engagement and ethical standards:  Appendix A: audited body's responsibilities  Appendix B: required auditor communications  Appendix C: independence and audit quality  Appendix D: action plan  Appendix E: follow up of prior year recommendations	<b>24</b>

## About this report

This report has been prepared in accordance with Terms of Appointment Letter from Audit Scotland dated 31 May 2016 through which the Accounts Commission has appointed us as external auditor of Midlothian Integration Joint Board (the IJB) for financial years 2016/17 to 2020/21. We undertake our audit in accordance with the Local Government (Scotland) Act 1973 and our responsibilities as set out within Audit Scotland's Code of Audit Practice. This report is for the benefit of the IJB and is made available to the Accounts Commission, the Controller of Audit and Audit Scotland. This report has not been designed to be of benefit to anyone except the recipients. In preparing this report we have not taken into account the interests, needs or circumstances of anyone apart from the recipients, even though we may have been aware that others might read this report.

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

## Complaints

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

# Executive Summary: Key Conclusions from our 2018/19 audit

Financial statements: Audit Opinion	<p>We have concluded our audit of the IJB's financial statements for the year ended 31 March 2019. No audit adjustments were required to be made and there are no unadjusted balances that we are required to communicate.</p> <p>We concluded that the other information subject to audit, including parts of the Remuneration Report and the Annual Governance Statement were appropriate.</p>	GREEN
Presentation and disclosures	<p>The draft financial statements and supporting working papers were of a good quality. We worked with the Chief Finance Officer to make minor improvements to the Management Commentary.</p> <p>We were satisfied that the Annual Governance Statement reflects the requirements of the <i>Delivering Good Governance Framework</i>.</p>	GREEN
Wider Scope: Financial Management	<p>The IJB delivered a £2.9 million underspend against budget in 2018/19. The IJB's reserve balances now total £3.88 million, of which £1.4 million has been earmarked for committed projects. There is scope to improve financial reporting to ensure that the IJB gains the assurance it requires about the effectiveness of resources deployed.</p>	GREEN
Financial Sustainability	<p>The IJB has developed the key strategies necessary to support the delivery of the updated Strategic Plan, including the Medium Term Financial Strategy and Integrated Workforce Plan.</p> <p>The IJB has identified a significant funding gap in the period to 2023/24 and greater clarity is needed to continue to develop the Medium Term Financial Planning process.</p>	AMBER
Governance and Transparency	<p>Key features of good governance at the IJB are in place and operating effectively. The local code of corporate governance has been updated and the IJB has considered and updated its risk management arrangements, including risk appetite.</p> <p>The IJB's self-evaluation of progress against key features of integration highlights that good progress has been made to achieve the level of collaborative leadership and partnership working necessary to deliver integration.</p>	GREEN
Value for money	<p>The IJB continues to develop performance reporting to support the Strategic Plan. In our view, the IJB cannot yet fully demonstrate the impact of integration, or the steps that will need to be taken to achieve the Strategic Plan. We do, however, note that steps have been taken to strengthen the links between the IJB and the delivery-focused Strategic Planning Group</p> <p>The Annual Performance Report 2018/19 highlights a number of areas of improvement achieved through integration.</p>	AMBER



# Introduction

## **Purpose of this report**

In accordance with the Local Government (Scotland) Act 1973, the Accounts Commission appointed EY as the external auditor of Midlothian Integration Joint Board ("the IJB") for the five year period 2016/17 to 2020/21. We undertake our audit in accordance with the Code of Audit Practice (the Code), issued by Audit Scotland in May 2016; Auditing Standards and guidance issued by the Financial Reporting Council; relevant legislation; and other guidance issued by Audit Scotland.

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

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

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

## **Our independence**

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



## Scope and Responsibilities

The Code sets out the responsibilities of both the IJB and the auditor (summarised in Appendix A). We outlined these in our Annual Audit Plan, which was presented to the Audit and Risk Committee on 7 March 2019.

Our Annual Audit Plan set out an overview of our audit scope and approach for the audit of the 2018/19 financial statements. We can confirm that we carried out our audit in accordance with the plan. Minor changes were made to the level of materiality that we applied during the audit, to reflect the 2018/19 draft financial statements. We have set our reporting threshold to communicate the details of errors identified at £69,500.

Overall Materiality

Tolerable Error

Nominal amount

£1.3 million

£1 million

£69,500

2% of the IJB's net expenditure

Materiality at an individual account level

Level that we will report to committee

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

### Financial statement audit

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

- ▶ whether they give a true and fair view of the financial position of the IJB as at 31 March 2019 and its expenditure and income for the year then ended; and
- ▶ whether they have been properly prepared in accordance with the Local Government (Scotland) Act 1973 and the 2018/19 Code of Practice on Local Authority Accounting in the United Kingdom.

We also review and report on the consistency of the other information prepared and published along with the financial statements. Our findings are summarised in Section 2 of this report.

### Wider Scope audit

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

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

Our findings for each dimension are summarised in Section 3 of this report.



# Financial Statements audit

## **Introduction**

The Annual Accounts provide the IJB with an opportunity to demonstrate accountability for the resources that it has the power to direct, and report on its overall performance in the application of those resources during the year.

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

The plan highlighted one area that we identified as a fraud risk relating to the risk of fraud in revenue and expenditure recognition, including through management override of controls.

## **Compliance with Regulations**

The Local Authority Accounts (Scotland) Regulations 2014 set out the statutory requirements on the IJB to prepare financial statements, ensure their availability for public inspection and consideration by the board or a committee with an audit or governance remit. The inspection notice was published by Midlothian Council on the IJB's behalf. While the IJB did not publish the inspection notice by the 17 June deadline, the inspection period was extended to ensure that the full period was available for inspection.

## **Audit Outcomes**

We identified no unadjusted audit differences arising from the audit. Our overall audit opinion is summarised on the following page.

In April 2019, Audit Scotland published a good practice note on improving the quality of integration joint board financial statements. The note included an improvement checklist to assist IJB's in improving the quality and effectiveness of their annual accounts. During the audit process, we drew on the good practice note to highlight minor areas for improvement in disclosures, including:

- ▶ Improved explanation on the IJB's overall performance; and
- ▶ Clarity about the risks facing the IJB and the potential impact.

# Our audit opinion

## Element of opinion

## Basis of our opinion

## Conclusions

### Financial statements

- ▶ Truth and fairness of the state of affairs of the IJB at 31 March 2019 and its expenditure and income for the year then ended
- ▶ Financial statements in accordance with the relevant financial reporting framework

We report on the outcomes of our audit procedures to respond to our assessed risk of misstatements, including significant risks within this section of our report. We did not identify any areas of material misstatement.

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

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

We have issued an unqualified audit opinion on the 2018/19 financial statements for the IJB.

### Going concern

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

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

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

We have no matters to report.

### Other information

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

We conduct a range of substantive procedures on the financial statements. Our conclusion draws upon:

- ▶ Review of committee and board minutes and papers, regular discussions with management, our understanding of the IJB and the wider sector.
- ▶ Audit Scotland's *Improving the Quality of Local Government Annual Accounts: Integration Joint Boards* Good Practice Note.

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

### Matters prescribed by the Accounts Commission

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

Our procedures include:

- ▶ Agreeing the format of the reports to regulations and agreeing the disclosures to underlying accounting records, including to the underlying partner's accounting records.
- ▶ Reviewing the content of narrative disclosures to information known to us.
- ▶ Our assessment of the Annual Governance Statement against the Delivering Good Governance Code.

We have issued an unqualified opinion.

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

We are required to report on whether:

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

We have no matters to report.

# Significant and fraud audit risks

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

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

Due to the nature of funding to the IJB from Midlothian Council and NHS Lothian, we rebutted the assumed fraud risk in respect of the income. For expenditure we associated the risk to the assurance over the existence and occurrence of expenditure incurred by the IJB in commissioning services from the partners.

We undertake specific, additional procedures for income and expenditure streams where we identified a fraud risk. For 2018/19 our work included:

- ▶ We challenged management on how the IJB gains assurance over the expenditure it incurs and the basis of payments it makes to its partner bodies to deliver commissioned services. Management present financial information to the IJB that clarifies the source of information provided by each of the IJB partners. Reports to the IJB at the year end also made clear that the year end outturn represented the approval by the IJB of the final expenditure incurred in commissioning services from Midlothian Council and NHS Lothian.
- ▶ As part of the year end process, the IJB obtained confirmation statements from the senior finance professionals at NHS Lothian and Midlothian Council of the spend of their respective bodies on delivering services, and hence their request for payment from the IJB to cover those costs. We obtained a copy of those confirmations and agreed figures within the financial statement to source documentation.
- ▶ We obtained independent confirmation from the appointed auditor at both Midlothian Council and NHS Lothian of the income and expenditure transactions recorded at their respective audited bodies. The confirmations agreed the income and expenditure amounts transacted in the year.



### **Risk of management override**

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

### **Risk of Fraud**

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

### **Testing on Journal Entries**

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

### **Judgements and Estimates**

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

### **Accounting Policies**

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

### **Our conclusions**

- ▶ Our testing has not identified any material misstatements relating to revenue and expenditure recognition. We did not identify any areas of significant estimation or judgement as part of our audit work in these areas.
- ▶ We have not identified any material weaknesses in the design and implementation of controls around journal processing. We did not identify any instances of evidence of management override of controls.
- ▶ There was no disagreement during the course of the audit over any accounting treatment or disclosure and we encountered no significant difficulties in the audit.

# Wider Scope dimensions

## Introduction

Under Audit Scotland's Code of Audit Practice (May 2016), we are required to reach conclusions in relation to the effectiveness and appropriateness of the IJB's arrangements for each of the four wider scope audit dimensions.

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

## The Wider Scope dimensions

### Financial Management:

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

### Financial Sustainability:

- ▶ considers the medium and longer term outlook to determine if planning is effective to support service delivery. This will focus on the arrangements to develop viable and sustainable financial plans.

### 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.

### 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.

# Financial Management

The IJB delivered a £2.9 million underspend against budget in 2018/19. The IJB's reserve balances now total £3.88 million, of which £1.4 million has been earmarked for committed projects.

There is scope to improve financial reporting to ensure that IJB members gain sufficient assurance about the effectiveness of resources deployed.

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## Financial Outturn

As Exhibit 1, below highlights, the IJB reported a surplus in the cost of delivering services of £2.98 million in 2018/19 (2017/18: surplus of £900,000).

**Exhibit 1: The IJB delivered underspends in both health services and social care during 2018/19**

	Income £'000	Expenditure £'000	Surplus £'000
Health Services	£102,317	£101,190	£2,127
Social Care	£39,932	£39,081	£851
<b>TOTAL</b>	<b>£142,249</b>	<b>£139,270</b>	<b>£2,978</b>

Source: Midlothian IJB 2018/19 Financial Statements

While there were overspends in the Learning Disabilities budget (£1.878 million) and Community Hospitals (£305,000), the IJB recorded significant underspends including:

- ▶ £2.3 million related to services for older people; and
- ▶ GP prescribing was underspent against budget (by £301,000) for the first time since the creation of the IJB.

The set aside budget, managed by NHS Lothian, recorded an overspend of £458,000. Set aside represents the services that are provided by acute services for people across Lothian, including accident and emergency, general and geriatric medicine and cardiology. Services provided by NHS Lothian are provided on a pan-Lothian basis and a health budget setting model is currently in place, agreed by each of the IJBs in the areas. Expenditure reflects Midlothian IJB's share of the actual costs of the service, currently using an allocation of 10% of costs.

NHS Lothian has undertaken a significant project to review the cost model to ensure that it reflects the respective use of pan-Lothian services as accurately as possible. We expect the results of the review to be presented to each of the IJBs during 2019-20. This exercise may result in changes to the financial allocation in future years.

**Recommendation 1:**  
The IJB should review the reserves strategy to ensure that it continues to meet the needs of the organisation.

**Reserves**

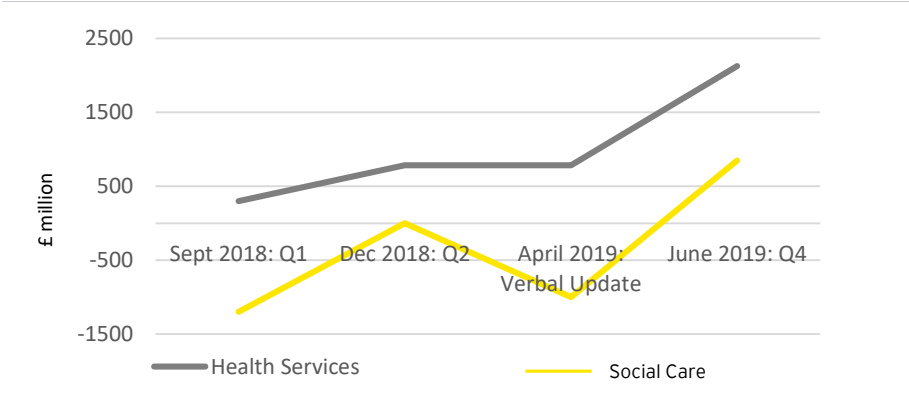
The IJB agreed a Reserves Strategy in February 2017. At that time, the organisation anticipated building reserves to a target level of around £1 million over a period of time. At 31 March 2019, the IJB held reserves of £3.88 million, representing an increase of £2.9 million on the prior year. The majority of the reserves balance is allocated to earmarked projects, with £1.49 million held as an unallocated general reserve (representing around 1% of the IJB’s expenditure).

The IJB has identified a projected overspend of £10.8 million in the period to 2023/24, and there are a number of areas of financial risk that cannot yet be quantified. The IJB should, therefore review its Reserves Strategy to ensure that it continues to reflect the risk profile and priorities of the organisation.

**Financial monitoring**

The IJB received high level financial monitoring reports during 2018/19. There was only a verbal update on the Quarter 3 position, which was not minuted, but which outlined a significant and unexpected overspend of £1 million within social care services (refer to Exhibit 2). We understand that this was an error, and was as a result of weaknesses in the financial and management information systems, creating timing delays. There is a risk that this level of fluctuation undermines the credibility of the financial monitoring process.

**Exhibit 2: There was a significant improvement in the outturn against projections within financial monitoring reports.**



Source: Midlothian IJB Financial Monitoring reports 2018/19

**Recommendation 2:**  
There is scope to improve the financial monitoring reports for the IJB to provide members with sufficient assurance about the achievement of the strategic plan.

### **Use of resources**

The Chief Internal Auditor notes within her annual report that it is not clear how the financial management procedures provide assurance that services delivered represent value for money and that resources are being used efficiently and effectively as specified in National Outcome 9.

In our view, the financial monitoring reports that the IJB considered in 2018/19 lacked sufficient detail to allow members to draw conclusions about the effectiveness of resources deployed. While high level reports were prepared to draw members attention to areas of transformation work and service reviews, the reporting on the use and impact of reserves has been limited. We consider that there is scope to ensure that the information presented to members includes key factors such as significant variances, full year projections and the impact on the IJB's reserves position. We do, however, note that the Chief Finance Officer has begun to engage with members to seek their views on the reports to provide adequate assurance and engagement.

# Financial Sustainability

The IJB has developed the key strategies necessary to support the delivery of the updated Strategic Plan, including the Medium Term Financial Strategy and Integrated Workforce Plan. The IJB has identified a significant funding gap in the period to 2023/24.

However, greater clarity is needed to continue to develop the Medium Term Financial Planning process. The IJB must work with partners to ensure that transformation can deliver the required service improvements and savings.

## Strategic Priorities

In March 2019, the IJB approved the Strategic Plan 2019-22. The Plan is based on a Joint Needs Assessment (JNA) of the East and West localities served by the partnership, and extensive consultation with local communities. The JNA includes estimates of the impact of demand pressures. Midlothian has one of the fastest growing populations in Scotland. The 2016 projection predicts a population of 100,000 by 2026, representing a 20% increase on the 2011 census and the largest percentage increase will be in those aged 75 and over. The JNA also notes a number of areas where the prevalence of long term conditions is higher than the rest of Scotland, including diabetes, chronic obstructive pulmonary disease (COPD), depression and cancer. People with long term conditions are twice as likely to be admitted to hospital and account for 80% of visits to GP practices. As a result, the Strategic Plan identifies costs associated with demographic pressures of £10.6 million for the five year period from 2019/20 to 2023/24.

The Plan prioritises preventative and early implementation measures to treat the causes of ill health, and recognises the important role that each partner plays in effecting system change, including the link between quality housing and health and wellbeing outcomes for Midlothian communities. The IJB has approved an investment matrix to ensure that all investment decisions are based on agreed categories (Exhibit 3, below).

### Exhibit 3: Investment Decision Making Criteria

- |  |  |
|--|--|
| ▶ Prevention - good physical and mental health   | ▶ Community based services, eg Hospital at Home      |
| ▶ Recovery and reablement                        | ▶ Team working at local level                        |
| ▶ Self management and peer support               | ▶ Improving quality and access                       |
| ▶ Anticipatory care and planning for emergencies | ▶ Community planning - housing, income and transport |

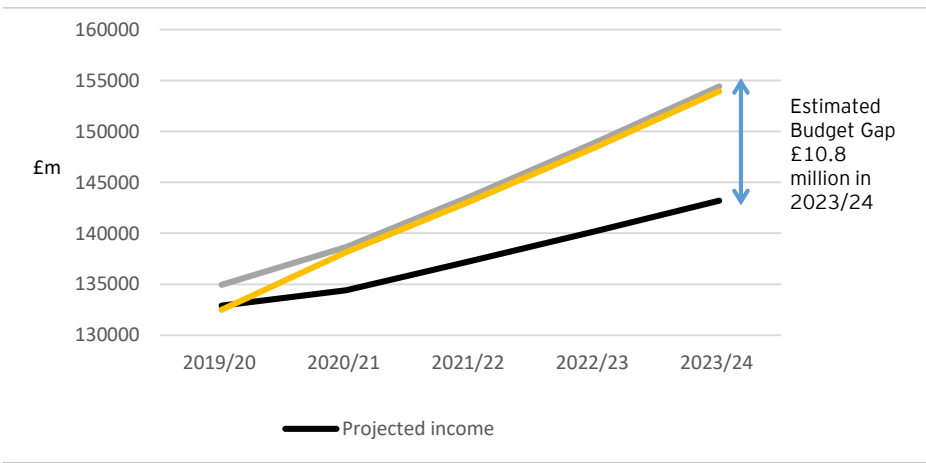
Source: Midlothian IJB Financial Strategy

The Strategic Plan is underpinned by a Medium Term Financial Strategy (approved in September 2018) and a 5 year Financial Plan (June 2019). The IJB drew upon the Scottish Government's Medium Term Financial Strategy for Health and Social Care to develop longer term assumptions. In addition, both Midlothian Council and NHS Lothian have provided the IJB with three year indicative funding forecasts to support the development of a strategic financial outlook.

**Financial Position**

During 2018/19, the IJB continued to develop its longer term financial planning processes. As Exhibit 4 demonstrates, the IJB continues to face a significant budget gap across the period of the Financial Plan, currently projected at £10.8 million (8% of the IJB's budget) by 2023/24. However, there are still a number of uncertainties that are not fully known, such as the impact of EU withdrawal, particularly on the cost of medicines and the social care sector. We note that the partner bodies continue to report on significant financial pressures, which may have an impact on the IJB. For example, Midlothian Council has recently indicated that it may reduce its proposed allocation for the IJB by £0.5 million in 2019/20, creating an additional cost pressure. The most recent NHS Lothian Plan approved on 3 April 2019 identified a significant savings gap (£26 million) and noted limited assurance on the achievement of a balanced financial position going forward. Auditors have warned that the financial sustainability of NHS Lothian remains a “significant risk”, with a budget gap of £26 million this year expected to increase to £80 million by 2021/22.

**Exhibit 4: The IJB has identified a significant budget gap during the period of the Financial Plan to 2023/24**



Source: Midlothian IJB 5 Year Financial Plan

**Recommendation 3:**  
The IJB must continue to develop a balanced MTFP to support the implementation of the Strategic Plan.

### Delivery of Savings

As part of its overall Financial Strategy, the IJB created a transformation programme, known as Realistic Care, Realistic Medicine programme, to begin to address the financial challenges identified in 2019/20 and beyond. The transformation board overseeing the delivery of savings is chaired by the Chief Officer. To date, potential savings of £2.2 million have been identified for 2019/20. Any failure to deliver savings may present a financial risk.

We also note that the current savings proposals are not sufficient to deliver a balanced budget in 2020/21. The IJB must, therefore work with partners to gain assurance that the budget gap can be addressed in future years.

### Financial Planning

We also note that in April 2019, the first meeting of the Lothian Integration Care Forum took place to create a better infrastructure for joint planning across the four NHS Lothian IJBs. The Forum brings together the NHS Lothian Chair and Chief Executive, Four Integration Joint Board Chairs and Vice Chairs, Chief Officer Acute Services, Chief Officer IJBs and NHS Lothian Director of Strategic Planning.

The Forum agreed at the first meeting that its aims will include:

- ▶ Improving relationships and understanding, including the different approaches, cultures and challenges between IJBs, councils and NHS Lothian;
- ▶ The development of medium and long-term joint financial planning; and
- ▶ Ensuring that the delivery of care in Lothian is agreed in collaboration with partners, allowing more efficient strategic working and improvements that take into account the needs of all organisations.

While it is too early to assess the impact of the Forum, we are satisfied that there is sufficient participation at IJB board level to ensure that the strategic priorities of the IJB are delivered.



# Governance and Transparency

The key features of good governance at the IJB are in place and operating effectively. The local code of corporate governance has been updated and the IJB has considered and updated its risk management arrangements, including risk appetite.

The IJB's self-evaluation of progress against key features of integration highlights that good progress has been made to achieve the level of collaborative leadership and partnership working necessary to deliver integration.

## Local Code of Corporate Governance

During 2018/19, significant work was undertaken to update the Code of Corporate Governance, to ensure that the IJB complies with the CIPFA/SOLACE 'Delivering Good Governance in Local Government: Framework' (2016). The revised Code was approved by the IJB in June 2019, and draws upon the self-assessment assurance process led by internal audit to develop the Annual Governance Statement (AGS).

The IJB's AGS reports on its assessment of the effectiveness of the governance framework throughout the financial year, and key areas of improvement for 2019/20, including:

- ▶ The ongoing development of the Medium Term Financial Plan;
- ▶ The development of clearer links between the Strategic Plan and local and national outcomes; and
- ▶ Improvements to the Performance Management Framework.

We reviewed the AGS against the required guidance and we were satisfied that the Statement was consistent with both the governance framework and key findings from relevant audit activity. We did, however, note that under the CIPFA/SOLACE Framework, an action plan should be developed and disclosed in the Annual Governance Statement, to allow users to track the progress of improvements.

## Risk management

The IJB has established a risk management strategy and risk appetite, which frames risks in the context of the IJB as a strategic commissioning body. Operational risks that affect the individual partners remain the responsibility and risk of that body until it is considered that a partner risk becomes so significant that it would impact upon the IJB's Strategic Plan. The Risk Management Policy suggests that the partners should regularly bring the risks to the attention of the IJB, but in practice we note that the Chief Finance Officer has fulfilled a role in ensuring that the Audit and Risk Committee has oversight of partner risks.

**Recommendation 4:**  
The IJB should satisfy itself that all risks relating to EU Withdrawal have been identified and mitigating actions taken.

The IJB maintains a risk register which is regularly updated by the relevant risk owners and is subject to quarterly scrutiny by the Audit and Risk Committee. The risk register notes responsible officers and key actions in place to mitigate risks. We do, however, note that only one risk has been identified in relation to the risk of leaving the European Union without a deal, relating to business continuity. The Chief Officer has undertaken to seek confirmation from key strategic partners on their ability to continue to deliver key services in the event of a no deal exit from the European Union on 31 October 2019. Our assessment is that other strategic risks may be present, particularly in relation to the supply of workforce and pharmaceuticals.

### **Changes in Personnel**

The Strategic Risk Register recognises a risk that changing membership of IJB creates challenges to ensure all members have a clear understanding of the Integration of Health and Social Care. Since the creation of the IJB, both the Chief Officer and the Chief Finance Officer have changed. In addition, the current Chief Officer has recently announced that he will be leaving to join another Lothian IJB. The responsibility for Chair of the IJB has also recently passed, in accordance with the Integration Scheme, from an NHS Lothian representative to Midlothian Council.

These changes present a risk that momentum in key developments, such as the Realistic Care, Realistic Medicine Transformation Board may be affected. The MSG improvement framework also places significant expectations on the role of the Chief Finance Officer. This role is currently performed in 0.33 FTE by an NHS Lothian Finance Business Partner. The IJB should, therefore, maintain a watching brief on senior leadership capacity to ensure that sufficient support is offered from partners to deliver the improvement action plan.

### **Member attendance**

During 2018/19, there were nine meetings of the IJB, including two special IJB meetings. In addition, IJB members were invited to a further four development workshops. Attendance from voting members was mixed, but we note that the August 2019 meeting was not quorate and at a further meeting only three voting members and one substitute member were able to attend.

**Recommendation 5:**  
The IJB should review its frequency of meetings of the board and sub-committees to ensure that the cycle allows business to be addressed in a timely and effective basis, while ensuring the quantity of meetings is sustainable.

### **Self Evaluation of Arrangements to support Integration**

In November 2018, Audit Scotland published a progress report on Health and Social Care Integration. The report highlighted a number of challenges faced by IJBs that impacted the pace and effectiveness of intervention. A series of six features that support integration were identified. In February 2019, a Leadership Group led by the Ministerial Strategic Group (MSG) for Health and Community Care, and the Convention of Scottish Local Authorities (CoSLA) reported on their review of progress. The MSG developed a self-evaluation template based on the six key features of integration that each IJB considered and reported to the Scottish Government in May 2019.

The IJB self-evaluation was undertaken during a Board development session in May 2019, which drew together the results of a survey across the partnership. Exhibit 5 highlights the results of the board's self assessment and notes that only two key areas were identified for improvement action, relating to the strategic planning process and ensuring that funding loses its identity as it becomes part of the IJB. An improvement action plan is being developed for submission to the MSG. The IJB has agreed that the responsibility for monitoring implementation will be delegated to the Audit and Risk Committee, but that an annual progress report will be considered by the IJB, commencing in March 2020. We were satisfied that there were no significant gaps in the self-assessment, based on our knowledge of the IJB.

## Exhibit 5: Midlothian IJB Ministerial Strategic Group Self Evaluation

Features of Integration	Not yet established	Partly established	Established	Exemplary
<b>1. Collaborative leadership and building relationships</b>				
All leadership development will be focused on shared and collaborative practice				
Relationships and collaborative working between partners must improve				
Relationships and partnership working with the third and independent sectors must improve				
<b>2. Integrated Finances and Financial Planning</b>				
Health Boards, Local Authorities and IJBs should have a joint understanding of their respective financial positions				
Delegated budgets for IJBs must be agreed timeously				
Delegated hospital budgets and set aside budget requirements must be fully implemented				
Each IJB must develop a transparent and prudent reserves policy				
Statutory partners must ensure appropriate support is provided to IJB S95 Officers.				
IJBs must be empowered to use the totality of resources at their disposal				
<b>3. Effective strategic planning for improvement</b>				
Statutory partners must ensure that Chief Officers are effectively supported and empowered to act				
Improved strategic planning and commissioning arrangements must be put in place				
Improved capacity for strategic commissioning of delegated hospital services must be in place				
<b>4. Governance and accountability arrangements</b>				
The understanding of accountabilities and responsibilities between statutory partners must improve				
Accountability processes across statutory partners will be streamlined				
IJB chairs must be better supported to facilitate well run Boards capable of making decisions on a collective basis				
Clear directions must be provided by IJB to Health Boards and Local Authorities				
Effective, coherent and joined up clinical and care governance arrangements must be in place				
<b>5. Ability and willingness to share information</b>				
IJB annual performance reports will be benchmarked by Chief Officers to better understand local performance data				
Identifying and implementing good practice will be systematically undertaken by all partnerships				
<b>6. Meaningful and sustained engagement</b>				
Effective approaches for community engagement and participation must be put in place for integration				
Improved understanding of effective working relationships with carers, people using services and local communities				
Support carers and representatives of people using services better to enable their full involvement in integration				

Source: IJB Ministerial Strategic Group self assessment, June 2019

# Value for Money

The IJB's Strategic Plan is not yet supported by a Performance Management Framework. In our view, the IJB cannot fully demonstrate the impact of integration, or the steps that will need to be taken to achieve the Strategic Plan.

The Annual Performance Report 2018/19 highlights a number of areas of improvement. The IJB has not yet considered Audit Scotland's Guidance on delivering Best Value.

## Performance Reporting

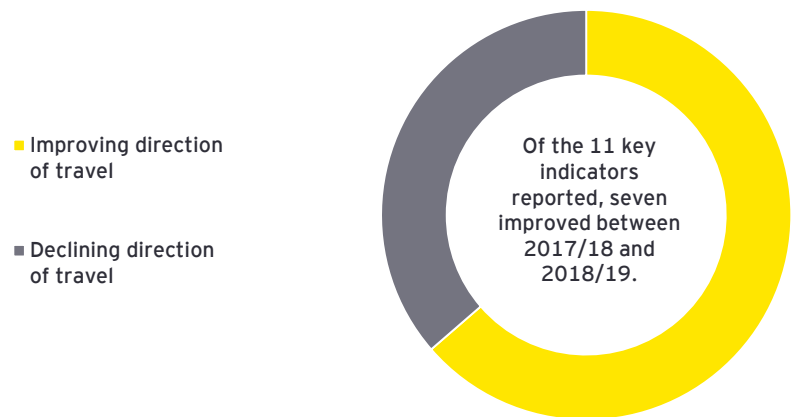
The IJB receives performance reports against key local indicators at each board meeting. These reports include charts with current and target performance to allow members to assess whether the indicator is on track. However, since the style of the reports changed in April 2019, the performance reports have not included an assessment from management about the progress made against target. The most recent reports considered by the IJB in August 2019 highlight a number of areas where performance does not appear to be on track. There is currently no exception reporting to explain where performance trends are below target or improvement actions. We do, however, note that the IJB has recently agreed that the Vice Chair of the Board should begin to chair the Strategic Planning Group. The Strategic Planning Group includes key officers from both partners and therefore has greater operational oversight over performance and the key contributory factors.

The IJB published its Annual Performance Report in July 2019, in line with regulations. As Exhibit 6 highlights, Midlothian IJB's performance against 64% of the indicators reported improved during 2018/19. The report also highlighted a number of areas where significant progress has been made, including:

- ▶ The continued development of the Primary Care Improvement Plan, to support a sustainable workforce and ensure that resources are best prioritised;
- ▶ Advanced Physiotherapy Practitioners now work within 10 GP practices in Midlothian to offer an alternative to seeing a GP. In 2018/19, 3,669 appointments were made which saved 731 hours of GP time and reduced waiting times in core physiotherapy services.
- ▶ GP practice-based pharmacists are in place to ensure that patients get the most appropriate medicines. The "Realistic Medicine" workstream has meant that prescribing costs fell below the budget for the first time in 2018/19.

**Recommendation 6:**  
There is scope to provide enhanced reporting to the IJB on areas where performance is behind target.

**Exhibit 6: Performance against key indicators improved overall in 2018/19**



Source: Midlothian IJB Annual Performance Report 2018/19

**Unscheduled Care**

In July 2019, NHS Lothian received confirmation that they had been escalated to Level 3 of the NHS Board Performance Framework by the Scottish Government, classified as “significant variation from plan; risks materialising; tailored support required”.

NHS Lothian has established a recovery plan, which will be overseen by the NHS Board, but the IJB has recognised that there are performance issues relating to IJBs, and therefore a need for a collaborative, whole-system approach to ensure that the recovery plan will be delivered. The IJB is working in partnership with NHS Lothian to ensure that infrastructure and programme management arrangements are in place. We will continue to monitor performance overall in 2019/20.

**Inspection Activity**

The Care Inspectorate carried out 24 inspections of the IJB’s care homes and services during 2018/19. The overall quality of care was assessed as good (4) or better in 89% of inspections, which exceeds the Scottish average of 85%.

**Best Value**

Our Annual Audit Plan highlighted Audit Scotland’s guidance on achieving Best Value in IJBs. The guidance was considered by the IJB’s Audit and Risk Committee in March 2019. The Committee agreed to consider the report and the IJB’s self-assessment of arrangements to demonstrate Best Value within an extended future meeting.



# Appendices

A - Code of Audit Practice: responsibilities

B - Independence and audit quality

C - Required communications with the Audit and Risk Committee

D - Action plan

E - Follow up of prior year recommendations

# Appendix A: Code of Audit Practice Responsibilities

## Audited Body's Responsibilities

### Corporate Governance

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

### Financial Statements and related reports

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

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

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

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

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

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

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

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

### Best Value

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



# Appendix B: Independence and audit quality

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

## Matters that we are required to communicate

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

There are no relationships from 1 April 2018 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

## Confirmations

We confirm that there are no changes in our assessment of independence since our confirmation in our Annual Audit Plan, dated 7 March 2019.

We complied with the Financial Reporting Council's Ethical Standards and the requirements of Audit Scotland's Terms of Appointment. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter which you should review, as well as us. It is important that management and members of the IJB consider the facts known collectively to you and come to a view. If you would like to discuss any matters concerning our independence, we will be pleased to do this at the meeting of the Audit and Risk Committee on 6 September 2019.

## Audit Fees

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

Matters that we are required to communicate

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

The EY 2017 UK Transparency Report, volumes one and two, can be accessed on our website at [https://www.ey.com/Publication/vwLUAssets/ey-uk-2018-transparency-report/\\$File/ey-uk-2018-transparency-report.pdf](https://www.ey.com/Publication/vwLUAssets/ey-uk-2018-transparency-report/$File/ey-uk-2018-transparency-report.pdf). This material is published to provide a timely and relevant source of information about EY in general, and our audit business in particular.

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

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

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

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

Audit Quality Framework / Annual Audit Quality Report

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

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

The most recent audit quality report which covers our work at the IJB since appointment can be found at: [www.audit-scotland.gov.uk/uploads/docs/report/2018/as\\_audit\\_quality\\_1718.pdf](http://www.audit-scotland.gov.uk/uploads/docs/report/2018/as_audit_quality_1718.pdf).

# Appendix C: Required communications

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

Required communication	Our reporting to you
<p><b>Related parties</b></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"> <li>▶ Non-disclosure by management</li> <li>▶ Inappropriate authorisation and approval of transactions</li> <li>▶ Disagreement over disclosures</li> <li>▶ Non-compliance with laws and regulations</li> <li>▶ Difficulty in identifying the party that ultimately controls the entity</li> </ul>	<p>No significant matters have been identified.</p>
<p><b>Independence</b></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"> <li>▶ The principal threats</li> <li>▶ Safeguards adopted and their effectiveness</li> <li>▶ An overall assessment of threats and safeguards</li> <li>▶ Information about the general policies and process within the firm to maintain objectivity and independence</li> </ul>	<p>Annual Audit Plan</p> <p>This Annual Audit Report - Appendix B</p>
<p><b>Internal controls</b></p> <p>Significant deficiencies in internal controls identified during the audit</p>	<p>This Annual Audit Report - no significant deficiencies reported</p>
<p><b>Subsequent events</b></p> <p>Where appropriate, asking the Audit and Risk Committee whether any subsequent events have occurred that might affect the financial statements.</p>	<p>We have asked management and those charged with governance. We have no matters to report.</p>
<p><b>Material inconsistencies</b></p> <p>Material inconsistencies or misstatements of fact identified in other information which management has refused to revise</p>	<p>This Annual Audit Report</p>

# Appendix D: Action Plan

This action plan summarises specific recommendations included elsewhere within this Annual Audit Report. We have graded these findings according to our consideration of their priority for the IJB or management to action.

## Classification of recommendations

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

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

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

No.	Findings and / or risk	Recommendation / grading	Management response / Implementation timeframe
1	<p>The reserves strategy agreed in February 2017 set a target level of reserves of £1 million.</p> <p>The IJB now has general reserves of £1.49 million, against a projected budget gap of £10.8 million in the period to 2023/24.</p>	<p>The IJB should review the reserves strategy to ensure that it continues to meet the needs of the organisation.</p> <p style="text-align: right;"><i>Grade 3</i></p>	<p>Management accepts this recommendation. Given the IJBs current reserves position and the policy being agreed in February 2017 management accepts a review of this would be beneficial.</p> <p>Responsible officer: Chief Financial Officer Implementation date: March 2020</p>
2	<p>While the IJB operates at a strategic level, we consider that there is scope to improve the quality of financial reporting to ensure that the IJB can monitor the direction of travel against priorities within the Strategic Plan.</p>	<p>There is scope to improve the financial monitoring reports for the IJB to provide members with sufficient assurance about the achievement of the strategic plan.</p> <p style="text-align: right;"><i>Grade 2</i></p>	<p>The financial monitoring reports continue to be refined and we regularly seek feedback from members regarding reports providing them assurance and oversight. Further workshops are planned with all IJB members over the coming year to ensure they are supported to discharge the appropriate level of scrutiny to the financial reports.</p> <p>Responsible officer: Chief Financial Officer Implementation date: March 2020</p>
3	<p>The IJB recently developed a 5 year rolling financial plan. However, a number of uncertainties remain and there is not yet a balanced MTFP in place to support the implementation of the Strategic Plan.</p>	<p>Continued work is required to finalise a medium-term financial plan, underpinned by identified and agreed budget savings over the term of the plan to not only manage in year financial positions, but also to ensure that the forecast pressures are addressed on a timely basis and the IJBs Strategic Plan is delivered.</p> <p style="text-align: right;"><i>Grade 1</i></p>	<p>The Medium Term Financial Plan continues to be refined and developed and through the RCRM transformation board the medium term financial recovery action will be developed. The IJB acknowledges uncertainty regarding financial sustainability across the public sector and the significant financial challenges facing both partners and therefore the IJB. We will look to utilise the Scottish Governments Medium Term Financial Framework for Health &amp; Social Care to support this work</p> <p>Responsible officer: Chief Financial Officer Implementation date: March 2020</p>

## Classification of recommendations

Classification of recommendations			
<b>Grade 1:</b> Key risks and / or significant deficiencies which are critical to the achievement of strategic objectives. Consequently management needs to address and seek resolution urgently.		<b>Grade 2:</b> Risks or potential weaknesses which impact on individual objectives, or impact the operation of a single process, and so require prompt but not immediate action by management.	
		<b>Grade 3:</b> Less significant issues and / or areas for improvement which we consider merit attention but do not require to be prioritised by management.	
No.	Findings and / or risk	Recommendation / grading	Management response / Implementation timeframe
4	The IJB places reliance on the partner bodies to mitigate a number of key operational risks, including the impact of EU Withdrawal. We consider that the risks relating to EU Withdrawal have not been fully articulated in relation to the strategic role of the IJB.	The IJB should satisfy itself that it has sufficient assurance that strategic risks relating to EU Withdrawal have been identified and mitigating actions taken.  <i>Grade 2</i>	While operational risks are being reviewed and managed within the Health & Social Care Partnership across both Council and NHS, we accept there needs to be further assurance on the impact and management of these risks to the IJB.  Responsible officer: Chief Officer Implementation date: 31 Oct 2019
5	Attendance from voting members at IJB meetings was mixed, but we note that the August 2019 meeting was not quorate and at a further meeting only three voting members and one substitute member were able to attend.	The IJB should review its frequency of meetings of the board and sub-committees to ensure that the cycle allows business to be addressed in a timely and effective basis, while ensuring the quantity of meetings is sustainable.  <i>Grade 3</i>	There is a recognised need to review the meeting frequency to ensure full engagement and attendance at IJB meetings and this will be progressed as part of the wider development programme for the IJB.  Responsible officer: Chief Officer Implementation date: March 2020
6	There is scope to improve the performance reporting arrangements to provide assurance to the IJB that the delivery of the Strategic Plan is on track.	The IJB should review performance reporting arrangements to ensure that members have sufficient assurance that the Strategic Plan is on course and that the IJB is achieving Best Value.  <i>Grade 2</i>	Management acknowledges the need for an improved link between the IJB and the Strategic Planning Group and work is underway to support this. The Vice Chair of the IJB will take up the Chair of the SPG and the IJB will receive SPG minutes routinely. In addition, reports to the SPG now require information on performance and progress towards achieving Strategic Plan outcomes.  Responsible officer: Chief Officer / Integration Manager Implementation date: March 2020

# Appendix E: Follow up of prior year recommendations

This section of our report summarises our assessment of the IJB's progress against the recommendations that we identified during our 2017/18 audit.

Prior year recommendations			
No.	Recommendation / grading	Management response/ Implementation timeframe	Our assessment of progress
1	<p>While the IJB has taken forward its financial strategy, significant work is still required to ensure that actions to address both the in-year position, as well as the forecast pressures over the next three years, are addressed.</p> <p>Grade 2</p>	<p>Management accepts there is work to be done in addition to the work that has already been delivered. The financial strategy and the financial plan are being developed and three reports have already gone to the IJB with a further paper going in September 2018.</p> <p>The financial strategy lays out the fundamental financial principle which is that the IJB will use the totality of its resources to deliver its Strategic Plan emphasising that a sustainable financial model is a key deliverable and then describes the transformational process.</p> <p>In 2018/19, actions have been taken which have significantly reduced the in-year financial risk. The IJB has a reserve and has indicated that, if required, additional resources can be used to support the in-year position.</p>	<p>While further work has been undertaken to develop a rolling 5 year financial plan, as we indicate within Appendix D, recommendation 4, further work is required to provide a balanced medium term plan.</p> <p>Our assessment: <b>Ongoing. Now superseded by Action 3 on page 29.</b></p>
2	<p>Earlier planning is needed to ensure that the annual performance report for 2018/19 can be considered and approved at an IJB Board meeting in June, to allow publication by the deadline.</p> <p>Grade 2</p>	<p>The annual report relies on activity and measurement data from information provided by NSS. This information was not received in time to allow the draft annual report to be presented to the IJB at its June meeting.</p> <p>This was reported to the IJB by the Chief Officer and approval was also sought from the Scottish Government to reflect that the annual report would not be delivered by the deadline due to the issues noted above.</p> <p>Going forward for 2018/19 reporting arrangements are being made to ensure all data required for the annual report is received in time to report to the IJB in line with the 31 July deadline.</p>	<p>The IJB experienced similar delays in obtaining performance information from NSS. However, the IJB formally delegated responsibility for approving the Annual Performance Report to the Chief Officer to ensure that the deadline was achieved in 2018/19.</p> <p>Our assessment: <b>Complete</b></p>





# Midlothian Integration Joint Board Audit and Risk Committee



**Thursday 5 September 2019, 2.00pm**

## **2018/19 Audited Annual Accounts**

**Item number: 5.2**

### **Executive summary**

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*As a statutory body, the IJB is required to produce a set of annual accounts at the end of its financial year (31 March). These accounts are then reviewed by the IJB's external auditors who report their opinion of the IJB's annual accounts to the IJB's Audit and Risk Committee. This report having been agreed by the committee and presuming no outstanding issues, this committee will then recommend the annual accounts to the IJB.*

*The accounts will then be signed by the Chair of the IJB, the Chief Officer of the IJB and the Chief Finance Officer of the IJB.*

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

- 1. Note the report of the independent auditor*
- 2. Recommend the 2018/19 annual accounts to the IJB*

## 2018/19 Audited Annual Accounts

### 1 Purpose

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- 1.1 The IJB has prepared annual accounts for the financial year 2018/19; these have now been audited by the IJB's Independent Auditors. Their report has been presented to committee at a previous agenda item.

### 2 Recommendations

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- 2.1 As a result of this report Members are being asked to:-
- Note the report of the independent auditor
  - Recommend the 2018/19 annual accounts to the IJB

### 3 Background and main report

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- 3.1 As a body governed by section 110 of the Local Government Scotland Act (1973) and the appropriate regulations and subsequent Acts, the IJB must prepare a set of annual accounts. The accounts must fulfil the requirements of the Act and the regulations and must give a true and fair view of the IJB's financial position.
- 3.2 The accounts must then be reviewed by an Independent Auditor who will report their findings to this committee which will allow the auditors to bring any matters to the committee's attention. If there are no issues arising from the auditors' report then the committee can recommend acceptance and authorisation of the annual accounts to the IJB.
- 3.3 Having recommended the Annual Accounts to the IJB, these will be formally signed at the meeting of the IJB on the meeting of 12 September 2019.
- 3.4 The Annual Accounts (unsigned) are attached to this report.

### 4 Policy Implications

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- 4.1 There are no policy implications from this report.

### 5 Directions

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

## 6 Equalities Implications

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6.1 There are no equalities implications from this report

## 7 Resource Implications

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7.1 There are no resource implications from this report.

## 8 Risk

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

## 9 Involving people

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

## 10 Background Papers

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10.1 None.

<b>AUTHOR'S NAME</b>	Claire Flanagan
<b>DESIGNATION</b>	Chief Finance Officer
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<b>DATE</b>	September 2019

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### Appendices:

#### Appendix 1 – 2018/19 Annual Accounts





## **Midlothian Integration Joint Board Audited Annual Accounts 2018/19**

The Unaudited Annual Accounts of Midlothian Integration Joint Board for the period from 1 April 2018 to 31 March 2019, prepared pursuant to Section 105 of the Local Government (Scotland) Act 1973 and in accordance with the terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and Service Reporting Code of Practice.

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## **Audit Arrangements**

Under arrangement approved by the Accounts Commission of Local Authority Accounts in Scotland, the auditor with responsibility for the audit of the accounts of Midlothian Integration Joint Board for the period 1 April 2018 to 31 March 2019 is Ernst and Young LLP, Atria One, 144 Morrison Street, Edinburgh, EH3 8EB.

## **Management Commentary**

### **Introduction**

The management commentary provides an overview of the key messages relating to the role, remit, members, objectives and the strategy of the Midlothian Integration Joint Board (the IJB). It describes the financial performance for the financial year ended 31 March 2019 and considers those issues and risks which may impact upon the IJB's financial position in the future.

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

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

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

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

The IJB assumed formal responsibility for these functions in April 2016 including the budgets for the delivery of these functions. The IJB published its Strategic Plan for these functions covering the period from April 2016 to March 2019 in March 2016. The IJB also publishes an Annual Delivery plan, the plan for 2018/19 being agreed by the IJB at its May 2018 meeting.



## Membership of Midlothian Integration Joint Board

The IJB met eight times in 2018/19. There have been a number of changes to the membership of the IJB since the accounts for 2017/18 were published. The members of the IJB at March 2019 were as follows :-

Member	Nominated/Appointed by	Role
Angus McCann	Nominated by NHS Lothian	Voting Member, Chair
Derek Milligan	Nominated by Midlothian Council	Voting Member, Vice Chair
Catherine Johnstone	Nominated by Midlothian Council	Voting Member
Jim Muirhead	Nominated by Midlothian Council	Voting Member, Chair of Audit and Risk Committee
Pauline Winchester	Nominated by Midlothian Council	Voting Member
Alex Joyce	Nominated by NHS Lothian	Voting Member
Carolyn Hirst	Nominated by NHS Lothian	Voting Member
Allister Short	Appointed by the IJB	Chief Officer
Claire Flanagan	Appointed by the IJB	Chief Finance Officer
Alison White	Nominated by Midlothian Council	Chief Social Worker
Fiona Huffer	Appointed by the IJB	Allied Health Professionals lead
Caroline Myles	Nominated by NHS Lothian	Chief Nurse
Hamish Reid	Nominated by NHS Lothian	General Practitioner
Aileen Currie	Appointed by the IJB	MLC Staff Side Representative
Pam Russell	Appointed by the IJB	Carer representative
Ewan Aitken	Appointed by the IJB	Voluntary Sector Representative
Keith Chapman	Appointed by the IJB	User Representative
Wanda Fairgrieve	Appointed by the IJB	NHS Staff Representative
Nik Hirani	Appointed by the IJB	Medical Practitioner

Note -

The Chief Finance Officer of the IJB was David King until his retirement in October 2018 where Claire Flanagan took on the role.

Nominated substitute for Derek Milligan, Margot Russell attended the IJB meetings on four occasions and nominated substitutes for Catherine Johnstone, Kenneth Baird attended on one occasion and Jo Wallace on two occasions during 2018/19.

The Chair of the IJB changed from Angus McCann to Catherine Johnstone during June 2019.

## **The IJB's Operations for the Year**

2018/19 was the third operational year for the IJB. The ambitions for the financial year were laid out in the IJB's 2018/19 annual delivery plan, these were:-

- Reshape Primary Care
- Develop coherent approach to Out of Hours services
- Reducing the use of Unscheduled Care in Acute Hospitals
- Reduce expenditure on Prescribing
- Reshape Learning Disability services
- Review and redesign Carers services
- Develop a Care Home strategy
- Implement new approaches to Care at Home
- Shift the balance of care in Mental Health services
- Strengthen prevention and recovery in Criminal Justice
- Implement a new Public Engagement Strategy
- Design and implement a Prevention strategy and the links to offending and substance misuse
- Reducing the cost of Learning Disability services
- Strengthening the multi-agency approach to Health Inequalities

Considerable progress has been made on these ambitions specifically on:-

- Improvement of Primary Care services with the roll out of physiotherapists, pharmacists and mental health nurses within practices
- Frailty programme has undertaken a full analysis which has been completed for all Midlothian frail patients and now looks to progress a test of change into a frailty pathway
- Community Respiratory Team was enhanced to increase the support for managing COPD in the local community aiming to prevent acute admissions.
- The Wellbeing service is also now fully established in all 12 Midlothian practices
- Discharge to Assess team was also started at the end of the financial year which will support the work to reduce acute hospital delays

The IJB's Annual Performance report which provides further details on the activity of the IJB was published in August 2019 and this report is available on the IJB's webpage.

## **The IJB's Position at 31 March 2019**

### **Summary**

For the year ending 31 March 2019, the IJB was underspent. That is the costs incurred in delivering the IJB's functions by Midlothian Council and NHS Lothian are less than the income that the IJB received from NHS Lothian and Midlothian Council.

In summary, the position is as follows :-

	<b>Income</b>	<b>Expenditure</b>	<b>Surplus</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
Health Services	102,317	100,190	2,127
Social Care Services	39,932	39,081	851
<b>Total</b>	<b>142,249</b>	<b>139,271</b>	<b>2,978</b>

This surplus has been transferred to the reserve which is described further below.

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

### **Analysis of the Financial Statements**

The financial statements are all presented on a net basis.

### **Income and Expenditure**

The table below gives details of the IJB's expenditure in 2018/19

	Unaudited Budget	Unaudited Budget	Expenditure	Expenditure	Variance	Note
	Health £000's	Social Care £000's	Health £000's	Social Care £000's	£000's	
<b>Direct Midlothian Services</b>						
Community AHPS	2,273		2,103		170	
Community Hospitals	4,969		5,274		-305	
District Nursing	2,667		2,593		74	
General Medical Services	14,763		14,847		-84	
Health Visiting	1,666		1,596		70	
Mental Health	2,235		2,059		176	
Other	11,969		9,866		2,103	1
Prescribing	18,089		17,788		301	
Resource Transfer	4,943		4,943		0	2
Older People		17,265		14,984	2,281	
Learning Disabilities		12,510		14,388	-1,878	
Mental Health		853		841	12	
Physical Disabilities		3,295		4,046	-751	
Assessment and Care Management		3,065		2,865	200	
Other		2,944		1,957	987	3
<b>Midlothian Share of pan-Lothian</b>						
Set Aside	17,146		17,604		-458	4
Mental Health	2,013		2,065		-52	
Learning Disabilities	1,388		1,442		-54	
GP Out of Hours	1,051		1,051		0	
Rehabilitation	754		670		84	
Sexual Health	570		565		5	
Psychology	748		744		4	
Substance Misuse	693		703		-10	
Allied Health Professions	1,241		1,173		68	
Oral Health	1,633		1,573		60	
Other	2,305		2,330		-25	
Dental	4,913		4,913		0	5
Ophthalmology	1,649		1,649		0	5
Pharmacy	2,639		2,639		0	5
	<b>102,317</b>	<b>39,932</b>	<b>100,190</b>	<b>39,081</b>	<b>2,978</b>	

Notes –

1. Other includes £4.816m for the Social Care fund. These are resources which the Scottish Government has directed to the IJB through NHS Lothian and are shown as health – however, these funds are then transferred to the Council and used to support the delivery of social care services.
2. Resource Transfer are funds for specific purposes which are transferred from health to social care. However, these remain part of the health budget and are reported there.
3. Other includes care for non-specific groups, substance misuse services and other management and performance costs. This also includes £327k of funds which have been taken to the IJB's reserve to be carried forward for specific projects. This is detailed in the discussion on reserves below.
4. Set Aside are the budgets for those functions delegated to the IJB which are managed by the Acute Services management teams within NHS Lothian. These services are :-
  - Accident and Emergency
  - Cardiology
  - Diabetes
  - Endocrinology
  - Gastroenterology
  - General Medicine
  - Geriatric Medicine
  - Rehabilitation Medicine
  - Respiratory Medicine
  - Various ancillary support services for the above

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

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

The charges (shown as expenditure above) made by Midlothian Council to the IJB are the net direct costs incurred in the delivery of social care services in Midlothian. The charges from NHS Lothian are based on the health budget setting model as agreed by the IJB. That is, charges for the core services (those services specifically for and delivered by the Midlothian partnership) are based on the net direct actual costs incurred in Midlothian. However, charges for hosted and set aside services (those services which are not generally managed by the Midlothian Partnership and are delivered on a pan-Lothian basis) are based on the total actual costs for these service shared across four IJBs per the budget setting model. The IJB share of the total actual costs incurred in 2018/19 for hosted services is 10% and, generally, 10% of the Lothian element of the set aside budgets and the non-cash limited budgets.

## **Overview of the 2018/19 position**

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

### **Direct Midlothian Services**

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

Within the social care budgets the pressures at the year-end were a significant overspend within adult services, specifically those for clients with Learning Disabilities and Physical Disabilities. This pressure was offset by underspend in services for older people, although there are underlying pressures in some specific services including MERRIT and care at home.

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

The hosted position shows an overspend within the Learning Disabilities services and Mental Health being offset with underspends in community dental (Oral Health), and Rehabilitation Services.

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

- A&E – ongoing recruitment issues resulting in additional costs of locums/agency to cover and make safe staffing rotas as well as the additional costs of RIE Minor Injuries Unit
- Diabetes – Pressures on providing new, replacement & additional supplies for Adult Insulin Pumps
- Junior Medical – driven by additional staffing requested to cover rotas for sickness; maternity and vacancies – causing an over-establishment against funded levels in particular within A&E areas. Tighter controls regarding authorisation for additional staffing and reviewing rotas before issues arise are in place and have reduced the pressure during 2018/19
- General Medicine – Pressure driven by ongoing staffing issues (significant at St John's Hospital – where recruitment is proving difficult) and ongoing bed pressures across the sites
- Infectious Diseases - significant drug pressure reported in year, although expenditure is showing a reduction from 17/18

## Reserves

The IJB has reserves at the end of 2018/19 of £3.878m. The IJB had reserves of £900k in March 2018. The movement in can be described as follows:-

	2018/19 Opening	2018/19 Transfers Out	2018/19 Reclassified	2018/19 Transfers in	2018/19 Closing
<b>Earmarked Reserves</b>	<b>£000's</b>		<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
MELDAP	132	-132		196	196
SG Funding TEC	77	-77		86	86
Commitment to specific posts			37	270	307
Primary Care					
Investment Fund				240	240
Commitment to GPs				150	150
Integrated Care Fund				145	145
Commitment to Wellbeing Service ( PCIF)				121	121
Action 15				96	96
Slippage in Local Programmes				85	85
Other	34	-34		67	67
<b>Committed Project Funds</b>	<b>243</b>	<b>-243</b>	<b>37</b>	<b>1,456</b>	<b>1,493</b>
<b>General Reserves</b>	<b>657</b>	<b>-73</b>	<b>-37</b>	<b>1838</b>	<b>2385</b>
<b>Total</b>	<b>900</b>	<b>-316</b>	<b>-</b>	<b>3294</b>	<b>3878</b>

The IJB similar to last year proposes to use its reserves in 2019/20 as follows:-

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



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

- Delayed Discharge – as previously reported to the IJB, there continues to be a need to support timely discharge from hospital and resource will be allocated to support the implementation of the delayed discharge action plan
- The residual element of the general reserve will be used as required to support in-year financial pressures, recognising the continuing underlying and significant overspend in social care
- There will also be proposals put to the IJB during 2019/20 regarding utilising reserves to support addressing care gaps within some services. This will be reported through the IJB business meetings with papers with propositions.

## The IJB's Strategy and Business Model

### Our Vision

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

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

### Key Changes in Our Use of Resources



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

**1. Prioritising the Allocation of Resources**

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

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

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

**Social Care:** The Realistic Care Realistic Expectations Programme is intended to identify significant savings through more efficient and more equitable ways of providing social care services.

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

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

**3. Public Engagement**

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

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

## **Key Risks and Uncertainties**

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

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

**Catherine Johnstone**  
IJB Chair

**Allister Short**  
Chief Officer

**Claire Flanagan**  
Chief Finance Officer

## **Statement of Responsibilities**

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

The Integration Joint Board is required to:-

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

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

Signed on behalf of Midlothian Integration Joint Board.

**Catherine Johnstone**  
Chair

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

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

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

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

The chief finance officer has also:-

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

I certify that the financial statements give a true and fair view of the financial position of the Midlothian Integration Joint Board as at 31 March 2019 and the transactions for the year then ended.

**Claire Flanagan**  
Chief Finance Officer

## **Remuneration Report**

### **Introduction**

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

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

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

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

The IJB does not provide any additional remuneration to the Chair, Vice Chair or any other board members relating to their role on the IJB. The IJB does not reimburse the relevant partner organisations for any voting board member costs borne by the partner. Neither the Chair nor the Vice Chair appointments had any taxable expenses paid by the IJB in 2018/19.

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

NHS Lothian remunerates its non-executive members on a notional day basis. Those non-executive members of the NHS Lothian Board who are also Chairs or Vice Chairs of IJBs are given an additional notional day's remuneration in recognition of the additional time required to undertake those roles. Angus McCann, as a non-executive member of NHS Lothian Board who was also the Chair of Midlothian IJB has received an additional notional day's remuneration specifically for his role as Chair of the IJB in 2018/19. This remuneration is £8,416 per annum.

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

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

#### **Chief Officer**

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



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

The Chief Officer of the IJB is Allister Short who is also the Director of Health and Social Care for Midlothian Council and the Joint Director of the Midlothian Partnership. It has been agreed that 50% of his total remuneration is to be shown in the accounts of the IJB as his remuneration as the Chief Officer of the IJB. Allister replaced Eibhlin McHugh as Chief Officer in October 2017.

#### Chief Finance Officer

Although the costs of the Chief Finance Officer are not included in the charges made to the IJB by either partner, given the S95 role of the Chief Finance Officer and in the interests of transparency, the remuneration of the Chief Finance officer is included below. The Chief Finance officer is Claire Flanagan. The Chief Finance Officer is employed by NHS Lothian and has three roles – the IJB's Chief Finance Officer, the Chief Finance Officer of East Lothian IJB and an operational role in the NHS Lothian finance team as a Finance Business Partner. On that basis, one third of the total remuneration is shown below. During 2018/19 David King was replaced by Claire Flanagan as the Chief Finance Officer of the IJB.

#### Other Officers

No other staff are appointed by the IJB under a similar legal regime. Other non-voting board members who meet the criteria for disclosure are included in the disclosures below. Allister Short was appointed in November 2017; his costs below are therefore 5/12th's of the annual costs for 2017-18. David King retired in October 2018, his costs are therefore 6/12ths for 2018-19, thereafter Claire Flanagan was appointed in October 2018, her costs are therefore 6/12 of the annual costs for 2018-19.

<b>Total 2017/18</b>	<b>Senior Employees</b>	<b>Salary, Fees &amp; Allowances 2018/19</b>	<b>Total 2018/19</b>
<b>£</b>		<b>£</b>	<b>£</b>
29,263	Eibhlin McHugh (to October 2017)	-	-
16,816	Allister Short (from November 2017)	42,530	42,530
27,069	David King ( to October 2018)	16,104	16,104
-	Claire Flanagan ( from October 2018)	11,030	11,030

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

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

	<b>In-year pension contributions</b>		<b>Accrued pension benefits</b>			
	<b>For year to 2019</b>	<b>For year to 2018</b>	<b>As at 31 March 2019</b>		<b>Difference from 31 March 2018</b>	
	<b>£</b>	<b>£</b>	<b>Pension £000</b>	<b>Lump Sum £000</b>	<b>Pension £000</b>	<b>Lump Sum £000</b>
<b>Allister Short</b>	11,600	10,864	18	36	2	2
<b>Claire Flanagan</b>	8,167	0	11	22	-	-
<b>David King</b>	6,618	11,127	37	110	1	4
<b>Eibhlin McHugh</b>	0	11,721	-	-	-	-

### Disclosure by Pay Bands

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

### Exit Packages

The IJB did not support nor did it direct to be supported by its partners, any exit packages during 2018/19.

**Catherine Johnstone**  
IJB Chair

**Allister Short**  
Chief Officer



## **Annual Governance Statement**

### **Introduction**

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

### **Scope of Responsibility**

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

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

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

### **The Governance Framework and Internal Control System**

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

The MIJB's Local Code of Corporate Governance (MIJB Local Code) sets out the framework and key principles, which require to be complied with, to demonstrate effective governance. The MIJB Local Code has been revised during the year to reflect the changing context of integration and is consistent with the principles and recommendations of the new CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government' (2016) and the supporting guidance notes for Scottish authorities. This will be presented for scrutiny by the MIJB Audit and Risk Committee then for approval by the full Board. The overall aim of the Framework is to ensure that: resources are directed in accordance with agreed policy and according to priorities; there is sound and inclusive decision making; and there is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities.

The main features of the governance framework and internal control system associated with the seven core principles of good governance defined in the revised Framework in existence during 2018/19 included:

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

The roles and responsibilities of Board members and statutory officers and the processes to govern the conduct of the Board's business are defined in the approved Scheme of Integration, which serves as the approved constitution, and Standing Orders to make sure that public business is conducted with fairness and integrity.

Reliance is placed on the values and standards set out in the codes of conduct within the employer partner organisations, which incorporate "The Seven Principles of Public Life" identified by the Nolan Committee on Standards in Public Life.

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

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

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

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

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

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

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

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

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

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

The vision, strategic objectives and outcomes are reflected in the Midlothian Health & Social Care Partnership's Strategic Plan 2019-2022 which has been updated to

reflect on-going assessment of need. Implementation is underpinned by the associated Annual Delivery Plan.

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

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

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

The Midlothian Health & Social Care Partnership's Strategic Plan 2019-2022 is based on consultation during its review and update.

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

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

The MIJB Chief Officer is responsible and accountable to the Board for all aspects of management.

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

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

There is a leadership development programme for the joint management team supported by workforce plans with a key focus on team leader development.

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

The MIJB Chief Officer has overall responsibility for directing and controlling the partnership. The MIJB Board is responsible for key decision-making.

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

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

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

The MIJB also relies upon the partners for:

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

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

The Shared Chief Internal Auditor of Midlothian Council is the MIJB's Chief Internal Auditor to provide an independent and objective annual opinion on the effectiveness of internal control, risk management and governance. This is carried out in conformance with the Public Sector Internal Audit Standards.

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

Performance Reports were presented to the Board for monitoring and control of achievement of Local Improvement Goals. An Annual Performance Report for 2018/19 is being prepared to outline progress against strategic objectives over the year.

The Annual Accounts and Report for 2018/19 setting out the financial position in accordance with relevant accounting regulations is also being prepared.

### **Review of Adequacy and Effectiveness**

The MIJB is required to conduct, at least annually, a review of the effectiveness of its governance framework.

The review was informed by: an annual self-assessment against the MIJB's Local Code of Corporate Governance which was updated to ensure it is consistent with the principles of the CIPFA/SOLACE Framework (2016), carried out by MIJB Internal Audit; MIJB Internal Audit reports; MIJB External Audit reports; relevant reports by other external scrutiny bodies and inspection agencies; and relevant partners' (NHS Lothian and Midlothian Council) Internal Audit and External Audit reports.

### **Improvement Areas of Governance**

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

- 1 Continue to demonstrate the linkages within the Strategic Plan to local and national objectives.
- 2 Enhance specification within the Annual Delivery Plans of how outcomes are to be measured.
- 3 Develop a Medium Term Financial Plan.
- 4 Further develop the Performance Management Framework.

The implementation of these actions to enhance the governance arrangements in 2019/20 will be driven and monitored by the MIJB Chief Officer in order to inform the



next annual review. Internal Audit work planned in 2019/20 is designed to test improvements and compliance in governance and risk management arrangements, achievement of transformation and change in service delivery (and the associated workforce development), and performance management.

### **Conclusion and Opinion on Assurance**

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

This opinion reflects the work of the IJB to continue to develop and the ongoing development within its strategic plan, financial planning and performance management. This statement is disclosed to the IJB Audit and Risk Committee.

**Catherine Johnstone**  
IJB Chair

**Allister Short**  
Chief Officer

**Independent Auditor's Report**

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





### **Comprehensive Income and Expenditure Statement**

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

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

<b>2017-18 Net Expenditure £000s</b>		<b>2018-19 Net Expenditure £000s</b>
99,115	Health Care Services - NHS Lothian	100,190
38,023	Social Care Services - Midlothian Council	39,081
<b>137,138</b>	<b>Cost of Services</b>	<b>139,271</b>
(138,038)	Taxation and Non-Specific Grant Income	(142,249)
<b>(900)</b>	<b>Surplus on Provision of Services</b>	<b>(2,978)</b>

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

### **Movement in Reserves Statement**

The movement in reserves statement shows the value of the IJBs reserve and how this has grown during 2018/19, a large proportion of this reserve is earmarked for future projects and commitments.

#### **Movements in Reserves During 2018/19**

	<b>General Fund Balance</b>	<b>Unusable Reserves: Employee Statutory Adjustment Account</b>	<b>Total Reserves</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
<b>Opening Balance at 31 March 2018</b>	<b>900</b>	<b>0</b>	<b>900</b>
Total Comprehensive Income and Expenditure	2978	0	2978
Increase or Decrease in 2018/19	<b>2978</b>	<b>0</b>	<b>2978</b>
<b>Closing Balance at 31 March 2019</b>	<b>3878</b>	<b>0</b>	<b>3878</b>

## **Balance Sheet**

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

### **Midlothian IJB Balance Sheet**

<b>31 March 2018</b>		<b>31 March 2019</b>
<b>£000s</b>		<b>£000s</b>
	<b>Current Assets</b>	
900	Debtors	3,878
000	<b>Creditors: amounts falling due within one year</b>	<b>000</b>
<b>900</b>	<b>Total assets less current liabilities</b>	<b>3,878</b>
	<b>Capital and Reserves</b>	
244	Earmarked Reserve	1493
656	General Reserve	2385
<b>900</b>	<b>Total Reserves</b>	<b>3878</b>

**Claire Flanagan**  
Chief Finance Officer

## **Notes to the Financial Statements**

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

#### **General Principles**

The Financial Statements summarise the IJB's transactions for the 2018/19 financial year and its position at the year-end of 31 March 2019.

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

The Financial Statements are therefore prepared in compliance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, supported by International Financial Reporting Standards (IFRS), unless legislation or statutory guidance requires different treatment.

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

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

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

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

#### **Funding**

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



### Cash and Cash Equivalents

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

### Employee Benefits

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

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

### Provisions, Contingent Liabilities and Contingent Assets

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

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

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

The IJB has none of the above.

### Reserves

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

The IJB's only Usable Reserve is the General Fund. The balance of the General Fund as at 31 March shows the extent of resources which the IJB can use in later years to support service provision. As noted above, the IJB has reserves of £3.878m at 31 March 2019.

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

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

<b>Earmarked Reserve</b>	<b>£000's</b>
Commitment to specific posts	307
Primary Care Investment Fund	240
MELDAP	196
Commitment to GPs	150
Integrated Care Fund	145
Commitment to Wellbeing Service ( PCIF)	121
Action 15	96
Technology Enabled Care (SG funding)	86
Slippage in Local Programmes	85
Transformation of Older People's Services	34
Smile Project (Big Lottery funding)	16
Autism Strategy (SG funding)	12
Electronic Frailty Index ( Health Foundation)	7
<b>General Reserves</b>	<b>2,385</b>
<b>Total Reserves</b>	<b>3,878</b>

#### Indemnity Insurance

The IJB has indemnity insurance for costs relating primarily to potential claim liabilities regarding Board member and officer responsibilities. NHS Lothian and Midlothian Council have responsibility for claims in respect of the services that they are statutorily responsible for and that they provide. The IJB holds separate indemnity insurance through its membership of the CNORIS scheme, the charge for this in 2018/19 was £6,000, the same value as last year 2017/18.

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

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

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

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

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

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

- The partner organisations have considered their exposure to possible losses and made adequate provision where it is probable that an outflow of resources will be required and the amount of the obligation can be measured reliably. Where it has not been possible to measure the obligation, or it is not probable in the partner organisations' options that a transfer of economic benefits will be required, material contingent liabilities have been disclosed (there are none)
- The Annual Accounts contains estimated figures that are based on assumptions made by the IJB about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates
- There are no items in the IJB's Balance Sheet at 31 March 2019 for which there is a significant risk of material adjustment in the forthcoming financial year

### **Provisions**

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

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

The Annual Accounts were authorised for issue by the IJB. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing as at 31 March 2019, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

#### 4. Expenditure and Funding Analysis

2017/18 £000's	Expenditure	2018/19 £000's
	Services specifically for Midlothian	
59,270	Health	61,069
38,023	Social Care	39,081
	Midlothian's share of Lothian Health Services	
21,273	Hosted	21,517
18,572	Set Aside	17,604
<b>137,138</b>	<b>Total</b>	<b>139,271</b>
	<b>Funded By:</b>	
38,805	Midlothian Council	39,932
99,233	NHS Lothian	102,317
<b>138,038</b>		<b>142,249</b>
<b>900</b>	<b>Surplus</b>	<b>2,978</b>

Expenditure above has been split into three main areas :-

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

## Corporate Service

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

<b>2017/18</b>		<b>2018/19</b>
<b>£000's</b>		<b>£000's</b>
49	Staff	43
24	Audit Fee	25
<b>73</b>	<b>Total</b>	<b>68</b>

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

## 5. Related Party Transactions

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

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

<b>2017/18</b>		<b>2018/19</b>
<b>£000's</b>		<b>£000's</b>
99,115	NHS Lothian	100,189
-4,776	Resource Transfer	-4,943
-5,100	Social Care Fund	-4816
<b>89,239</b>		<b>90,430</b>
38,023	Midlothian Council	39,081
4,776	Resource Transfer	4,943
5,100	Social Care Fund	4,816
<b>47,899</b>	<b>Total</b>	<b>48,840</b>

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

## 6. VAT

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



# Midlothian Integration Joint Board Audit and Risk Committee



**Thursday 5 September 2019, 2.00pm**

## **Risk Register**

**Item number: 5.3**

### **Executive summary**

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

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

1. Consider the strategic risk profile.

## Risk Register

### 1 Purpose

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

### 2 Recommendations

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- 2.1 As a result of this report what are Members being asked to:-
- Consider the strategic risk profile especially those issues and risks highlighted in the covering report.

### 3 Background and main report

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- 3.1 The IJB's Audit and Risk Committee regularly scrutinises the strategic risk profile and reports back to the IJB quarterly.
- 3.2 The 2019/20 quarter 1 strategic risk profile presents the current issues, future risks and opportunities for the IJB.
- 3.3 The most significant issues and risks on the MIJB strategic risk profile are as follows :-

#### Issues

Issues relating to Midlothian's use of Unscheduled Care (unplanned hospital use) will now be considered by a new forum, Midlothian Acute Services Planning Group, chaired by the Chief Officer and involving the Clinical Director for Primary Care in Midlothian, local Heads of Service and Strategic Planning staff from the Royal Infirmary. A Plan for Acute Services is being developed. Services for people with COPD and dementia have continued to develop and make an impact by reducing hospital admissions and length of stay. In addition the Discharge to Assess Team has ensured that people are supported to go home from hospital promptly (supported 100 people in first 4 months saving 130 bed days).

'Workforce Capacity including recruitment and retention of health and social care staff', continues to be a challenge for the Partnership. Various actions are being undertaken to address this including initiatives to enhance capacity in care at home provision.



## **Risk**

The risk 'Balancing the budget in future years' remains. The medium term rolling 5 year financial plan was presented to June IJB. The Business Transformation Board - Realistic Care Realistic Medicine Programme, which continues to support delivery of the financial strategy.

## **4 Policy Implications**

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

## **5 Directions**

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- 5.1 This report does not require a new direction.

## **6 Equalities Implications**

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

## **7 Resource Implications**

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

## **8 Risk**

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

## **9 Involving people**

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

## **10 Background Papers**

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- 10.1 None.

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<b>DATE</b>	5 <sup>th</sup> Sept 2019


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### **Appendices:**

1. Strategic Risk Profile

## Issues


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





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

Related Action Code	Related Action	Related action latest note	Managed By	Due Date	Status
IJB.RA.18.1	Project to examine the use of acute hospital beds	<p><b>Q1 19/20:</b> Project has appointed a Programme Manager to consider local developments which will reduce unscheduled care, including use of acute beds. Work underway to prepare a plan to address unscheduled care.</p> <p>Work with colleagues in acute care to ensure their front door re-design strategy will meet the needs of Midlothian residents.</p>	Chief Officer	31-Mar-2020	
IJB.RA.18.2	Increased investment in services to reduce hospital admission and stay.	<b>Q1 19/20:</b> Increase in capacity in quarter one for Community respiratory team developments and discharge to assess. Head of Adult Service has	NHS Lothian	31 Mar 2020	

		established a multidisciplinary team to review A&E frequent attenders aged 18 – 64 with a view to looking at additional support that would reduce their dependency on A&E.			
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### IJB.RR.10 Workforce Capacity Including Recruitment & Retention of Health and Social Care Staff


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

Related Action Code	Related Action	Related action latest note	Managed By	Due Date	Status
IJB.RA.10.2	Scottish Social Service Council Care at Home	<b>Q1 18/19:</b> The registration of Care at Home staff continues to make progress. This is contributing to work to professionalise the workforce.	Joint Director Midlothian Health and Social Care Partnership	31-Dec-2019	
IJB.RA.10.3	Transformation Board work stream focused on care at home provision	<b>Q1 18/19:</b> Transformation board are overseeing a range of initiatives aimed at enhancing capacity in the level of care at home provision.	Head of Older People and Primary Care	31 Mar 2020	
IJB.RA.10.4	Increase recruitment to care at home	<b>Q1 19/20:</b> Social media and other approaches taken to increase the profile of care at home as a career option with the view to increasing number of carers recruited.	Head of Older People and Social Care	31 Dec 2019	
IJB.RA.10.5	Opportunity for staff to achieve SVQ qualifications and meet registration requirements	<b>Q1 19/20:</b> The SVQ Assessment Centre has received positive external verification from SQA for all awards delivered	Head of Adult Services	31 Dec 2019	


## Risks

### IJB.RR.01 Balancing budget in future years

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

Related Action Code	Related Action	Related action latest note	Managed By	Due Date	Status
IJB.RA.01.2	Financial Plan	<b>Q1 19/20:</b> First iteration of IJB's Medium term financial strategy (rolling) presented to IJB in June. Work required as a result of this to address the projected budget shortfall future years.	Chief Finance Officer	31-Mar-2020	


### IJB.RR.03 Demographic Changes

Risk Code	Risk Identification	Managed by	Risk Control Measures	Likelihood	Impact	Risk Evaluation
IJB.RR.03	<p><b>Risk cause</b> Increasing demands on services as a result of ageing population, and increasing numbers and complexity of need of children moving into Adult Services.</p> <p><b>Risk event</b></p>	Joint Director Midlothian Health and Social Care Partnership	<p>Three yearly review of joint needs assessment so that the allocation of resources can be reviewed and amended.</p> <p>Continual process of service redesign to ensure people access services quickly, and their recovery is supported effectively.</p>	5	3	

	<p>Inability to meet demand within existing resources.</p> <p><b>Risk effect</b> Demands made on Social Care resource budget exceed available budget. Capacity to maintain and develop preventative services is put at risk.</p>		<p>Realistic Care, Realistic Medicines programme Board.</p> <p>Business Transformation Board – Council Transformation Board</p> <p>Demographic profiling to ensure forward planning reflects the demographic profile of the IJB. Captured in financial Strategy</p>			
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#### IJB.RR.04 Governance



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

Related Action Code	Related Action	Related action latest note	Managed By	Due Date	Status
IJB.RA.04.1	Review of Integration Scheme in response to the Carers Scotland Act 2016.	<b>Q1 18/19:</b> Integration scheme reviewed and submitted to the Scottish Government.	Chief Officer	31-Apr-2019	
	Ministerial Steering Group (MSG) Progress of Integration self-assessment	<b>Q1 19/20:</b> Self-assessment/self evaluation reported to IJB in June 2019. Annual progress report to be produced each year detailing progress against the self assessment. Action plan to be produced.	Chief Officer	31 Mar 2020	


#### IJB.RR.07 Managing Change




Risk Code	Risk Identification	Managed by	Risk Control Measures	Likelihood	Impact	Risk Evaluation
IJB.RR.07	<p><b>Risk cause</b> Information on changes to service released before service</p>	Joint Director Midlothian Health	Strategic plan.	3	4	

	<p>user or employees consultation strategy developed.</p> <p><b>Risk event</b> There is the potential for information to be released on draft schemes or proposals for changes to service delivery.</p> <p><b>Risk effect</b> This could have a negative impact on Service Users and Employees by creating unnecessary concern regarding potential changes which have not been fully considered or consulted on.</p>	and Social Care Partnership	<p>Directions made and monitored.</p> <p>Performance reporting against delivery of strategic plan and other key indicators.</p> <p>There is an Organisational Development Officer in post, delivering an OD programme alongside a number of Lothian-wide initiatives. Workforce Planning</p>			
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Related Action Code	Related Action	Related action latest note	Managed By	Due Date	Status
IJB.RA.07.1	Communications Strategy	<b>Q1 18/19:</b> Communication plans are being developed and implemented across the service.	Joint Director Midlothian Health and Social Care Partnership	31-Dec-2019	
IJB.RA.07.3	Strategic Planning Group	<b>Q1 19/20:</b> Undertaken review terms of reference and membership of group to ensure group more reflective of strategic plan.	Chief Officer	31-Mar-2020	

### IJB.RR.08 Management Information


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



Related Action Code	Related Action	Related action latest note	Managed By	Due Date	Status
IJB.RA.08.1	Interagency Information Exchange	<b>Q1 18/19:</b> Business case on move to hosted service for Mosaic was agreed. Implementation ongoing.	Business Applications Manager	31-Mar-2020	
IJB.RA.08.2	Performance Information	<b>Q1 18/19:</b> Work continues on the development of a comprehensive performance framework for the IJB. Reports presented to the IJB. Regular reports presented to the IJB.	Joint Director Midlothian Health and Social Care Partnership	31-Dec-2019	
	IT software development	<b>Q1 19/20:</b> Work on going with NHS Lothian and Midlothian Council to enhance IT systems which will improve service delivery (Google Chrome).	Head of Older people and Social Care	31 Mar 2020	

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

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


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


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

Related Action Code	Related Action	Related action latest note	Managed By	Due Date	Status
IJB.RA.11.1	Single Midlothian Plan	<b>Q1 19/20:</b> Plan for 2019/20 published, IJB contribution to develop next plan as part of wider community planning activity.	Joint Director Midlothian Health and Social Care Partnership	31-Mar-2020	
IJB.RA.11.2	Strengthening engagement with the independent sector	<b>Q1 19/20:</b> Undertook a self-assessment as part of review of integration.	Joint Director Midlothian Health and Social Care Partnership	31-Mar-2020	



## IJB.RR.14 Business Continuity

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






Related Action Code	Related Action	Related action latest note	Managed By	Due Date	Status
IJB.RA.14.1	UK Exit from European Union without a deal	<b>Q1 18/19:</b> IJB seeking confirmation from key strategic partners on their ability to continue to deliver key services in the event of a no deal exit from the European Union on 31 October 2019.	Chief Officer	31-Oct-2019	

## Opportunities

### IJB.OP.01 Strategic Plan

Risk Code	Risk Identification	Managed by	Risk Control Measures	Likelihood	Impact	Risk Evaluation
IJB.OP.01	The creation of a Strategic Plan provides the opportunity to describe the future shape of care services.	Joint Director Midlothian Health and Social Care Partnership	<p>The Strategic Plan sets out the direction of travel for all health and care services and identifies how available funding will be used to enable some of these changes to take place.</p> <p>New funding such as social care monies and Primary Care Transformation funds will enable some of the aspirational plans to be put into effect.</p> <p>Direction provides clarity and specificity about actions flowing from the Strategic Plan.</p> <p>Health and Care Transformation Board has been established to ensure a SMART (Specific, Measurable, Achievable, Realistic, Timely) approach to implementation of the Strategic Plan.</p> <p>Annual Delivery Plan.</p> <p>Working with local planning groups and services to develop plans for future years.</p>	5	4	



#### Risk Management report Key:

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

Overdue



#### Action Key:

In progress	
Complete	

# Midlothian Integration Joint Board Audit and Risk Committee



**Thursday 5 September 2019, 2.00pm**

## **MIJB Recommendations Internal Audit Follow-Up Review Completed Actions**

<b>Item number:</b>	<b>5.4</b>
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### **Executive summary**

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The purpose of this report is to provide information on Internal Audit actions flagged as completed and confirm the adequacy of the new internal controls and governance of the Midlothian Health and Social Care Integration Joint Board (MIJB).

**The Midlothian IJB Audit and Risk Committee is therefore asked to consider the progress made by Management in implementing Internal Audit recommendations to improve internal controls and governance of the Midlothian Health and Social Care Integration Joint Board.**

## MIJB Recommendations Internal Audit Follow-Up Review Completed Actions

### 1 Purpose

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- 1.1 The purpose of this report is to provide information on Internal Audit actions flagged as completed and confirm the adequacy of the new internal controls, risk management and governance arrangements of the Midlothian Health and Social Care Integration Joint Board (MIJB).

### 2 Recommendations

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- 2.1 Midlothian IJB Audit and Risk Committee is therefore asked to consider the progress made by Management in implementing Internal Audit recommendations to improve internal controls, risk management and governance arrangements of the Midlothian Health and Social Care Integration Joint Board.

### 3 Background and main report

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- 3.1 Internal Audit reports include a section with management actions where recommendations are made to improve upon the existing internal controls, risk management and governance arrangements. These recommendations, following agreement with MIJB Management, are endorsed by the MIJB Audit and Risk Committee and are then updated by Internal Audit to the Council's performance management system Pentana Performance with a target completion date set.
- 3.2 MIJB Management are responsible for acting on the recommendations by the agreed due date and when complete, closing the recommendation on Pentana Performance system. The Internal Audit plan includes follow up activity in relation to recommendations made and looks at completed recommendations to determine whether they had been implemented satisfactorily and thus give assurance over the ongoing improvement of internal control, risk management and governance arrangements.
- 3.3 Since May 2018 a further 9 recommendations have been completed by MIJB Management which is good progress. These were tested by Internal Audit as part of the follow-up process and these were all found to have been completed satisfactorily with evidence of improved internal controls and governance arrangements, and reduced risk.
- 3.4 A summary is attached at Appendix 1 which details the completed MIJB Internal Audit recommendations including notes from Pentana system.
- 3.5 A further follow-up report will be presented in December 2019 on progress with the remaining 7 MIJB Internal Audit recommendations.

## 4 Policy Implications

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- 4.1 There are no direct policy implications arising from this report.

## 5 Equalities Implications

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

## 6 Resource Implications

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- 6.1 There are no direct resources implications arising from the proposals in this report.

## 7 Risk

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- 7.1 The recommendations made by Internal Audit are directly related to reducing the level of risk that the MIJB is exposed to. These recommendations were raised to reduce governance, financial, reputational and strategic risks.

## 8 Involving people

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- 8.1 The MIJB Chief Officer, Chief Finance Officer and Integration Manager have been involved in progressing the implementation of the Internal Audit recommendations and have reviewed this report in advance of its consideration by MIJB Audit and Risk Committee.

## 9 Background Papers

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- 9.1 Two follow-up audit recommendations reports are presented to the MIJB Audit and Risk Committee each year in accordance with the approved MIJB Internal Audit Annual Plan 2019/20.

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<b>DATE</b>	22 August 2019

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# Appendix 1 – Completed MIJB Audit Actions after May 2018

Status: Completed 9

## 2016/17 - Internal Audit: Audit of Financial Assurance and Governance for the Integration Joint Board



Action Code	Action	Due Date	Icon	Progress	Notes	Managed By
IA.IJBG0V.03	The Strategic Plan should be fully costed and linked to the budgets available.	30-Mar-2019	✓	100%	<b>Q1 19/20:</b> Updated strategic plan published 31 March 2019	Chief Officer; Integration Manager
IA.IJBG0V.20	Performance reports should include sections on delivery of best value and following the public pound.	31-Dec-2018	✓	100%	<b>Q1 19/20:</b> New IJB Report template is in place	Chief Officer; Integration Manager

## 2016/17 - Annual Governance Statement - Integration Joint Board



Action Code	Action	Due Date	Icon	Progress	Notes	Managed By
IA.AGS1617.01	Updated Code of Corporate Governance - Update the existing Code of Corporate Governance following issue of the new International Framework of Good Governance in the Public Sector.	30-Sep-2019	✓	100%	<b>Q1 19/20:</b> Updated Code of Corporate Governance presented to IJB A&R Committee in June 2019 for scrutiny prior to IJB approval in June 2019	Chief Officer; Integration Manager
IA.AGS1617.03	Improvement of Financial Planning - Improve financial planning timescales by moving to a 3 year plan rather than the current position of a detailed 1 year plan with indicative values for the next 2 years.	31-Mar-2019	✓	100%	<b>Q1 19/20:</b> 3 year Financial Plan presented to IJB June 2019	Chief Finance Officer; Integration Manager

## 2016/17 - IJB Performance Management

Action Code	Action	Due Date	Icon	Progress	Notes	Managed By
IA.IJBPM.01	Development of the Annual Performance Report for March 2018 should commence earlier in 2017/18 in order that the report can be agreed by the MIJB before the summer recess and published in final form before the reporting deadline of 31 July 2018.	28-Jun-2018	✓	100%	<b>Q1 18/19:</b> Complete	Chief Finance Officer; Integration Manager

Action Code	Action	Due Date	Icon	Progress	Notes	Managed By
IA.IJBPM.02b	As the Strategic Commissioning Plan is likely to be a regular feature of MIJB planning, we recommend that arrangements are made to include this information in future annual reports.	30-Jun-2018		100%	<b>Q1 18/19:</b> Complete	Chief Finance Officer; Integration Manager
IA.IJBPM.03	The MIJB should consider the locality requirements of the Act and explore the possibility of capturing performance data and financial information at a locality level with the national data sources and the partners.	31-Mar-2019		100%	<b>Q1 19/20:</b> Strategic Plan and Annual Report make reference to locality working and some data available at locality level although work is rarely planned based on localities	Chief Finance Officer; Integration Manager

### 2017/18 - Performance Targets and Reporting - IJB

Action Code	Action	Due Date	Icon	Progress	Notes	Managed By
IA.IJBPTR.02.1	The IJB chief officers should provide their IJB boards with a proposed list of key statistics relating to each high-level plan which they should receive reports on.	31-Dec-2019		100%	<b>Q1 19/20:</b> The chief officer discussed KPI options with the IJB	Chief Officer; Integration Manager
IA.IJBPTR.02.2	Once the IJB boards have chosen which statistics they wish to receive, the statistics should be reported to them with the agreed regularity.	31-Dec-2019		100%	<b>Q1 19/20:</b> the IJB agreed on a regular report on the MSG performance indicators	Chief Officer; Integration Manager



# Midlothian Integration Joint Board Audit and Risk Committee



**Thursday 5 September 2019, 2.00pm**

## **Midlothian Health and Social Care Integration Joint Board Audit and Risk Committee Annual Report 2018/19**

**Item number: 5.5**

### **Executive summary**

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The purpose of this report is to provide Members with the inaugural MIJB Audit and Risk Committee Annual Report 2018/19 which sets out how it is performing against its remit and incorporates its annual self-assessments using the CIPFA Audit Committees Guidance.

**The MIJB Audit and Risk Committee is asked to:**

- (a) Approve the MIJB Audit and Risk Committee Annual Report 2018/19 (Appendix 1) which incorporates its self-assessments (Appendices 2 and 3) using the CIPFA Audit Committees Guidance; and**
- (b) Agree that the MIJB Audit and Risk Committee Annual Report 2018/19 should be presented to the MIJB to set out how it is performing against its remit and to gain approval to the proposed amendment to its Terms of Reference.**

## Midlothian Health and Social Care Integration Joint Board Audit and Risk Committee Annual Report 2018/19

### 1 Purpose

---

- 1.1 The purpose of this report is to provide Members with the inaugural MIJB Audit and Risk Committee Annual Report 2018/19 which sets out how it is performing against its remit and incorporates its annual self-assessment using the CIPFA Audit Committees Guidance.

### 2 Recommendations

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- 2.1 The MIJB Audit and Risk Committee is asked to:
- a) Approve the MIJB Audit and Risk Committee Annual Report 2018/19 (Appendix 1) which incorporates its self-assessments (Appendices 2 and 3) using the CIPFA Audit Committees Guidance; and
  - b) Agree that the MIJB Audit and Risk Committee Annual Report 2018/19 should be presented to the MIJB to set out how it is performing against its remit and to gain approval to the proposed amendment to its Terms of Reference.

### 3 Background and main report

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- 3.1 It is important that the MIJB's Audit and Risk Committee fully complies with best practice guidance on Audit Committees to ensure it can demonstrate its effectiveness as a scrutiny body as a foundation for sound corporate governance for the Midlothian Health and Social Care Integration Joint Board.
- 3.2 The Chartered Institute of Public Finance and Accountancy (CIPFA) issued an updated guidance note Audit Committees Practical Guidance for Local Authorities and Police 2018 Edition (hereinafter referred to as CIPFA Audit Committees Guidance) which is deemed relevant to integration authorities' audit committees for corporate governance purposes. It incorporates CIPFA's 2018 Position Statement which sets out CIPFA's view of the role and functions of an Audit Committee. The CIPFA Audit Committees Guidance includes the production of an annual report on the performance of the Audit Committee against its remit for submission to the IJB.
- 3.3 The MIJB Audit and Risk Committee for the first time carried out self-assessments of Compliance with the Good Practice Principles Checklist and Evaluation of Effectiveness Toolkit from the CIPFA Audit Committees Guidance during an Informal Session held on 6 June 2019 facilitated by the MIJB's Chief Internal Auditor. The inaugural MIJB Audit and Risk Committee Annual Report 2018/19 is appended to this report as Appendix 1 for consideration to adopt this best practice. The self-assessments are appended to this report as Appendix 2 (Good Practice Principles) and Appendix 3 (Effectiveness) for consideration.

- 3.4 The outcome of the self-assessments was a medium-high degree of performance against the good practice principles and a medium degree of effectiveness; the latter in recognition of the early stages of health and social care integration. Improvements have been identified by the Committee.
- 3.5 The MIJB Audit and Risk Committee Annual Report 2018/19 is designed both to provide assurance to the members of the MIJB's Board and to provide some actions for the Committee to improve its effectiveness.

## **4 Policy Implications**

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- 4.1 The Midlothian Integration Joint Board (MIJB), established as a separate legal entity as required by The Public Bodies (Joint Working) (Scotland) Act 2014, is responsible for the strategic planning and commissioning of a wide range of integrated health and social care services across the Midlothian partnership area, based on resources which have been delegated to it by the partners, Midlothian Council and NHS Lothian.
- 4.2 The MIJB is therefore expected to operate under public sector good practice governance arrangements which are proportionate to its transactions and responsibilities to ensure the achievement of the objectives of Integration.
- 4.3 The establishment of robust internal controls, governance, and risk management arrangements is one of the key components of good governance, as is the oversight and scrutiny of their effectiveness. Good governance will enable the MIJB to pursue its vision effectively as well as underpinning that vision with mechanisms for control and management of risk.
- 4.4 The Audit and Risk Committee of the Midlothian Integration Joint Board is responsible for the promotion of best practice in the areas of risk management, financial procedures, internal controls, development of continuous improvement and review of External Audit issues.

## **5 Equalities Implications**

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

## **6 Resource Implications**

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- 6.1 The self-assessment included the consideration of the resources that are in place to support the Committee to fulfil its remit.

## **7 Risk**

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- 7.1 There is a risk that the MIJB Audit and Risk Committee does not fully comply with best practice guidance thus limiting its effectiveness as a scrutiny body as a foundation for sound corporate governance. The completion of the annual self-assessment and identification and implementation of improvement actions as evidenced through this Annual Report will mitigate this risk.

## 8 Involving people

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- 8.1 This report relates to Members of the MIJB Audit and Risk Committee. For the first time Members of the MIJB Audit and Risk Committee carried out self-assessments of Compliance with the Good Practice Principles Checklist and Evaluation of Effectiveness Toolkit from the CIPFA Audit Committees Guidance during an Informal Session held on 6 June 2019 facilitated by the MIJB's Chief Internal Auditor. The Chair of the Committee has agreed the content of the resulting Annual Report 2018/19 in advance of its consideration by the Committee.

## 9 Background Papers

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- 9.1 CIPFA Audit Committees Practical Guidance for Local Authorities and Police 2018 Edition

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**MIDLOTHIAN HEALTH AND SOCIAL CARE INTEGRATION JOINT BOARD  
AUDIT AND RISK COMMITTEE  
ANNUAL REPORT FROM THE CHAIRMAN – 2018/19**

This inaugural annual report has been prepared to inform the Midlothian Health and Social Care Integration Joint Board of the work carried out by its Audit and Risk Committee during the financial year. The content and presentation of this report meets the requirements of the CIPFA 'Audit Committees' Guidance to report to the full Board on a regular basis on the Committee's performance in relation to its Terms of Reference and the effectiveness of the Committee in meeting its purpose.

**Meetings**

The MIJB Audit and Risk Committee has met 4 times during the financial year on 20 June, 6 September and 6 December 2018, and 7 March 2019 to consider reports pertinent to the audit cycle. The remit of the MIJB Audit and Risk Committee is to have high level oversight of the governance, risk and internal control arrangements of the MIJB. To fulfil this remit, it sought assurances through material it received from Internal Audit (provided by MLC's Internal Audit team), External Audit (delivered by EY), other external scrutiny and audit bodies, and from Management, and it placed reliance on the partners' arrangements and assurance frameworks.

The Committee scrutinised the MIJB's Statement of Accounts at appropriate times in accordance with its Terms of Reference and, in doing so, promoted effective public reporting to the integration authority's stakeholders and local community.

The minutes of MIJB Audit and Risk Committee meetings were presented for noting by the MIJB following their approval by Committee and any exceptional items were referred to the MIJB in accordance with its Terms of Reference.

**Membership**

The MIJB appoints the Committee which consists of (at least) four voting members of the MIJB (2 from the Health Board and 2 from the Council), excluding professional advisors, and an Independent Member. The membership, which is based on integration legislative requirements, does not meet with principles of good practice within CIPFA 'Audit Committees' Guidance for audit committees to be independent from the decision-making body for effective scrutiny though this is partly addressed though the appointment of an Independent Member.

The Committee membership during the year was Councillor J Muirhead (Chairman), Councillor P Winchester, Mr A McCann, Mr A Joyce, and Ms J Cuthbert (Independent Member).

The attendance by each member at the Committee meetings throughout the year was as follows:

<b>Member</b>	<b>Meeting of 20 June 2018</b>	<b>Meeting of 6 September 2018</b>	<b>Meeting of 6 December 2018</b>	<b>Meeting of 7 March 2019</b>
<b>Cllr Jim Muirhead (Chair)</b>	√	√	√	√
<b>Cllr Pauline Winchester</b>	√			√
<b>Mr Angus McCann</b>	√	√	√	√
<b>Mr Alex Joyce</b>			√	√
<b>Ms Jane Cuthbert (Independent Member)</b>	√	√	√	√

Every meeting of the MIJB Audit and Risk Committee in 2018/19 was quorate (i.e. at least three Members present).

All other individuals who attended the meetings are recognised as being “in attendance” only. The Chief Officer, Chief Finance Officer, Chief Internal Auditor, external auditors, and the Committee Clerk (provided by MLC) attend all Committee meetings to support the Committee with the exception of June 2018 meeting when Chief Officer submitted his apologies.

### **Skills and Knowledge**

Given the wider corporate governance remit of audit committees and the topics now covered by the external and internal audit functions, it is noteworthy that there is a range of skills, knowledge and experience that MIJB Audit and Risk Committee members bring to the committee, not limited to financial and business management. This enhances the quality of scrutiny and discussion of reports at the meetings. No one committee member would be expected to be expert in all areas.

### **Self-Assessment of the Committee**

The inaugural self-assessment was carried out by members of the MIJB Audit and Risk Committee on 6 June 2019 during an Informal Session facilitated by the MIJB Chief Internal Auditor using the ‘Good Practice Principles Checklist’ and ‘Evaluation of Effectiveness Toolkit’ from the CIPFA ‘Audit Committees’ Guidance. This was useful for Members to ensure the Committee can demonstrate its effectiveness as a scrutiny body as a foundation for sound corporate governance for the MIJB.

The outcome of the self-assessments for the Committee was a medium-high degree of performance against the good practice principles and a medium degree of effectiveness; the latter in recognition of the early stages of health and social care integration. The following improvements have been identified: Appointment of an Independent Member through an open recruitment and selection process; Set up Informal Sessions before or after each meeting to support the committee with briefings and training; utilise the Knowledge and Skills Framework to inform their learning and development needs; obtain feedback on its performance from a range of attendees who interact with the Committee; and publish this annual report to account for its performance and explain its work.

### **Assurance Statement to the MIJB**

The IJB Audit Committee provides the following assurance to the Integration Joint Board:

- The IJB has received the Minutes of the IJB Audit and Risk Committee meetings throughout the year.
- The IJB Audit and Risk Committee has operated in accordance with its agreed Terms of Reference, and accordingly with the audit committee principles in the CIPFA Position Statement.
- It did this through assurances it received from Internal Audit, External Audit, other audit and inspection bodies, and Management. It focussed entirely on matters of risk management, internal control and governance.
- For all audit reports, the IJB Audit and Risk Committee considered whether it was satisfied that an adequate Management response was in place to ensure action would be taken to manage risk and address concerns on internal controls and governance arrangements.
- The IJB Audit and Risk Committee has reflected on its performance during the year in respect of its Audit functions, and has identified areas for improvements.

**Recommendation relating to the Terms of Reference for the MIJB Audit and Risk Committee for the coming year**

During the annual self-assessment the Committee considered its Terms of Reference and has determined that it requires an update to explicitly address the new core area identified in CIPFA's Position Statement (2018) "Supporting the ethical framework". It therefore proposes that the following addition be reflected in the Terms of Reference for the IJB Audit and Risk Committee as set out in the MIJB's Standing Orders:

29. Promote the highest standards of conduct and professional behaviour by IJB members in line with The Ethical Standards and Public Life etc. (Scotland) Act 2000.

Councillor Jim Muirhead  
Chairman of MIJB Audit and Risk Committee  
August 2019





## CIPFA 'audit committees' Practical Guidance for Local Authorities and Police 2018 Edition

### Midlothian Health and Social Care IJB Audit and Risk Committee – self-assessment of Good Practice at June 2019

Audit committee purpose and governance	Yes/Partly/No	Comments
Does the integration authority have a dedicated audit committee?	Yes	The MIJB Audit and Risk Committee has been constituted with a Terms of Reference (MIJB Standing Orders - May 2018) and has periodic meetings during the year in line with the Audit Cycle.
Does the audit committee report directly to full Board?	Yes	MIJB full Board notes the Minutes of each MIJB Audit and Risk Committee meeting following their approval by the latter.
Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's Position Statement	Yes	Review has been completed by MIJB Chief Internal Auditor against CIPFA 'audit committees' Practical Guidance for Local Authorities and Police 2018 (deemed applicable to integration authorities' audit committees).
Is the role and purpose of the audit committee understood and accepted across the integration authority?	Yes	MIJB Audit and Risk Committee has been constituted with a Terms of Reference and has periodic meetings during the year in line with the Audit Cycle which are regularly attended by the MIJB's Chief Officer, Chief Finance Officer, Chief Internal Auditor and External Auditor.
Does the audit committee provide support to the integration authority in meeting the requirements of good governance?	Yes	<p>The MIJB Audit and Risk Committee is a key part of the MIJB's governance framework as outlined in the MIJB Local Code of Corporate Governance (approved by the Board in June 2019 on recommendation by Audit and Risk Committee).</p> <p>The role of the MIJB Audit and Risk Committee is to have high-level oversight of the MIJB's internal control, governance and risk management.</p>
Are the arrangements to hold the committee to account for its performance operating satisfactorily?	Partly	The MIJB Standing Orders states that the MIJB Audit and Risk Committee is required "To report to the IJB on a regular basis on the committee's performance in relation to the terms of reference and the effectiveness of the committee in meeting its purpose". The MIJB Audit and Risk Committee reviewed its terms of reference as part of its first self-assessment of performance 2018/19 against best practice checklists. An Annual Report will be presented to the MIJB setting out the activities to enable stakeholders to understand how the MIJB Audit and Risk Committee has discharged its duties and to identify areas of improvement to fulfil its remit.

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### Midlothian Health and Social Care IJB Audit and Risk Committee – self-assessment of Good Practice at June 2019

Functions of the committee	Yes/Partly /No	Comments
Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement?		
<ul style="list-style-type: none"> <li>• good governance</li> </ul>	Yes	Included in function nos. 1, 2 & 7
<ul style="list-style-type: none"> <li>• assurance framework, including partnerships and collaboration arrangements</li> </ul>	Yes	Assurance framework included in function no. 4; partnerships and collaboration arrangements implicit in all aspects of functions as integration authority places reliance on partners' arrangements as set out in MIJB Local Code of Corporate Governance
<ul style="list-style-type: none"> <li>• internal audit</li> </ul>	Yes	Included in function nos. 8 to 19 inclusive
<ul style="list-style-type: none"> <li>• external audit</li> </ul>	Yes	Included in function nos. 20 to 24 inclusive
<ul style="list-style-type: none"> <li>• financial reporting</li> </ul>	Yes	Included in function nos. 25 & 26
<ul style="list-style-type: none"> <li>• risk management</li> </ul>	Yes	Included in function nos. 4, 5, 6
<ul style="list-style-type: none"> <li>• Value for money or best value</li> </ul>	Yes	Included in function no. 3
<ul style="list-style-type: none"> <li>• Counter-fraud or corruption</li> </ul>	Yes	Reliance on partners' arrangements as set out in MIJB Local Code of Corporate Governance; counter fraud and corruption is key element of internal controls included in function no.7
<ul style="list-style-type: none"> <li>• Supporting the ethical framework</li> </ul>	Partly	Implicit in all aspects of functions, but recommend that TOR is updated to be explicit on ethics.

## CIPFA 'audit committees' Practical Guidance for Local Authorities and Police 2018 Edition

### Midlothian Health and Social Care IJB Audit and Risk Committee – self-assessment of Good Practice at June 2019

Functions of the committee (cont'd)	Yes/Partly /No	Comments
Is an annual evaluation undertaken to assess whether the committee is fulfilling its terms of reference and that adequate consideration has been given to all core areas?	No	The MIJB Standing Orders states that the MIJB Audit and Risk Committee is required "To report to the IJB on a regular basis on the committee's performance in relation to the terms of reference and the effectiveness of the committee in meeting its purpose". The MIJB Audit and Risk Committee reviewed its terms of reference as part of its first self-assessment of performance 2018/19 against best practice checklists. An Annual Report will be presented to the MIJB setting out the activities to enable stakeholders to understand how the MIJB Audit and Risk Committee has discharged its duties and to identify areas of improvement to fulfil its remit.
Has the audit committee considered the wider areas identified in CIPFA's Position Statement and whether it would be appropriate for the committee to undertake them?	Yes	Review has been completed by MIJB Chief Internal Auditor against CIPFA 'audit committees' Practical Guidance for Local Authorities and Police 2018 (deemed relevant to integration authorities' audit committees). In the context of health and social care integration reliance is placed on partners' audit committees fulfilling their functions.
Where coverage of core areas has been found to be limited, are plans in place to address this?	Yes	Coverage of core areas is adequate.
Has the committee maintained its non-advisory role by not taking on any decision-making powers that are not in line with its core purpose?	Yes	The 2018/19 self-assessment has confirmed that the MIJB Audit and Risk Committee adhered to its terms of reference during the year.

## CIPFA 'audit committees' Practical Guidance for Local Authorities and Police 2018 Edition

### Midlothian Health and Social Care IJB Audit and Risk Committee – self-assessment of Good Practice at June 2019

Membership and support	Yes/Partly /No	Comments
<p>Has an effective audit committee structure and composition of the committee been selected?</p> <p>This should include:</p> <ul style="list-style-type: none"> <li>• separation from the executive</li> <li>• an appropriate mix of knowledge and skills among the membership</li> <li>• a size of committee that is not unwieldy</li> <li>• consideration has been given to the inclusion of at least one independent member</li> </ul>	Partly	<p>The MIJB appoints the Committee which consists of (at least) four voting members of the MIJB (2 from the Health Board and 2 from the Council), excluding professional advisors, and an Independent Member.</p> <p>The scrutiny arrangements in place, which are based on integration legislative requirements, do not meet with generally accepted principles of good practice for audit committees (1<sup>st</sup> bullet point) as 4 of the 5 Committee members are MIJB members though this is partly addressed though the appointment of an Independent Member.</p>
Have independent members appointed to the committee been recruited in an open and transparent way and approved by the IJB?	Partly	One external member was appointed in 2016 approved by the MIJB on skills, knowledge and competencies. Appointment of an Independent Member through an open recruitment and selection process is an area of improvement arising from inaugural self-assessment 2018/19.
Does the chair of the committee have appropriate knowledge and skills?	Yes	The Chair of the MIJB Audit and Risk Committee is an experienced Councillor and chair of meetings.
Are there arrangements in place to support the committee with briefings and training?	Partly	Induction Programme for the MIJB was undertaken. Informal Sessions before or after each meeting is an area of improvement arising from inaugural self-assessment 2018/19.
Has the membership of the committee been assessed against the core knowledge and skills framework and found to be satisfactory?	No	As an improvement from the inaugural self-assessment 2018/19, MIJB Audit and Risk Committee Members will utilise the Knowledge and Skills Framework to inform their learning and development needs.
Does the committee have good working relations with key people and organisations, including external audit, internal audit and the chief financial officer?	Yes	Members, in particular the Chair of the MIJB Audit and Risk Committee, utilise opportunities to meet with or email, as required, the key people involved in the MIJB's governance for advice and support e.g. Chief Officer, Chief Finance Officer, Chief Internal Auditor, and External Auditor.
Is adequate secretariat and administrative support to the committee provided?	Yes	A Democratic Services Officer is assigned to the MIJB Audit and Risk Committee.

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### Midlothian Health and Social Care IJB Audit and Risk Committee – self-assessment of Good Practice at June 2019

Effectiveness of the committee	Yes/Partly /No	Comments
Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work?	No	As an improvement from the inaugural self-assessment 2018/19 the MIJB Audit and Risk Committee will obtain feedback on its performance from a range of attendees who interact with the Committee on a periodic basis.
Are meetings effective with a good level of discussion and engagement from all members?	Yes	Recorded in Minutes.
Does the committee engage with a wide range of leaders and managers, including discussion of audit findings, risks and action plans with the responsible officers?	Yes	Members utilise opportunities to meet with or email, as required, the key people responsible for the MIJB's governance and improvement e.g. Chief Officer, Chief Finance Officer, Chief Internal Auditor, External Auditor, Risk Manager, and Democratic Services Officer.
Does the committee make recommendations for the improvement of governance, risk and control and are these acted on?	Yes	Recommendations are made to the MIJB through their receipt of relevant reports considered by MIJB Audit and Risk Committee and through the Minutes of each MIJB Audit and Risk Committee meeting.
Has the committee evaluated whether and how it is adding value to the organisation?	Yes	During its inaugural self-assessment 2018/19 the toolkit 'Evaluating the Effectiveness of the Audit Committee' from the CIPFA 'audit committees' guidance (2018) was utilised to consider how it is adding value to the MIJB.
Does the committee have an action plan to improve any areas of weakness?	No	The MIJB Audit and Risk Committee identified areas where it could improve in respect of its scrutiny and challenge role to fulfil its remit during its inaugural self-assessment 2018/19 against best practice checklist.
Does the committee publish an annual report to account for its performance and explain its work?	No	Requirement is stated in MIJB Audit and Risk Committee Terms of Reference though will present inaugural Annual Report 2018/19 to the MIJB to fulfil this from 2018/19 onwards.  An Annual Report will be presented to the MIJB setting out the activities to enable stakeholders to understand how the MIJB Audit and Risk Committee has discharged its duties and to identify areas of improvement to fulfil its remit.



Areas where the Audit Committee can add value by supporting improvement	Examples of how the audit committee can add value and provide evidence of effectiveness	Self-evaluation, examples, areas of strength and weakness	Overall assessment 5-1 See key below
1. Promoting the principles of good governance and their application to decision making	Supporting development of local code of governance. Providing robust review of the Annual Governance Statement (AGS) and the assurances underpinning it. Working with key members to improve their understanding of the AGS and their contribution to it. Supporting audits of governance arrangements. Participating in self-assessments of governance arrangements. Working with partner audit committees to review governance arrangements in partnerships.	Committee scrutinised Local Code of Corporate Governance and AGS. Opportunity for Members to engage with officers to clarify matters. Committee supports the role of audit in improving internal control and governance. Committee received presentations and reports from Management and Auditors. Committee supports enhanced collaboration between partners' internal auditors.	4
2. Contributing to the development of an effective control environment.	Actively monitoring the implementation of recommendations from auditors. Encouraging ownership of the internal control framework by appropriate managers. Raising significant concerns over controls with appropriate senior managers.	Committee received periodic progress reports from Auditors e.g. follow-up activity. CO / CFO attended Committee meetings to discuss progress with improvement actions. National Report shared with Committee to learn from others.	4
3. Supporting the establishment of arrangements for the governance of risk and for effective arrangements to manage risks.	Reviewing risk management arrangements and their effectiveness, e.g. risk management benchmarking. Monitoring improvements. Holding risk owners to account for major/strategic risks.	Committee received Annual Reports from Auditors providing opinion on risk management arrangements. Regular risk register review updates are presented to the Committee and Board.	4
4. Advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively.	Specifying its assurance needs, identifying gaps or overlaps in assurance. Seeking to streamline assurance gathering and reporting. Reviewing the effectiveness of assurance providers, e.g. internal audit, risk management, external audit.	MIJB Local Code of Corporate Governance sets out where reliance is placed on the arrangements in place at its Partners. Briefing required on how assurances are obtained. Annual Strategies, Plans and Reports received from Auditors for assurance purposes.	3

Areas where the Audit Committee can add value by supporting improvement	Examples of how the audit committee can add value and provide evidence of effectiveness	Self-evaluation, examples, areas of strength and weakness	Overall assessment 5-1 See key below
5. Supporting the quality of the internal audit activity, particularly by underpinning its organisational independence.	Reviewing the audit charter and functional reporting. Assessing the effectiveness of internal audit arrangements, providing constructive challenge and supporting improvements. Actively support Internal Audit improvements (QAIP).	Committee places reliance on MLC's Audit Committee to approve Internal Audit Charter and confirm conformance with PSIAS (QAIP). IJB Internal Audit Annual Plans and Annual Assurance Reports are received for review.	4
6. Aiding the achievement of the authority's goals and objectives through helping to ensure appropriate governance, risk, control and assurance arrangements.	Reviewing how the governance arrangements support the achievement of sustainable outcomes. Reviewing major projects and programmes to ensure governance and assurance arrangements are in place. Reviewing the effectiveness of performance management arrangements.	Auditors provided assurance on transformation, efficiencies and performance management arrangements. Briefing required on how assurances are obtained from partners.	3
7. Supporting the development of robust arrangements for ensuring value for money.	Ensuring that assurance on value for money arrangements is included in the assurances received by the audit committee. Considering how performance in value for money is evaluated as part of the AGS.	Auditors provided assurance on value for money arrangements e.g. transformation, sustainability, and performance management. AGS sets out the Governance Framework including arrangements for best value.	3
8. Helping the authority to implement the values of good governance, including effective arrangements for countering fraud and corruption risks.	Reviewing arrangements against standards in CIPFA's <i>Managing the Risk of Fraud and Corruption</i> (2014). Reviewing fraud risks and the effectiveness of the organisation's strategy to address those risks. Assessing the effectiveness of ethical governance arrangements for both staff and governance bodies.	Reliance is placed on the internal controls and governance, including counter fraud and corruption, within operational arrangements of partners who deliver the services commissioned by the IJB. Briefing required on how assurances are obtained from partners.	3
9. Promoting effective public reporting to the authority's stakeholders and local community and measures to improve transparency and accountability.	Improving how the authority discharges its public reporting responsibilities e.g. audience, plain English. Reviewing whether decision making through partnership organisations remains transparent and publicly accessible and encouraging transparency. Publishing a Committee annual report.	Committee scrutinised annual accounts and report prior to publication and audit, and commented on the format/content for users – unaudited (June); audited (September) along with Annual Audit Report. Committee annual report to IJB required.	4



Assessment key	
5	Clear evidence is available from a number of sources that the committee is actively supporting improvements across all aspects of this area. The improvements made are clearly identifiable.
4	Clear evidence from some sources that the committee is actively and effectively supporting improvement across some aspects of this area.
3	The committee has had mixed experience in supporting improvement in this area. There is some evidence that demonstrates their impact but there are also significant gaps.
2	There is some evidence that the committee has supported improvements, but the impact of this support is limited.
1	No evidence can be found that the audit committee has supported improvements in this area.



