

### **Annual Governance Statement**

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

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

In order to achieve this, the IJB has developed a Code of Corporate Governance based on the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives' (SOLACE) framework and guidance on Delivering Good Governance in Local Government: Framework (2016).

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

- Ensuring members behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the IJB;
- Creating the conditions to ensure that all IJB members and the IJB's partners (Midlothian Council and NHS Lothian) are able to fulfil their responsibilities in accordance with legislative and regulatory requirements;
- Providing clear reasoning and evidence for decisions in both public records and explanations to stakeholders and being explicit about the criteria, rationale and considerations used. In due course, ensuring that the impact and consequences of those decisions are clear;
- Developing formal and informal partnerships to allow resources to be used more efficiently and outcomes achieved more effectively;
- Having a clear vision, which is an agreed formal statement of the IJB's purpose and intended outcomes containing appropriate performance indicators, which provide the basis for the IJB's overall strategy, planning and other decisions;
- Considering and balancing the combined economic, social and environmental impact of policies and plans when taking decisions about service provision;
- Ensuring decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and associated risks. Therefore ensuring best value is achieved however services are provided;
- Establishing and implementing robust planning and control cycles that cover strategic and operational plans, priorities and targets;
- Ensuring the medium term financial strategy integrates and balances service priorities, affordability and other resource constraints;

- Developing and maintaining an effective workforce plan to enhance the strategic allocation of resources;
- Implementing robust and integrated risk management arrangements and ensuring that they are working effectively;
- Making decisions based on relevant, clear objective analysis and advice pointing out the implications and risks inherent in the IJB's financial position and outlook;
- Aligning the risk management strategy and policies on internal control with achieving objectives;
- Evaluating and monitoring risk management and internal control on a regular basis;
- Ensuring effective counter fraud and anti-corruption arrangements are in place;
- Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor;
- Ensuring an audit committee or equivalent group/ function, which is independent of the executive and accountable to the governing body: provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment and that its recommendations are listened to and acted upon;
- Ensuring financial management supports both long term achievement of outcomes and short-term financial and operational performance;
- Ensuring robust arrangements for assessing the extent to which the principles contained in the Framework have been applied and publishing the results on the assessment, including an action plan for improvement and evidence to demonstrate good governance (the annual governance statement);
- Ensuring that recommendations for corrective action made by the external auditor are acted upon.

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

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

- The work of the IJB, the Strategic Planning Committee and the Audit & Risk Committee;
- The annual assurance questionnaires that are provided by the Chief officer and the Chief Finance officer;
- An annual review, by the Chief Internal Auditor, of compliance with the IJB's Local Code of Corporate Governance;
- The Chief Internal Auditor's annual report which is based on internal audit work completed during the year;
- Reports from the IJB's external auditor – the only one currently available being that on the 2015/16 IJB's accounts;
- Reports from other external review bodies, agencies and inspectorates.

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

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

Neither of these assessments highlighted any issues that would impact on the level of effectiveness of the IJB's governance framework. A number of improvements were identified and these are noted below in the action plan.

The statement has also been informed by the work undertaken by the Chief Internal Auditor who, following the requirements of the Local Authority Accounts (Scotland) Regulations 2014, conducted an annual review of the effectiveness of the IJB's system of internal control. The Chief Internal Auditor concluded that based on the work undertaken in 2016/17 that overall, the MIJB's framework of governance, risk management and control is adequate but noted areas for further development in 2017/18. These improvements are reflected within the action plan detailed below.

The Chief Internal Auditor has responsibility for the IJB's Internal Audit function and reports functionally to the Audit and Risk Committee to allow appropriate independence. The Chief Internal Auditor is professionally qualified and suitably experienced to lead and direct the Internal Audit team.

The Public Sector Internal Audit Standards (PSIAS) require that an external assessment be conducted at least once every five years by a qualified, independent assessor from outside the organisation over the level of compliance against PSIAS by the Internal Audit Section. An external assessment was not undertaken in 2016/17 but will be undertaken in 2017/18 as part of the reciprocal assessments by the Scottish Local Authority Chief Internal Auditors' Group (SLACIAG), which is a sub group of CIPFA. However a self evaluation of compliance with the Public Sector Internal Audit Standards was undertaken by the Chief Internal Auditor. This evaluation demonstrated that the key elements of the Standards were complied with during the year.

### **Statutory and other Compliance**

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

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

- Membership - its minimum membership (voting and non-voting) is set by statutory instrument, with the power to appoint additional members as it sees fit. The Board's membership is fully populated.
- Standing Orders - the Board is required by statutory regulations to have Standing Orders to regulate its business, with some aspects stipulated in those regulations. Standing Orders were adopted at its inaugural meeting. They comply with statutory requirements.
- Committees - the Board has established an Audit & Risk Committee with a detailed remit and powers and with the membership clearly defined. This complies with statutory requirements and with the Board's Standing Orders.
- Meetings - the Standing Orders adopted by the Board allow the public to have prior access to meeting agendas and reports, and to attend meetings of the Board and its committees, except in clearly defined and limited circumstances.
- Strategic Plan - the Board established its Strategic Planning Committee as required by legislation, with Terms of Reference approved by the Board covering membership, meetings and meetings procedures.
- Officers - the Board appointed a Chief Officer and a Chief Finance Officer as required by the legislation. A Chief Internal Auditor has been appointed to carry out the Board's internal audit requirements and assist its Audit & Risk Committee.
- Finance - the Board received reports in relation to financial assurance prior to the setting of budgets (for both 2016/17 and 2017/18) for the functions delegated by Midlothian Council and NHS Lothian, and adopted Financial Regulations in relation to the conduct of its financial affairs, the maintenance of its accounting and financial records, and its annual accounts and financial statements.
- Code of Conduct - pending finalisation of arrangements for a Code of Conduct for Members, the Board adopted an interim Code based on the existing Model Code for Members of Devolved Public Bodies in Scotland, and members have registered their interests according to that Code. The Scottish Government approved the IJB's code of conduct on 1 June 2016.

Through the Board and the Audit & Risk Committee, further work will be progressed and will be carried out in relation to governance of these particular aspects of the Board's statutory duties and powers.

## **Action Plan**

A number of governance improvements were highlighted in the 2015/16 self assessment and progress has been made in 2016/17 on the following:

| Area for Improvement identified in 2015/16   | Action Undertaken in 2016/17  |
|--|---|
| <p><b>IJB's Vision</b></p> <p>Develop and promote our purpose and vision.</p>  | <p>The IJB has continued to develop and share its vision as laid out in its Strategic Plan. Papers have been presented to the IJB for discussion and a series of workshops have been conducted with the IJB to develop and promote the purpose and vision. The IJB has consulted widely through its Strategic Planning Group and its series of 'hot topics' meetings and has published a series of newsletters and other communications with its partners and the public.</p> |
| <p><b>Code of Conduct</b></p> <p>Finalisation of the Code of Conduct.</p>  | <p>This was approved by the Scottish Government in June 2016.</p>   |
| <p><b>Effective Scrutiny</b></p> <p>Ensure effective scrutiny arrangements.</p>  | <p>An independent member of the Audit and Risk Committee was appointed at the June 2016 meeting. The Audit and Risk committee met four times in 2016/17.</p>  |
| <p><b>Complaints</b></p> <p>Ensure appropriate arrangements are in place to deal with complaints.</p>                          | <p>The IJB is working with NHS Lothian, Midlothian Council and the other Lothian IJBs to finalise a process to deal with complaints. It is expected that this will be completed before the end of the 2017 calendar year.</p>   |
| <p><b>Corporate support to the IJB</b></p> <p>Ensure appropriate corporate support and information is provided to the IJB.</p> | <p>The IJB has been appropriately supported by its Partners. The CO and the CIA is provided by Midlothian Council and the CFO is provided by NHS Lothian. Midlothian Partnership's resources have been enhanced by NHS Lothian and the Partnership supports the IJB on a day to day</p>   |

| Area for Improvement identified in 2015/16  | Action Undertaken in 2016/17  |
|---|---|
|   | basis.  |
| <b>Risk register</b><br><br>Ensure risk management is embedded.   | The IJB's risk register was formally adopted by the Audit and Risk Committee and has been updated for the Audit and Risk Committee meetings.  |
| <b>Performance Information</b><br><br>Ensure that appropriate performance management systems are available to the IJB which will include the demonstration of best value and following the public pound requirements. | See below   |
| <b>Recording of financial transactions</b><br><br>Finalise arrangements for the recording of financial transactions of the IJB.   | As agreed in the Integration Scheme, Midlothian Council are recording the financial transactions of the IJB in an appropriate financial ledger system   |
| <b>Financial Risk Sharing</b><br><br>Agreement to a financial risk sharing agreement between the IJB and its partners.  | A financial risk sharing agreement was reached for 2016/17. This is discussed in the management commentary.   |
| <b>SLA for Internal Audit</b><br><br>Agreement by NHS Lothian to the IJB's Internal Audit SLA.  | Midlothian Internal Audit has made resources available and NHS Lothian IA has made 25 days available to the IJB for IA work. A SLA is in the process of being finalised.                            |
| <b>Document Retention Policy</b><br><br>The IJB does not have a retention policy in place.  | The IJB, working with its partners and the other Lothian IJBs, is finalising a policy on document management based on the Scottish Government's model scheme. This will cover the retention policy. |

| Area for Improvement identified in 2015/16   | Action Undertaken in 2016/17  |
|--|---|
| <p><b>Business Continuity</b></p> <p>The IJB does not have a business continuity plan.</p>   | <p>The IJB does not provide any operational services directly, all of its functions are either delivered by NHS Lothian or Midlothian Council. The IJB therefore relies on the business continuity plans of its partners.</p>   |
| <p><b>Financial planning</b></p> <p>Improved financial planning process over amounts to be delegated to the IJB.</p>   | <p>See below</p>  |
| <p><b>Revised code of Corporate Governance</b></p> <p>Update the existing Code of Corporate Governance following issue of the new International Framework of Good Governance in the Public Sector.</p> | <p>The IJB is preparing a revised code in line with the new model code of corporate governance.</p>   |
| <p><b>Fraud</b></p> <p>Undertake a risk assessment of the fraud related risks relevant to the IJB.</p>   | <p>An assessment of fraud related risk has now been undertaken with the assistance of the Internal Audit Section. Given that the IJB has no direct access to funds and no authority to contract with any bodies, the risks of frauds are considered to be very low.</p> |
| <p><b>Registration with the Information Commissioner</b></p> <p>Obtain legal opinion on the requirement to register the IJB with the Information Commissioner (and if confirmed then to register).</p> | <p>A legal opinion has been sought and the IJB does not have to be registered with the Information Commissioner at this time. This will be continuously reviewed.</p>   |
| <p><b>Information Sharing Agreement</b></p> <p>Following Legal approval of the Information Sharing Agreement to obtain the appropriate signatures on the agreement.</p>                                | <p>The IJB is a signatory to the pan-Lothian data sharing agreement. This is an agreement between NHS Lothian, the four Councils in the</p>   |

| Area for Improvement identified in 2015/16  | Action Undertaken in 2016/17  |
|---|---|
|   | Lothian area and the four IJBs in the Lothian area.   |
| <p><b>Record audit issues raised</b></p> <p>Log issues identified from Internal and External Assurance providers onto an appropriate system to allow tracking for implementation (for example the Audit Scotland Report on Integration Joint Boards).</p>   | <p>All issues raised by Internal and External audit are logged on Covalent (the Council's Internal Audit issue tracking system) for tracking purposes. This information is updated regularly and presented to the IJB's Audit and Risk Committee.</p> |
| <p><b>Compliance with regulations on the recording and presentation of the IJB's accounts</b></p> <p>Through the Finance Officer, the Board will require to agree an annual process to secure compliance with the legislation and accounting practices which apply to its annual accounts and financial statements.</p> | <p>This was agreed as part of the annual accounts process and sign-off for 2015/16. This matter will be fully dealt with as part of the 2016/17 annual accounts.</p>  |
| <p><b>Information and data protection</b></p> <p>As a devolved public body, the Board is subject to a variety of statutory regimes, such as freedom of information and data protection, and appropriate policies and procedures will require to be developed and approved to secure compliance.</p>                     | <p>This is covered by the Public Records Act actions and the IJB is developing its plan in 2017/18 in cooperation with its partners.</p>  |
| <p><b>Standards officer</b></p> <p>A standards officer has not yet been appointed for the IJB.</p>  | <p>A standards officer has been appointed, Alan Turpie the Principle Solicitor for Midlothian Council.</p>  |
| <p><b>IJB Web Site</b></p> <p>An IJB Web site needs to be developed.</p>  | <p>The IJB continues to use the Midlothian Council's website wherein the IJB has its own specific area. The IJB is still developing its own distinct web site.</p>  |



| <b>Area for Improvement identified in 2015/16</b>   | <b>Action Undertaken in 2016/17</b>   |
|---|---|
| <b>Financial Planning</b><br><br>Improvements in the financial planning processes including financial plans from the Partners for future years. | Financial planning processes continue to be developed with the partners. A report laying this out was presented to the IJB at its October 2016 meeting. |

The following table sets out improvements to the governance framework which are to be progressed in 2017/18:

| <b>Areas for improvement Identified in 2016/17</b>   | <b>Actions proposed in 2017/18</b>   |
|--|--|
| <b>Updated code of corporate governance</b><br><br>The 'Delivering Good Governance in Local Government: Framework' was updated by CIPFA/SOLACE in 2016 but this has not yet been fully embedded.                     | See above under 'revised code of corporate governance'.  |
| <b>Workforce Planning</b><br><br>The MIJB will have to develop its workforce plans with an emphasis of moving from specialised institution based workforce into a generalised community based workforce.             | The IJB is working with NHS Lothian and Midlothian Council on the development of a workforce plan.   |
| <b>Improvement of Financial Planning</b><br>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. | The IJB is working with Midlothian Council and NHS Lothian to develop a multi-year financial plan. A financial strategy incorporating this multi-year principle was outlined in a report to the IJB at its October 2016 meeting. |
| <b>Performance Reporting</b><br>The IJB should develop performance reports.  | The IJB continues to develop its process to ensure that the Directions are being fully delivered by its partners and that the IJB is fully informed on its performance. Papers have been presented to the IJBs to                |

| Areas for improvement Identified in 2016/17   | Actions proposed in 2017/18   |
|---|---|
|   | develop this model along with a workshop on performance management (April '17). |
| <b>Internal Audit SLA</b><br>Gain approval from NHS Lothian of the Service Level Agreement between the Internal Audit Services of Midlothian Council, NHS Lothian and the Midlothian Integration Joint Board. | See above under 'SLA for Internal Audit'.                                       |

On the basis of the IJB's assurance system, and the elements of governance at its disposal, we are satisfied that overall, Midlothian IJB's systems of internal control, risk management and governance arrangements are of a satisfactory standard. We are aware of areas where improvements are required and steps will be taken in the forthcoming year to address these areas, allowing the IJB to advance its corporate governance arrangements and seek continuous improvement.

IJB Chair

**Eibhlin McHugh**  
Chief Officer