



**MINUTES OF THE MEETING OF THE
EAST LOTHIAN INTEGRATION JOINT BOARD
AUDIT & RISK COMMITTEE**

**THURSDAY 12 DECEMBER 2017
COUNCIL CHAMBER, TOWN HOUSE, HADDINGTON**

1

Members Present:

Mrs M McKay (Chair)
Councillor S Currie
Ms F Ireland
Mr A Joyce
Councillor F O'Donnell

Officers Present:

Mr D King
Ms M Garden
Mr S Allan

Others Present:

Mr D Melly, Audit Scotland
Mr P Murray, Chair of IJB
Ms E Scoburgh, Audit Scotland

Clerk:

Mrs L Gillingwater

Apologies:

Mr D Small

Declarations of Interest:

None

1. MINUTES OF THE IJB AUDIT AND RISK COMMITTEE MEETING OF 24 OCTOBER 2017

The minutes of the East Lothian IJB Audit and Risk Committee meeting of 24 October 2017 were approved.

2. MATTERS ARISING FROM THE MINUTES OF THE MEETING OF 24 OCTOBER 2017

Mr King made reference to the audit workshop, noting that he would raise this matter under Item 7 of the agenda.

3. INTERNAL AUDIT REPORT – IJB STRATEGIC PLAN

A report was submitted by the Chief Internal Auditor informing the Committee of the recently issued audit report on the IJB Strategic Plan.

Mr Allan presented the report, advising of the recent review of the IJB Strategic Plan, and drawing attention to the main findings of the review, which were set out in Appendix 1 to the report. He noted that the recommendations had been accepted by officers.

The Chair highlighted the importance of tracking the areas for improvement to ensure that agreed actions were completed.

In response to questions from Mr Murray, Ms Garden stated that she would have expected certain areas within the Strategic Plan's programme of work to be delivered during 2016/17, and proposed that the IJB should be informed about which aspects of the programme would go ahead in 2017/18. Mr Murray agreed to take this forward with David Small. Ms Ireland commented that a number of the action points had already been discussed at strategic planning groups and she was reassured that progress was being made.

Councillor O'Donnell was concerned that it may be difficult to resource seven strategic planning groups going forward. The Chair suggested that there was a need for the IJB to review its priorities. Mr Murray advised that the IJB would be looking at its areas of focus. Councillor Currie welcomed this, remarking that it was important to focus on key issues so that the IJB could take appropriate action.

Mr King confirmed that he and Mr Small had accepted the comments made by the auditors and that a report would be presented to the IJB addressing these aspects and outlining the future ambitions of the IJB.

Decision

The Committee agreed to note the contents of the executive summary and action plan.

4. UPDATE ON ACTIONS FROM THE ANNUAL ACCOUNTS

A report was submitted by the Chief Finance Officer of the IJB updating the Committee on the actions from the Annual Governance Statement (AGS) and Annual Accounts paper, which was presented to the Committee at its last meeting.

Mr King presented the report, drawing attention to the update on actions since the last meeting.

Councillor Currie asked how progress on actions would be monitored and reported. Mr King made reference to recent financial reports to the IJB, which had highlighted an overspend in operational units. He questioned the IJB's ability to influence the budget over the short term, as such matters were the responsibility of the Council and NHS.

Councillor O'Donnell asked if it would be possible to separate the workforce development plan from participation and engagement, and suggested that there should be a greater focus on delayed discharge. Mr King agreed to this.

In response to a question from Mr Murray on action taken to prevent an overspend on this year's budget, Mr King outlined the difficulties of working with two partner organisations and spoke of the need to agree a means by which to deal with potential overspends at an early stage. The Chair sought assurance that such situations would be reported and asked about the IJB's influence in these matters.

Councillor Currie pointed out that, according to the Independent Auditors' report, the IJB was required to deliver efficiency savings, and asked how this could be done. He also asked about the consequences should the recovery plan could not deliver savings. Mr King advised that the directions required to be more specific. He accepted that the structure was very bureaucratic and that the IJB had limited influence.

Ms Ireland stated that the Committee required information on service delivery costs in order that proper monitoring on expenditure could be carried out. Councillor Currie stressed the need to look at the 2018/19 financial year and beyond. He also noted the need to discuss the NHS offer prior to it being accepted.

The Chair emphasised the need for greater clarity as regards monitoring and reporting. She called for a report to the next meeting of the IJB on its directions and how those expectations would be monitored/reported.

Sederunt: Councillor O'Donnell left the meeting.

Ms Scoburgh made reference to an Accounts Commission report on the integration of health and social care in Scotland, which had covered some of the issues raised during this discussion, particularly governance and risk management arrangements, accountability and future challenges. She noted that there would be a follow-up report in 2018.

Councillor Currie asked if the IJB would have an input to the Council's budget process, which was currently in progress, and which would conclude in February. He was concerned that the Adult Wellbeing budget could be set without any input from the IJB. Mr King reported that David Small was involved in that process, pointing out that it was the role of the IJB to deliver its strategic plan based on the approved budget. Councillor Currie stressed that the IJB had a responsibility to make it clear if the proposed budget was inadequate to deliver services. He stated that the Council had no additional resources to deal with overspends, and that he was concerned that the service would not be able to deliver the required services whilst achieving efficiency savings. He noted that the SNP Group would raise this matter directly with Mr Small.

The Chair advised that the IJB Financial Plan would reflect the issues that had been raised during the discussion, and highlighted the need to consider how, in future, the IJB transformation programme would be presented prior to the budget process. Mr Murray commented that the Internal Audit report was the catalyst for such a discussion and that he would take this forward with Mr Small and Mr King in the first instance. He

anticipated that there would be discussions on the means by which the IJB would operate within the available resources, deal with the Auditor's recommendations and set out the expectations of the IJB in the longer term.

Decision

The Committee agreed:

- i. to note the update; and
- ii. that a report should be submitted to the next meeting of the IJB on its directions, and monitoring/reporting of those directions.

5. RISK MANAGEMENT STRATEGY AND POLICY

A report was submitted by the Chief Finance Officer of the IJB setting out the IJB's risk management strategy and risk policy.

Mr King presented the report, advising that an agreement had been entered into with other IJBs on information sharing as regards internal audit reports and risk registers. He pointed out that the IJB was not responsible for operational risks, unless they became significant, and that everyone involved would have a responsibility for escalating matters, where required.

The Chair questioned whether the Strategy and Policy could be confined to the remit and functions of the IJB, suggesting that the Strategy would need to be aligned with resources.

Councillor Currie asked about the lines of communication in place to ensure that risks were communicated to the Council and NHS, and what measures were in place to ensure that issues were addressed and reported back to the Audit & Risk Committee.

In response to a concern raised by Ms Ireland as regards the IJB not taking account of operational risks and directions, Mr King advised that those risks would be made clear.

The Chair proposed that a workshop should be organised to look at the appetite for risk, rather than referring the Strategy and Policy to the IJB for approval at this stage.

Decision

The Committee agreed that the Risk Strategy and Risk Policy should be discussed further at a workshop, prior to referring them to the IJB for approval.

6. OTHER AREAS OF INTEREST

A report was submitted by the Chief Finance Officer of the IJB presenting other reports of interest to the Committee.

Mr King presented the report, drawing attention to the key messages and recommendations arising from a number of recent reports on: the NHS in Scotland 2016/17; Local Government in Scotland – Financial Overview 2016/17; Professor Sir Harry Burns – Targets and Indicators in Health and Social Care in Scotland; and Health and Sports Committee – Looked Ahead to the Scottish Government Health and Sport Draft Budgets 2018/19..

On longer-term budgeting, Councillor Currie suggested that the IJB should set three-year budgets. He believed this would allow the voluntary sector to plan more effectively as well as making planning for Section 10 funding more straightforward. The Chair commented that it was difficult for the IJB to make changes when they only had a one-year budget. Mr King advised that NHS Lothian had provided an indicative three-year funding offer.

As regards the review on Targets and Indicators in Health and Social Care in Scotland, the Chair noted that Professor Sir Harry Burns had found that levels of inequality were growing in some deprived areas, and that this issue should not be overlooked by the IJB.

Ms Ireland encouraged the Committee to read a recent report from the Public Audit and Scrutiny Committee on a review of workforce planning. Mr King undertook to add this item to the agenda for the next meeting. Ms Scoburgh advised that she would circulate the Accounts Commission's Overview Report to the Committee.

Decision

The Committee agreed:

- i. to note the contents of the report; and
- ii. to consider if any further actions required to be taken as regards issues raised in the highlighted reports.

7. AUDIT AND RISK CHAIRS MEETING – FOLLOW-UP WORKSHOP

A report was submitted by the Chief Finance Officer of the IJB updating the Committee on the meeting of the Chief Internal Auditors of the Lothian IJBs and NHS Lothian.

Mr King reported that an agreement had been reached as regards information sharing. He also made reference to a workshop held in October (a note of which was attached as Appendix 1 to the report), which had looked to develop internal audit arrangements. He noted that a key issue raised was the use of resources.

Ms Garden advised that she was still in discussions with NHS Lothian as to what would be included in the audit plan, and undertook to report back to the Committee on this matter.

Decision

The Committee agreed to note the report.

8. PERFORMANCE MANAGEMENT AND REPORTING

The Chair highlighted the importance of discussing performance management and reporting. She noted that East Lothian was in line with other Scottish authorities in this regard, according to the National Standards survey. However, she questioned the value of the survey, given the small sample size, and sought reassurance that the information received was legitimate. She advised that the survey was due to be taken again and asked the Committee to consider ways of achieving greater participation.

Councillor Currie suggested that it would be useful to look at the sources used by the NHS and the Council for their consultations, and to consider the questions included in

the survey. He indicated that he could discuss this matter with Paolo Vestri, the Council's Service Manager for Corporate Policy and Improvement.

The Chair emphasised the need to have information as regards the evidence on which the data was based, and for the Committee to have a level of comfort with the National Standards survey. She added that this matter could be raised during a forthcoming development session on data.

9. EXTERNAL AUDIT

Ms Scoburgh reported that the 2017/18 audit was now underway. A meeting with Internal Audit would take place on 13 December, and a meeting with Mr King would be held in January, with a view to presenting the audit plan to the Committee in March 2018.

10. AOCB

There were no matters raised.

11. DATE OF NEXT MEETING

Tuesday 6 March 2018 at 2 pm

Signed

Mrs Margaret McKay
Chair of the East Lothian IJB Audit and Risk Committee



REPORT TO: East Lothian IJB - Audit and Risk Committee
MEETING DATE: 6 March 2018
BY: Chief Finance Officer
SUBJECT: External Audit – Fee Proposition

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1 PURPOSE

1.1 This report lays out the proposed audit fee for the IJB for 2017/18.

2 RECOMMENDATIONS

2.1 The Committee is asked to note this report.

3 BACKGROUND

3.1 The IJB is a statutory body which is regulated by the Local Government Scotland Act (1973) section 110 and any subsequent further amendments. As such it requires an annual audit to be carried out by an appointed independent auditor.

3.2 The IJB's external auditor is appointed by Audit Scotland who have appointed their own team. Audit Scotland also are the appointed auditors for East Lothian Council and this is a general rule across Scotland in that the auditor of the Council is generally also the auditor of the local IJB.

3.3 Audit Scotland have also set the audit fee. For the 2016/17 audit this was £17,470 but for 2017/18 the fee has been raised to £24,000. The basis for this fee is laid out in the attached letter from Audit Scotland.

3.4 In practical terms the IJB has to accept this fee but it is important to recognise that this is an additional cost to be borne by the IJB and its Partners.

4 ENGAGEMENT

4.1 The IJB's Audit and Risk Committee is held in public and the papers are openly available online.

5 POLICY IMPLICATIONS

5.1 There are no further policy implications arising from this paper.

6 INTEGRATED IMPACT ASSESSMENT

6.1 The subject of this report does not affect the wellbeing of the community or have a significant impact on equality, the environment or economy.

7 RESOURCE IMPLICATIONS

7.1 Financial – none

7.2 Personnel – none

7.3 Other – none

8 BACKGROUND PAPERS

8.1 IJB's External audit plan – presented at this meeting.

AUTHOR'S NAME	David King
DESIGNATION	Chief Finance Officer
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DATE	27 February 2018

→ David King for action

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Mr David Small
Chief Officer
East Lothian IJB
John Muir House
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13 December 2017

Dear Mr Small,

Audit Scotland Statutory fees – 2017/18 audits

The purpose of this letter is to give you an indication of the fees for the 2017/18 audit of East Lothian IJB. This is based on Audit Scotland's overall budget proposals that will be considered by the Scottish Commission for Public Audit (SCPA).

Fee setting arrangements

We have set audit fees based on our fee strategy which was revised in 2016 following consultation with stakeholders. The two key principles underpinning our fee setting arrangements are that:

- audit fees should be set with the objective of recovering the full cost of audit work in each sector
- the cost of the audit should be independent of the identity or location of the auditor.

We reduced average fees by 8.6% in real terms last year. We told you then that we expected to further reduce 2017/18 audit fees in real terms. I am pleased to confirm that this year we are reducing average fees by a further 1.1% in real terms.

Fees

The expected fee for each body assumes that it has sound governance arrangements in place and operating effectively throughout the year, prepares comprehensive and accurate unaudited accounts and meets the agreed timetable for the audit.

The average change in audit fees from the 2016/17 for local government bodies is -1.1% in real terms (+0.5% in cash terms).

Expected fee for 2017/18

We did not set an expected fee last year and asked your auditor to assess the audit needs for 2016/17 and agree an appropriate fee with you. We have consulted with all IJB auditors and assessed the time it took to audit IJBs in 2016/17. Based on this work, we are now able to set an expected fee. The expected fee for East Lothian IJB for the 2017/18 audit is:

	2017/18	2016/17
Auditor remuneration	£16,470	£11,930
Pooled costs	£1,460	£1,040
Contribution to PABV	£5,020	£3,790
Audit support costs	£1,050	£710
Total expected fee	£24,000	£17,470

The actual amount that you will pay will depend on the amount of the audit fee agreed with your auditor Gillian Woolman of Audit Scotland. Fees can be agreed between the auditor and audited body by varying the auditor remuneration by up to 10% above the level set (20% for bodies with an expected fee below £25,000), for example, where significant local issues require additional work to be undertaken. In exceptional circumstances higher remuneration can be agreed with the prior agreement of Audit Scotland.

Future fees

Following the 2017/18 audits of IJBs we will consult with auditors once more to ensure that the 2018/19 expected fee fairly reflects the audit requirements.

What do audited bodies receive for the fee?

The scope of the public sector audit model in Scotland, as explained more fully in Public audit in Scotland¹ means that the audit fees cover a wide range of audit work and related outputs.

All bodies receive a **financial statements audit** that includes an auditor's opinion on whether the financial statements present a true and fair view for the year. This opinion is supplemented by an annual audit report that summarises the key audit findings and auditor conclusions on aspects of the wider scope requirements of the Code of Audit Practice². These are public documents and help to explain the local audit work that was undertaken and key findings.

Every year around 10 to 12 **performance audit reports** are produced and published on our website. The aim of these is to provide independent assurance to the people of Scotland that public money is being spent properly and that it provides value for money. Local government bodies contribute to the costs of relevant reports through audit fees. Other performance audit work is funded by the Parliament. Some examples of forthcoming reports **due out in 2018 and 2019** are:

- Early learning and childcare
- Local Government Overview reporting in 2017/18
- Managing the implementation of the Scotland Acts
- Scottish Fire and Rescue Service - an update
- Are ALEOs improving council services?
- Children and young people's mental health

Best Value toolkits have also been prepared to provide support to all public bodies in improving their services.

Invoices

Bodies will be invoiced shortly for a payment on account, based on 1/3 of the expected fee. Further instalments (adjusted where possible for the amount of the fee agreed with the auditor) will be invoiced in March/April 2018 and August 2018.

A final invoice will be issued if necessary, once all 2017/18 audits are complete, to adjust for any late changes to agreed fees.

Please let me know if there is anything that you wish to clarify or discuss further.

Yours sincerely



Elaine Boyd
Assistant Director – Appointments and Assurance

¹ http://www.audit-scotland.gov.uk/docs/corp/2015/as_150511_public_audit_scotland.pdf

² <http://www.audit-scotland.gov.uk/report/code-of-audit-practice-2016>

East Lothian Integration Joint Board

Annual Audit Plan 2017/18

4



 AUDIT SCOTLAND

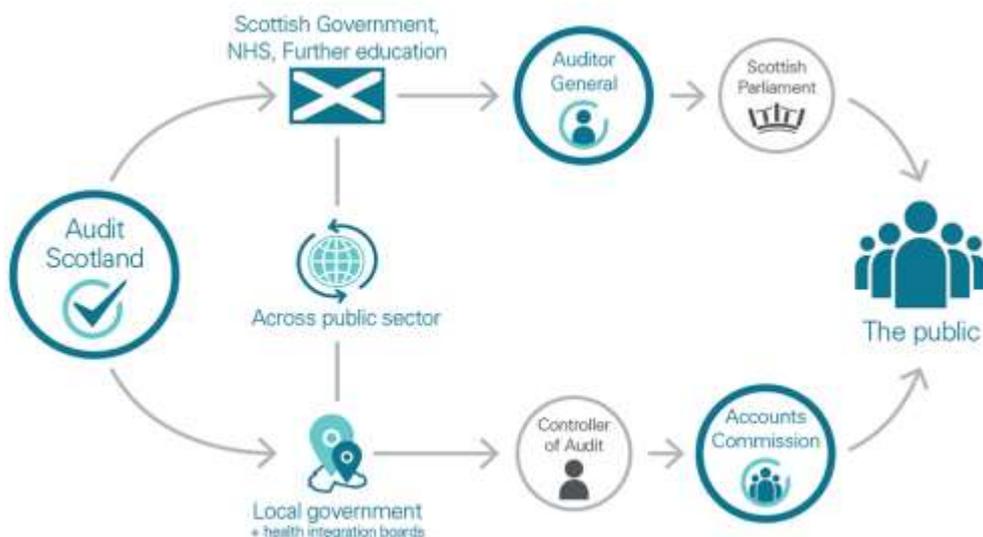
Prepared for the Members of the East Lothian Integration Joint Board

February 2018

Who we are

The Auditor General, the Accounts Commission and Audit Scotland work together to deliver public audit in Scotland:

- The Auditor General is an independent crown appointment, made on the recommendation of the Scottish Parliament, to audit the Scottish Government, NHS and other bodies and report to Parliament on their financial health and performance.
- The Accounts Commission is an independent public body appointed by Scottish ministers to hold local government to account. The Controller of Audit is an independent post established by statute, with powers to report directly to the Commission on the audit of local government.
- Audit Scotland is governed by a board, consisting of the Auditor General, the chair of the Accounts Commission, a non – executive board chair, and two non – executive members appointed by the Scottish Commission for Public Audit, a commission of the Scottish Parliament.



About us

Our vision is to be a world – class audit organisation that improves the use of public money.

Through our work for the Auditor General and the Accounts Commission, we provide independent assurance to the people of Scotland that public money is spent properly and provides value. We aim to achieve this by:

- carrying out relevant and timely audits of the way the public sector manages and spends money
- reporting our findings and conclusions in public
- identifying risks, making clear and relevant recommendations.

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Risks and planned work

1. This annual audit plan contains an overview of the planned scope and timing of our audit and is carried out in accordance with International Standards on Auditing (ISAs), the [Code of Audit Practice](#), and any other relevant guidance. This plan identifies our audit work to provide an opinion on the financial statements and related matters and meet the wider scope requirements of public sector audit.

2. The wider scope of public audit contributes to conclusions on the appropriateness, effectiveness and impact of corporate governance, performance management arrangements and financial sustainability.

Audit risks

3. Based on our discussions with staff, attendance at committee meetings and a review of supporting information we have identified the following main risk areas for East Lothian Integration Joint Board. We have categorised these risks into financial risks and wider dimension risks. The key audit risks, which require specific audit testing, are detailed in [Exhibit 1](#).

Exhibit 1

2017/18 Key audit risks

Audit Risk	Source of assurance	Planned audit work
Financial statement issues and risks		
<p>1 Risk of management override of controls</p> <p>ISA 240 requires that audit work is planned to consider the risk of fraud, which is presumed to be a significant risk in any audit. This includes consideration of the risk of management override of controls in order to change the position disclosed in the financial statements.</p>	<p>Owing to the nature of this risk, assurances from management are not applicable in this instance.</p>	<p>Focussed testing of journal entries and accruals.</p> <p>Review of accounting estimates.</p> <p>Evaluation of significant transactions that are outside the normal course of business.</p> <p>Service auditor assurances will be obtained from the auditors of East Lothian Council and NHS Lothian over the completeness, accuracy and allocation of the income and expenditure.</p>
<p>2 Link between ELC and IJB budget and expenditure</p> <p>During our 2016/17 audit we found it difficult to obtain information on how the ELC expenditure in the IJB accounts is distributed across the delegated functions for Social Care within the IJB budget.</p>	<p>IJB Chart of Accounts.</p> <p>Assurances from ELC to the IJB Management team over budget against spend.</p> <p>Assurances received from the work by the external auditors of ELC.</p>	<p>Focussed substantive testing of social care expenditure, from ledger entries to invoices.</p>

Audit Risk	Source of assurance	Planned audit work
<p>There is a risk of insufficient transparency of expenditure. Consequently the Partner cannot readily be assured that IJB expenditure has been incurred in compliance with the reason for which it was committed.</p>		
<p>Wider dimension risks</p>		
<p>3 Financial sustainability</p> <p>The IJB has no financial risk sharing agreement with its partners to address end-year overspends. Current forecasts indicate that the IJB will overspend in 2017/18. However, unlike last year, the partners have provided no guarantees to underwrite current year overspend.</p> <p>There is a risk that neither Partner takes responsibility to fund the 2017/18 overspend and rectify any in subsequent years.</p>	<p>In line with the protocol set out in the Integration Scheme, Partners are working with the IJB on their respective recovery plans to break-even.</p> <p>Ongoing dialogue with partners throughout the financial year on outturn.</p>	<p>Ongoing review of CFO monthly financial updates to the Board.</p> <p>Review of recovery plans put in place by Partners for reasonableness and future forecasting.</p>
<p>4 Financial management</p> <p>The IJB has not yet prepared a financial plan which supports the Strategic Plan; it is expected that the financial plan will be complete by the end of the current financial year.</p> <p>The absence of a financial plan means there is a risk that any issues relating to financial sustainability and delivery of the Strategic Plan in the medium to long term are not identified sufficiently early to be resolved with Partners.</p>	<p>Financial plan to be in place by end of March 2018.</p> <p>Workshop held in January 2018 for the IJB to agree principles and set the direction of travel.</p> <p>Financial Assurance paper to the February 2018 IJB on progress towards 2018/19 financial plans.</p> <p>Throughout the year, Partners have been providing indicative three year allocations along with an analysis of the financial pressures</p>	<p>Attendance and review of minutes of Board meetings to assess progress towards developing and agreeing a long term financial plan.</p>
<p>5 Governance and transparency</p> <p>Whilst the IJB Integration Scheme makes reference to IJBs having a workforce plan in place within 6 months of the Strategic Plan, the ELC IJB workforce plan remains outstanding approximately two years after publication of the Strategic Plan in 2016.</p> <p>There is a risk that without a workforce plan, the IJB may not be able to adequately deliver its strategic objectives.</p>	<p>The Partnership has set up a group to develop a workforce plan and are planning to deliver the plan before the end of March 2018.</p>	<p>Ongoing attendance at Board meetings to monitor progress in developing a workforce plan.</p>

Reporting arrangements

4. Audit reporting is the visible output for the annual audit. All annual audit plans and the outputs as detailed in [Exhibit 2](#), and any other outputs on matters of public interest will be published on our website: www.audit-scotland.gov.uk.

5. Matters arising from our audit will be reported on a timely basis and will include agreed action plans. Draft management reports will be issued to the relevant officer(s) to confirm factual accuracy.

6. We will provide an independent auditor's report to the East Lothian Integration Joint Board and the Accounts Commission that the audit of the financial statements has been completed in accordance with applicable statutory requirements. We will provide the Chief Officer, Chief Financial Officer (the 'proper officer'), members of the East Lothian IJB Audit and Risk Committee and the Accounts Commission with an annual report on the audit containing observations and recommendations on significant matters which have arisen in the course of the audit.

Exhibit 2

2017/18 Audit outputs

Audit Output	Target date	Audit Committee (or equivalent) Date
Annual Audit Report including ISA 260 requirements	By 30 September	TBC
Signed Independent Auditor's Report	By 30 September	TBC

Audit fee

7. The proposed audit fee for the 2017/18 audit of East Lothian IJB is £24,000 (2016/17: £17,470). In determining the audit fee we have taken account of the risk exposure of the East Lothian IJB, the planned management assurances in place and the level of reliance we plan to take from the work of internal audit. Our audit approach assumes receipt of the unaudited financial statements, with a complete working papers package on 30 June 2018.

8. Where our audit cannot proceed as planned through, for example, late receipt of unaudited financial statements or being unable to take planned reliance from the work of internal audit, a supplementary fee may be levied. An additional fee may also be required in relation to any work or other significant exercises outwith our planned audit activity.

Responsibilities

Audit and Risk Committee and Chief Financial Officer

9. Audited bodies have the primary responsibility for ensuring the proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety and regularity that enable them to successfully deliver their objectives.

10. The audit of the financial statements does not relieve management or the East Lothian IJB Audit and Risk Committee, as those charged with governance, of their responsibilities.

Appointed auditor

11. Our responsibilities, as independent auditor, are established by The Public Bodies (Joint Working) (Scotland) Act 2014, The Local Government (Scotland) Act 1973 and the Code of Audit Practice, and guided by the auditing profession's ethical guidance.

12. Under the Local Government (Scotland) Act 1973, the Accounts Commission is responsible for appointing the external auditors of local government bodies including councils, joint boards and bodies falling within section 106 of the Act. The Public Bodies (Joint Working) (Scotland) Act 2014 specifies that Integration Joint Boards (IJBs) should be treated as if they were bodies falling within section 106 of the 1973 Act.

13. Auditors in the public sector give an independent opinion on the financial statements and other specified information accompanying the financial statements. We also review and report on the arrangements within the East Lothian IJB to manage its performance, regularity and use of resources. In doing this, we aim to support improvement and accountability.

Audit scope and timing

Financial statements

14. The statutory financial statements audit will be the foundation and source for the majority of the audit work necessary to support our judgements and conclusions. We also consider the wider environment and challenges facing the public sector. Our audit approach includes:

- understanding the business of the East Lothian IJB and the associated risks which could impact on the financial statements
- assessing the key systems of internal control, and establishing how weaknesses in these systems could impact on the financial statements
- identifying major transaction streams, balances and areas of estimation and understanding how East Lothian IJB will include these in the financial statements
- assessing the risks of material misstatement in the financial statements
- determining the nature, timing and extent of audit procedures necessary to provide us with sufficient audit evidence as to whether the financial statements are free of material misstatement.

15. We will give an opinion on the financial statements as to:

- whether they give a true and fair view of the financial position of the audited bodies and their expenditure and income
- whether they have been properly prepared in accordance with relevant legislation, the applicable accounting framework and other reporting requirements.



Materiality

16. We apply the concept of materiality in planning and performing the audit. It is used in evaluating the effect of identified misstatements on the audit, and of any uncorrected misstatements, on the financial statements and in forming our opinion in the auditor's report.

17. We calculate materiality at different levels as described below. The calculated materiality values for East Lothian Integration Joint Board are set out in [Exhibit 3](#).

Exhibit 3

Materiality values

Materiality level	Amount
Planning materiality – This is the calculated figure we use in assessing the overall impact of audit adjustments on the financial statements. It has been set at 1% of gross expenditure for the year ended 31 March 2017 based on the latest audited accounts for 2016/17.	£1.54 million
Performance materiality – This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality this would indicate that further audit procedures should be considered. Using our professional judgement we have calculated performance materiality at 75% of planning materiality.	£1.15 million
Reporting threshold (i.e. clearly trivial) – We are required to report to those charged with governance on all unadjusted misstatements in excess of the 'reporting threshold' amount. This has been calculated at 1% of planning materiality.	£0.015 million

18. We review and report on other information published with the financial statements including the management commentary, annual governance report and the remuneration report. Any issue identified will be reported to the Audit and Risk Committee.

Timetable

19. To support the efficient use of resources it is critical that a financial statements timetable is agreed with us for the production of the unaudited accounts. An agreed timetable is included at [Exhibit 4](#) which takes account of submission requirements and planned Audit and Risk Committee dates.

Exhibit 4

Financial statements timetable

 Key stage	 Date
Consideration of unaudited financial statements by those charged with governance	By 30 June 2018
Latest submission date of unaudited annual accounts with complete working papers package	By 30 June 2018
Latest date for final clearance meeting with Chief Financial Officer	TBC
Issue of letter of representation and proposed independent auditor's report	By 30 September 2018
Agreement of audited unsigned annual accounts	By 30 September 2018
Issue of Annual Audit Report including ISA 260 report to those charged with governance	By 30 September 2018
Independent auditor's report signed	By 30 September 2018

Internal audit

20. Auditing standards require internal and external auditors to work closely together to make best use of available audit resources. We seek to rely on the work of internal audit wherever possible and as part of our planning process. Internal audit for the East Lothian IJB is provided by the internal audit team at East Lothian Council and is overseen by their Internal Audit Manager who is the Chief Internal Auditor for the East Lothian IJB.

Adequacy of Internal Audit

21. We carried out an early assessment of the internal audit function at East Lothian Council and concluded that it has sound documentation standards and reporting procedures in place and complies with the main requirements of the Public Sector Internal Audit Standards (PSIAS).

Areas of Internal Audit reliance

22. In respect of our audit responsibilities we plan to consider the following areas of internal audit work including:

- corporate governance, including key internal controls
- financial governance, including key internal financial controls
- performance management.

Audit dimensions

23. Our audit is based on four audit dimensions that frame the wider scope of public sector audit requirements as shown in [Exhibit 5](#).

Exhibit 5

Audit dimensions



Source: Code of Audit Practice

24. In the local government sector, the appointed auditor's annual conclusions on these four dimensions will help contribute to an overall assessment and assurance on best value.

Financial sustainability

25. As auditors we consider the appropriateness of the use of the going concern basis of accounting as part of the annual audit. We will also comment on the body's financial sustainability in the longer term. We define this as medium term (two to five years) and longer term (longer than five years) sustainability. We will carry out work and conclude on:

- the effectiveness of financial planning in identifying and addressing risks to financial sustainability in the short, medium and long term
- the appropriateness and effectiveness of arrangements in place to address any identified funding gaps.

Financial management

26. Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively. We will review, conclude and report on:

- whether the Partnership has arrangements in place to ensure systems of internal control are operating effectively
- whether the Partnership can demonstrate the effectiveness of budgetary control system in communicating accurate and timely financial performance
- how the Partnership has assured itself that its financial capacity and skills are appropriate
- whether the Partnership has established appropriate and effective arrangements for the prevention and detection of fraud and corruption.

Governance and transparency

27. 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. We will review, conclude and report on:

- whether the Board can demonstrate that the governance arrangements in place are appropriate and operating effectively
- whether there is effective scrutiny, challenge and transparency on the decision making and finance and performance reports
- the quality and timeliness of financial and performance reporting.

Value for money

28. Value for money refers to using resources effectively and continually improving services. We will review, conclude and report on whether:

- the Board can provide evidence that it is demonstrating value for money in the use of its resources
- the Board can demonstrate that there is a clear link between money spent, output and outcomes delivered
- the Board can demonstrate that outcomes are improving.

Independence and objectivity

29. Auditors appointed by the Accounts Commission or Auditor General must comply with the Code of Audit Practice and relevant supporting guidance. When auditing the financial statements auditors must also comply with professional

standards issued by the Financial Reporting Council and those of the professional accountancy bodies. These standards impose stringent rules to ensure the independence and objectivity of auditors. Audit Scotland has in place robust arrangements to ensure compliance with these standards including an annual “fit and proper” declaration for all members of staff. The arrangements are overseen by the Director of Audit Services, who serves as Audit Scotland’s Ethics Partner.

30. The engagement lead for the East Lothian IJB is Gillian Woolman, Assistant Director. Auditing and ethical standards require the appointed auditor to communicate any relationships that may affect the independence and objectivity of audit staff. We are not aware of any such relationships pertaining to the audit of the East Lothian IJB.

Quality control

31. 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.

32. The foundation of our quality framework is our Audit Guide, which incorporates the application of professional auditing, quality and ethical standards and the Code of Audit Practice (and relevant supporting guidance) issued by Audit Scotland and approved by the Auditor General for Scotland. To ensure that we achieve the required quality standards Audit Scotland conducts peer reviews, internal quality reviews and has recently secured new arrangements for external quality reviews.

33. As part of our commitment to quality and continuous improvement, Audit Scotland will periodically seek your views on the quality of our service provision. We welcome feedback at any time and this may be directed to the engagement lead.

Adding Value

34. Through our audit work we aim to add value to the East Lothian IJB. We will do this by ensuring our Annual Audit Report provides a summary of the audit work done in the year together with clear judgements and conclusions on how well the East Lothian IJB has discharged its responsibilities and how well it has demonstrated the effectiveness of its arrangements. Where it is appropriate we will recommend actions that support continuous improvement and summarise areas of good practice identified from our audit work.

East Lothian Integration Joint Board

Annual Audit Plan 2017/18

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REPORT TO: East Lothian IJB – Audit and Risk Committee

MEETING DATE: 6 March 2018

BY: Chief Internal Auditor

SUBJECT: Internal Audit Plan 2018/19

5

1 PURPOSE

- 1.1 To inform the Audit and Risk Committee of Internal Audit's operational plan for 2018/19.

2 RECOMMENDATION

- 2.1 The Audit and Risk Committee is asked to approve the Audit Plan for 2018/19.

3 BACKGROUND

- 3.1 The annual audit plan has been prepared in accordance with Public Sector Internal Audit Standards (PSIAS).
- 3.2 In preparing the annual audit plan a range of factors have been taken into account, including:
- The Public Bodies (Joint Working) (Scotland) Act 2014, which sets out the framework for integrated adult health and social care services
 - The Integration Scheme
 - The IJB Strategic Plan
 - The IJB risk register in place
 - Changes in service delivery
- 3.3 Internal Audit will evaluate the adequacy and effectiveness of controls in responding to risks within the Integration Joint Board's (IJB's) governance, operations and information systems, regarding the:

- Achievement of the IJB's strategic objectives.
 - Reliability and integrity of financial and operational information.
 - Effectiveness and efficiency of operations and programmes.
 - Safeguarding of assets.
 - Compliance with laws, regulations, policies, procedures and contracts.
- 3.4 The provision of the Internal Audit service is on an in-house basis by East Lothian Council's Internal Audit Unit, which is comprised of the Chief Internal Auditor, three Senior Auditors and one Senior Audit Assistant. In addition to the work undertaken by the in-house team, work is also undertaken by the NHS Lothian Internal Audit team – the 2018/19 Audit Plan includes one audit to be undertaken by the NHS Lothian Internal Audit team.
- 3.5 Internal Audit will adopt a risk based approach to audit assignments as the principal means of providing assurance on the adequacy, reliability and effectiveness of internal controls. Testing of controls will be carried out on a sample basis.
- 3.6 For each individual audit, a detailed audit report will be prepared for the IJB Chief Officer and copies of the audit report will be provided to External Audit and to members of the IJB Audit and Risk Committee.
- 3.7 All audit reports will highlight areas where expected controls have been met and areas where there is scope for improvement. A detailed action plan will be attached to each report listing all recommendations made and recording management responses to the recommendations.
- 3.8 Follow-up audits will be carried out to review the implementation of the recommendations made.
- 3.9 The Chief Internal Auditor will provide an annual report at the end of the financial year, outlining:
- A statement of the level of conformance with the Public Sector Internal Audit Standards and Local Government Application Note and the results of the Quality Assurance and Improvement Programme that support the statement.
 - An opinion on the overall adequacy and effectiveness of the IJB's framework of governance, risk management and control together with a summary of the work supporting the opinion.
- 3.10 The detailed Audit Plan for 2018/19 is attached.

4 ENGAGEMENT

- 4.1 None

5 POLICY IMPLICATIONS

5.1 None

6 INTEGRATED IMPACT ASSESSMENT

6.1 The subject of this report does not affect the wellbeing of the community or have a significant impact on equality, the environment or economy.

7 RESOURCE IMPLICATIONS

7.1 Financial – None

7.2 Personnel – None

7.3 Other – None

8 BACKGROUND PAPERS

8.1 None

AUTHOR'S NAME	Mala Garden
DESIGNATION	Chief Internal Auditor
CONTACT INFO	01620 827326
DATE	27 February 2018

AUDIT PLAN 2018/19

AUDITABLE AREAS	SCOPE OF THE AUDIT	INTERNAL AUDIT ASSESSED RISK	WEEKS
Workforce Planning	The NHS Lothian Internal Audit team will review the arrangements in place for workforce planning.	Medium	–
Participation and Engagement	The audit will review the development and implementation of the IJB's Participation and Engagement Strategy.	Medium	6
Business Continuity Planning and Disaster Recovery	The audit will seek to ensure that effective arrangements are in place for business continuity and disaster recovery, including receiving assurances from both partners (East Lothian Council and NHS Lothian) on the adequacy of the arrangements operating within their respective organisations, which may have an impact on the IJB.	Medium	6
Budget Monitoring	Internal Audit will review the adequacy and effectiveness of the budget monitoring arrangements in place.	Medium	6
Follow-up Audits	Internal Audit will follow up on previously issued audit reports to ensure that recommendations made have been implemented by Management.	Low	3
Other Audit Work	Time has been allocated for other audit work including the preparation of the audit plan, self-assessment against the Public Sector Internal Audit Standards (PSIAS) and the internal audit opinion and annual report.	Low	5



REPORT TO: East Lothian IJB – Audit and Risk Committee
MEETING DATE: 6 March 2018
BY: Chief Finance Officer
SUBJECT: Risk Management Strategy and Policy

6

1 PURPOSE

- 1.1 This report lays out the IJB's risk management strategy and the IJB's risk policy.

2 RECOMMENDATIONS

- 2.1 The Committee is asked to:
- (i) agree the draft risk management strategy;
 - (ii) agree the draft risk management policy; and
 - (iii) recommend the strategy and the policy to the IJB.

3. BACKGROUND

- 3.1 At its meeting of November 2015, the IJB received a paper entitled 'Risk Management Approach'. This paper recognised that the IJB's Integration Scheme required the IJB to develop and shared risk management strategy with NHS Lothian and with East Lothian Council.
- 3.2 The IJB agreed that the Audit and Risk Committee would progress this work and report back to the IJB. The IJB has set up a risk register which has been regularly reviewed by the A&R committee and has worked with colleagues in East Lothian and NHS Lothian to share risk management process and intelligence. A set of Audit and Risk information sharing principles were agreed by the last meeting of the A&R which simply agree that all the Lothian IJBs and NHS Lothian will share all and any Internal Audit reports – the risk registers already being public documents

- 3.3 That said, the IJB does not currently have a formal risk management strategy and a policy to implement that strategy.
- 3.4 This matter was also raised by the IJB's external auditors in their annual report for 2016/17. This noted that The IJB should develop its own risk management strategy to ensure it is complying with the Integration Scheme.
- 3.5 Its important to recognise that the IJB is not an operational delivery unit. The delivery of the functions delegated to the IJB is carried out under the auspices of one or other of the partners (NHS Lothian and East Lothian Council) and each of these partners has its own governance process, statutory responsibilities for service delivery, audit and risk committees and risk registers.
- 3.6 The IJB will therefore limit its own risk management strategy to those risks that are wholly IJB risks and not operational risks that are more correctly managed elsewhere. Therefore to take assurance on risk management for operational service delivery risks from the risk management processes of East Lothian Council and NHS Lothian.
- 3.7 This then raises the issue of what is considered to be a wholly IJB risk? In general, wholly IJB risks relate to the ability of the IJB to prepare and deliver its strategic plan. The risks the IJB must manage are therefore the risks in delivering the IJB's own business. The operational and delivery risk of delivering the functions delegated to the IJB will remain to be managed by the partners. However, if the risks in the delivery of the partners business become so significant as to impact upon the delivery of the IJB's functions then the IJB will require to be appraised of these risks and the actions being taken to manage them.
- 3.8 This raises the second key issue – when does an operational risk become a strategic one? There are significant operational – issues around the recruitment of GPs and around the recruitment of homecare staff for example – which could, if not properly managed, impact on the IJB's business. The IJB therefore, requires to be appraised of 'significant' operational risks although the Chief Officer and the Audit and Risk Committee wish also to add such risk onto the IJB's risk register. It has to be remembered that the management of such risks will remain with the operational partner and therefore the IJB are simply noting the position.
- 3.9 The IJB's Risk Management Strategy is therefore that those risk that are wholly IJB risks (as above) will be managed through the IJB's risk register which will be regularly scrutinised by the Audit and Risk Committee. The IJB's Chief Officer, Chief Financial Officer and Chief Internal Audit supported by other IJB members and the partnership management team will inform the Audit and Risk Committee of operational risks that may be so significant that they will impact on the IJB's business. Operational risks within the partners will continue to be managed by the Partners and the IJB will take assurance from these processes. The draft risk strategy is attached as appendix 1.

- 3.10 The IJB's risk policy will follow the same principles as NHS Lothian's (attached as appendix 2) but as above covering only the business of the IJB.
- 3.11 As a general principle, any governance process has to be commensurate with the resources that a body has available to support it. Hence the proposition that the IJB concentrates its risk management on its own business and takes assurance from the risk management processes of its partners. The IJB has to use its resources carefully and it's worth noting that the IJB's risk register has 5 key risks.
- 3.12 At its December 2017 meeting, the Committee agreed to have a workshop to further discuss risk appetite and also what assurance can be obtained from the data available to the IJB. This workshop took place in January 2018 directly after the IJB's workshop on financial planning. In general the broad principles discussed above were agreed.

4. ENGAGEMENT

The strategy and the policy, having been adopted by the IJB will be published on the IJB's website.

5 POLICY IMPLICATIONS

- 5.1 This paper is offers a new policy for the IJB for agreement

6 INTEGRATED IMPACT ASSESSMENT

- 6.1 The are no implications for health inequalities or general equality and diversity issues arising directly from the issues and recommendations in this paper.

7 RESOURCE IMPLICATIONS

- 7.1 Financial – there are none.
- 7.2 Personnel – there are none.

8 BACKGROUND PAPERS

- 8.1 None

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DATE	27 February 2018



Risk Management Strategy

December 2017

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2.	POLICY STATEMENT
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4.	RISK MANAGEMENT PHILOSOPHY AND OBJECTIVES
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10.	STRATEGY IMPLEMENTATION, COMMUNICATION AND REVIEW
11.	OUTPUTS AND BENEFITS OF THE RISK MANAGEMENT STRATEGY

1. Background

East Lothian Integration Joint Board has been delegated a range of Health and Social Care functions by NHS Lothian and East Lothian Council.

Although the responsibility for the operational delivery of these functions continues to rest with the partners (NHS Lothian and East Lothian Council) the responsibility for preparing and delivering a Strategic Plan rests with the IJB. The IJB must then consider a risk management strategy to identify and manage the risks associated with the preparation and delivery of the Strategic Plan

When risk is well managed it often goes unnoticed. If it is poorly managed or not managed at all the consequences can be significant and high profile. Effective risk management is needed to prevent such failures.

2. Policy Statement

- 2.1 The members of the Integration Joint Board and the members of the partnership management team who support them are encouraged to develop new initiatives, improve performance and achieve their goals safely, effectively and efficiently by consistent application of tried and tested methodologies for identifying and managing opportunity and risk.
- 2.2 In doing so the IJB aims to make the most of opportunities to:
- achieve high standards of performance;
 - deliver high quality services for service users;
 - Support the partners in providing an environment that meets Health & Safety requirements for the people it employs;
 - Support the partners to protect assets and liabilities against potential losses, and
 - minimise uncertainty in achieving its goals and objectives.

3. Scope

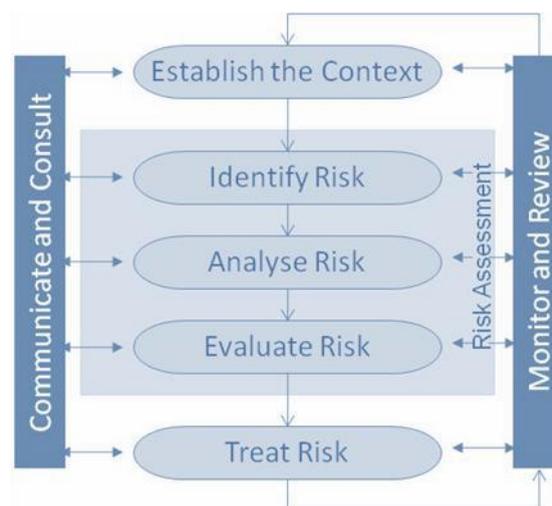
- 3.1 The Chief Officer has overall accountability for risk management.
- 3.2 The IJB's risk management will centre on the business of the IJB. That is the preparation and delivery of the IJB's Strategic Plan. The IJB's risk register will not contain operation risks unless these risks may impact on the business of the IJB
- 3.3 Operational risks – that is the risks around service delivery managed by the partners and implemented through the IJB's directions - will continue to be managed by the appropriate partner. The appropriate partner being the partner delivering the service or the East Lothian Health and Social Care partnership if the service is being delivered by both partners.
- 3.4 The Chief Officer, Chief Finance Officer, Chief Internal Auditor, members of the IJB and partnership staff who support the IJB will be responsible for identifying any operational risks that are sufficiently significant to impact upon the business of the IJB and which can then be entered on the IJB's risk register. However, such a risk will continue to be managed by the appropriate partner(s) and the IJB will require the partner(s) for assurance around the management of that risk.
- 3.5 The IJB is signatory to an Internal Audit information sharing agreement between NHS Lothian, Edinburgh IJB, West Lothian IJB and Midlothian IJB. This agreement will also provide intelligence to the IJB around any other operational or IJB specific risks which can then be added to the IJB's risk register as required.

- 3.5 All risk will be analysed in terms of impact on the IJB, the functions delegated to it and the likelihood of occurrence. This analysis will produce an evaluation of risk as being Low, Medium, High or Very High. The IJB's response in relation to adverse risk, or 'risk appetite' is such that:
- 'Low' risk is broadly acceptable without any further action to prevent or mitigate risk;
 - 'Medium' risk is tolerable with control measures that are cost effective;
 - 'High' risk may be tolerable providing the IJB is assured that adequate and effective control measures are in place; and,
 - 'Very High' risk is unacceptable and measures should be taken to reduce, transfer or treat the risk to a more tolerable position.

High and Very High risk will be subject to closer scrutiny by the Audit and Risk Committee.

4. Risk Management Philosophy and Objectives

- 4.1 Risk Management is about the culture, processes and structures that are directed towards realising potential opportunities whilst managing adverse effects¹. It is pro-active in understanding risk and uncertainty, it learns and builds upon existing good practice and is a continually evolving process that has an important role to play in ensuring that defensible and beneficial 'risk-aware' not 'risk-averse' decisions are made. It ensures that the IJB support its partners to provide high quality services and all staff are aware that every effort has been made to maximise their opportunities to succeed.
- 4.2 The IJB uses the risk management process shown below².



4.3 Risk Management Objectives

The specific risk management objectives of the IJB are to:

- (i) integrate governance and risk management into the planning and oversight of the operational delivery of the functions delegated to the IJB;
- (ii) create a consistent approach to risk across all services using the adopted process;
- (iii) promote practical measures to reduce the IJB's exposure to risk and potential loss;

¹ Australia/ New Zealand Risk Management Standard, AS/NZS 4360: 2004

² Australia/ New Zealand Risk Management Standard, AS/NZS 4360: 2004 and ISO 31000 (2009)

- (iv) define clear lines of responsibility for the management of risk.
- (v) provide a system for monitoring the effectiveness of the risk management framework;
- (vi) provide a system for feedback on the management of key risks to the IJB;
- (vii) comply with legislative requirements; and
- (viii) comply with the requirements of Corporate Governance

4.4 The fundamental principles of Risk Management are to:

- ensure that the Risk Management process takes account of and links to the IJB's objectives;
- to keep the IJB and appropriate senior managers advised of any significant risk management issues;
- to promote an open and fair reporting culture;
- agree clear roles and definitions relating to the accountability, management, escalation and communication of key risks; and
- approach the assessment of risks and opportunities consistently.

5. Benefits of Effective Risk Management

5.1 Effective risk management will contribute to delivering significant benefits for the IJB. The primary benefit is that appropriate, defensible, timeous and best value decisions are made. Such 'risk-aware' decisions should be based on a balanced appraisal of strengths, weaknesses, opportunities and threats, and should enable acceptance of a certain level of risk in order to achieve a particular goal or reward.

5.2 Defensible decision-making means that:

- all reasonable steps in the decision-making process will have been taken;
- all relevant information will have been collected and thoroughly evaluated;
- reliable assessment methods will have been used;
- decisions (and supporting rationales) will have been clearly documented, and
- processes will have been put in place to monitor the effectiveness of the decision outcomes.

5.3 Other benefits would include:

- high achievement of objectives and targets;
- better use and prioritisation of the IJB's resources;
- high levels of user experience/ satisfaction with a consequent reduction in adverse incidents, claims and/ or litigation;
- avoid duplication of Risk Management issues which affect the partners and bring them together to benefit from good practice.

6. Standard Procedures

6.1 Standard procedures should be fulfilled in order to achieve a consistent approach to effectively implementing risk management.

6.1.1 Full implementation of the continuous risk management process, embedding risk management within IJB's processes so that an assessment of risk as well as costs and benefits becomes routine wherever possible.

- 6.1.2 Identification of risk using standard methodologies and involving managers throughout the service with detailed knowledge of the service and the environment in which it operates.
- 6.1.3 Routine reporting of risk information to the Audit and Risk committee with appropriate escalation to the IJB as required.
- 6.1.4 Periodic re-assessment of individual risks, proportionate to significance of risks (i.e. low and medium risks fully reassessed every two years and significant [high and very high] risks annually) including routine audit of robustness of measures implemented to control risks.
- 6.1.5 Fully document the risks in the risk register and to monitor and carry out an annual review of corporate and service risk registers to ascertain progress and to check for contextual changes affecting the risks.
- 6.1.6 Ongoing proactive identification of new and/or potential risks as a general responsibility of all service areas specifically those where risk is inherently discussed as part of their remit.

6.2 **Formal Groups**

- 6.2.1 **The IJB** will receive a report from the Audit and Risk committee annually laying out the risk register, the risks and the management actions to mitigate them and confirmation that this process is providing an appropriate level of assurance.
- 6.2.2 **Audit and Risk Committee** will scrutinise and review the effectiveness of the implementation of the risk management processes within the IJB. It will also scrutinise and review the Risk Register.
- 6.2.3 Internal Audit is an independent appraisal function within the IJB. Internal Audit will:
 - review, appraise and report on the adequacy and effectiveness of Risk Management arrangements within the IJB, and
 - take into account the IJB's Risk Register when identifying areas to be included in the Annual Audit Plan.

Structural Arrangement and responsibilities

Individuals

7.4.1 Chief Officer

The Chief Officer has ultimate responsibility for ensuring that there are suitable and effective arrangements in place to manage the Council's risks.

7.4.2 IJB Members and any partnership officers supporting the IJB

All IJB members and any partnership officers supporting the IJB should be encouraged to be involved at all levels in identifying current and potential risks where they work. They should make every effort to be aware of situations which place themselves or others at risk, report identified hazards and implement risk reduction measures developed by their service. Risk assessments should encompass all facilities used to deliver services and be completed using the knowledge and experience of all relevant staff and where appropriate service users. This approach will support the formal risk review conducted annually by all services and enable staff to:

- understand the risks that relate to their roles and their activities;
- understand their accountability for particular risks and how they can manage them;
- understand how they can contribute to continuous improvement of risk management;
- understand that risk management is a key part of the IJB's culture;
- report systematically and promptly to the Chief Officer any perceived new risks or failures of

existing control measures

9. Risk Registers

- 9.1 The Chief Officer will establish a Risk Register and they will have responsibility for maintaining the Register.
- 9.2 The information to be contained in both the Corporate Risk Register and the respective Service Risk Registers will be:
- risk identification number;
 - risk description (linked to the achievement of business objectives);
 - likelihood/impact rating;
 - risk rating;
 - controls in place;
 - potential residual risk;
 - planned actions;
 - service or person responsible for planned actions/managing the risk;
 - timescale for completion of action, and
 - evidence of regular review.

10. Strategy Implementation an, communication and review

- 10.1 The IJB's Risk Management Strategy was first discussed by the IJB's Audit and Risk Committee at its December 2017 meeting and presented to the IJB at its February 2018 meeting. The Strategy accurately represents arrangements for managing risk within the IJB at the time of approval. Implementation of this strategy will be underpinned by Risk Management Guidance and the Risk Management Action Plan.
- 10.2 This strategy will be reviewed at periodic intervals of at least every 3 years to ensure that it reflects current standards and best practice in risk management and fully reflects the rapidly changing environment in local government.
- 10.3 This Strategy, having been adopted by the IJB, will be published on the IJB's website

11 . Outputs and Benefits of the Risk Management Strategy

- 11.1 Embedding a Risk Management culture throughout East Lothian IJB is vital to the success of this strategy. The anticipated outputs and benefits of the Risk Management Strategy are:
- Improved service delivery;
 - Better value for money;
 - Improved corporate governance and compliance systems;
 - Improved decision making;
 - Enhanced understanding of the IJB's vulnerabilities;
 - Improved use of resources;
 - Enhanced strategic awareness;
 - Compliance with legislation/ regulation;
 - Adds value to the activities of the organisation, and
 - Increases the probability of success in achieving business objectives.
- 11.2 These outputs and benefits will protect and enhance East Lothian IJB's reputation, which will in turn increase public trust.

East Lothian Integration Joint Board



RISK MANAGEMENT POLICY

Version 1.0 - Draft

RISK MANAGEMENT

POLICY Executive

Summary

Key elements

The aim of this policy is to embed risk management within the IJB and ensure effective risk management structures are in place, including:-

- A consistent approach to the identification, assessment and management of
- Assurance that all risk control and mitigation measures will be effective, appropriate, proportionate, affordable and flexible. Risk controls will not be implemented where the cost and effort is disproportionate to the expected benefits.
- The requirement of all members of the IJB and staff supporting the IJB to take responsibility for effective management of risk in all aspects
- The promotion of an open and transparent culture to promote the positive identification and management of risk in the organisation.

Minimum Implementation Standards

The IJB shall have a record of its Risks (a risk register) and the Chief Officer is responsible for implementing this policy. The Chief Officer will ensure :-

- There is a process to systematically consider the relevance and management of existing and new risks in their area.
- That all members of the IJB and any officers supporting the IJB are clear of their roles and responsibilities in regard to implementing this policy.

Why is Risk Management Important?

Risk Management can be defined as the processes involved in identifying, assessing and judging risks, assigning ownership, taking actions to mitigate or anticipate them, and monitoring and review progress.

What is a Risk?

Risk can be defined as the combination of the probability of an event and its consequences (ISO/IE Guide73) and how the threat of that event or action will adversely affect the IJB's ability to achieve its objectives, perform its duties or meet the expectations of its stakeholders. Inherent risk, for the

purpose of this document, can be defined as the exposure arising from a specific risk before any action is taken to manage it and residual risk the exposure arising from a specific risk after action has been taken to manage it and making the assumption that the action is effective.

Risk exists where there is uncertainty of outcome, either in terms of the assurance on the processes the IJB has in place, or in the IJBs's achievement of its performance organisational objectives and targets.

Risk Management is therefore a process that helps the whole organisation identify areas that require attention and remedial action.

What Should Risk Management Achieve?

Risk management is a central part of any organisation's strategic management. It is the process whereby organisations methodically address the risks attaching to their activities, with the goal of achieving sustained benefit within each activity and across the portfolio of all activities.

It should reduce the probability of failure, and increase the probability of success. Risk Management protects and adds value to the IJB and its partners by supporting the organisations objectives by:

- providing a framework that enables future activity to take place in a consistent and controlled manner
- improving decision making and planning and prioritisation by comprehensive and structured understanding of business activity, opportunity and threat

When a risk has been identified, action must be taken to either:

- **Treat:** Eliminate the risk completely, or reduce it to the point where the risk is at an acceptable level.
- **Tolerate:** Where the risk is unavoidable, formally conclude that the risk is of a type that any further action would be disproportionate to the level of risk exposure, and that the risk is therefore at an acceptable level.
- **Transfer the Risk** e.g. insurance cover
- **Terminate the Activity**

The IJB and those officers who support it must be aware that when they have treated the risk they have a responsibility to manage the residual risk through effective systems of controls and monitoring.

When the risk management process has concluded, the IJB should either have an improved response to its assurance need, or improved

organisational performance.

RISK MANAGEMENT POLICY

- The IJB shall have a record of its risks – a risk register
- The IJB shall prioritise its response to its risks in a manner that recognises the objectives of the IJB, and the nature and significance of the risks that are presented.
- The IJB and the Audit and Risk committee shall regularly monitor the current risks, and seek assurance that action is being taken to manage the risks.
- The IJB shall maintain an open and transparent culture to promote the positive identification and management of risk in the organisation.



REPORT TO: East Lothian IJB - Audit and Risk Committee
MEETING DATE: 6 March 2018
BY: Chief Finance Officer
SUBJECT: Risk Register - update

7

1 PURPOSE

- 1.1 This report updates the IJB's risk register, the current version being attached as an appendix.

2 RECOMMENDATIONS

- 2.1 The Committee is asked to consider the risk register and to agree whether:
- (i) further risks should be added; and
 - (ii) the risk mitigation actions are adequate.

3 BACKGROUND

- 3.1 The IJB maintains a risk register as part of its overall governance processes. The most up-to-date version of the IJB's risk register is attached to this report.
- 3.2 The risk register has been developed and maintained in line with the draft risk strategy and risk management policy which were considered by the committee previously at this meeting.
- 3.3 The committee is invited to consider the attached risk register and, given the agreed risk strategy and policy, consider if any further risks should be included and if the risk mitigations actions are adequate

4 ENGAGEMENT

- 4.1 The IJB's Audit and Risk Committee is held in public and the papers are openly available online.

5 POLICY IMPLICATIONS

5.1 There are no further policy implications arising from this paper

5 INTEGRATED IMPACT ASSESSMENT

6.1 The subject of this report does not affect the wellbeing of the community or have a significant impact on equality, the environment or economy

6 RESOURCE IMPLICATIONS

7.1 Financial – none

7.2 Personnel – none

7.3 Other – none

7 BACKGROUND PAPERS

8.1 Risk Strategy and Risk Management policy – presented to the Committee at this meeting.

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DATE	27 February 2018

Appendix – Risk Register

East Lothian IJB Risk Register with Action Plan

ID	Risk level	Title	Description	Controls in place	Adequacy of controls	Risk level (current)	Rating (current)	Risk level (Target)	Rating (Target)	Action Plan in Place
3924	Integration Joint Board	Financial resources may be insufficient to sustain the Strategic Plan	There is a risk that the financial challenges faced by the NHS and East Lothian Council will result in allocations to the IJB that do not allow the Strategic Plan to be delivered leading to the failure to achieve outcomes and targets.	<ol style="list-style-type: none"> 1. Financial assurance process carried out by IJB 2. Engagement of IJB Officers and members in NHS and Council budget setting processes 3. Regular performance monitoring reports to IJB 4. Scheme of Integration risk sharing and dispute resolution processes 5. IJB Chief Finance Officer in post 6. Strategic Planning Group in place 7. Strategic Plan Programme Board established and meeting regularly to deliver Strategic Plan within the financial resources available 8. Detailed efficiency and recovery plans are in place for operational teams to 'break even' in 2017/18. 9. There is a programme of meetings and discussion between IJB, Council and Health Board leading to an IJB financial planning process being approved by the IJB and supported by Council and Health Board 10. The IJB's financial strategy and three year financial plan should provide plans based on the totality of the financial resources available. 	Adequate but partially effective; control is properly designed but not being implemented properly	High	16	Medium	9	Y
4018	Integration Joint Board	Impact of Partners' Decisions	There is a risk that Partners reach decisions on priorities and services (including service reviews) that impact negatively on the IJB leading to an inability to deliver the Strategic Plan	<ol style="list-style-type: none"> 1. Involvement of IJB membership in the Partners' decision making process including voting members and Officers 2. Involvement in Partners' service reviews 3. Good working relationships and regular formal /informal meetings e.g IJB Chief Officers Group (NHS Lothian Acute attendees), meetings with Chief Executives and Chairs 	Adequate but partially effective; control is properly designed but not being implemented properly	High	16	Medium	9	Y
3925	Integration Joint Board	Operational resources may be insufficient to deliver the Strategic Plan	There is a risk that the IJB fails to achieve its targets due to insufficient access to key services and resources e.g. General Practice, Care at Home, Care Homes, Health Visiting, Housing, acute services etc leading to failure to deliver the Strategic Plan resulting in risk to patients' and clients'	<ol style="list-style-type: none"> 1. The Strategic Plan sets out clear priorities 2. IJB directions are clear about actions required by NHS and Council 3. The Partnership Management Team is focussed on ensuring adequate resources are in place for delegated functions to deliver the Strategic Plan 4. NHS Lothian is focussed on ensuring adequate resources are in place for set-aside and hosted functions to deliver the Strategic Plan 5. NHS Lothian and East Lothian Council are focussed on ensuring adequate resources are in place for non-delegated but related functions (e.g. housing), to deliver the Strategic Plan 	Adequate but partially effective; control is properly designed but not being implemented properly	High	12	Medium	6	Y

			safety, external review and reputational damage	<ul style="list-style-type: none"> 6. Quarterly Performance Report to IJB and scrutiny by the Audit and Risk Committee 7. Use of ICF and SCF to increase capacity and improve terms and conditions. 8. IJB is finalising a workforce strategy to address these issues 						
3926	Integration Joint Board	Potential Instability e.g elections / IJB changes	There is a risk that the IJB will be de-stabilised as a consequence of membership change or policy change as a result of elections and Public Sector reform leading to conflicting priorities and/or inability to make decisions	<ul style="list-style-type: none"> 1. Standing orders that control members' behaviour 2. Code of Conduct 3. Scheme of Integration which includes a dispute resolution mechanism 4. Ensuring that membership changes are not all planned at the same time e.g. stakeholder member changes are separate from voting member changes, NHS membership changes on a different cycle from the East Lothian Council membership changes 	Adequate but partially effective; control is properly designed but not being implemented properly	Medium	9	Medium	9	Y
3927	Integration Joint Board	Relationship with Partners	There is a risk that East Lothian Council and NHS Lothian do not provide the support services required to enable the IJB to fulfil its functions (e.g. financial planning, I.T. etc)	<ul style="list-style-type: none"> 1. Review of support services in place 2. Clear directions from the IJB to Partners 3. Involvement of IJB membership in Partners' decision making process 	Adequate but partially effective; control is properly designed but not being implemented properly	High	12	Medium	6	Y



REPORT TO: East Lothian IJB - Audit and Risk Committee
MEETING DATE: 6 March 2018
BY: Chief Finance Officer
SUBJECT: Update on Actions from the Annual Accounts

8

1 PURPOSE

- 1.1 This report updates the Committee on the actions from the AGS and Annual Accounts paper which was presented to the Committee at its last meeting

2 RECOMMENDATIONS

- 2.1 The Committee is asked to note the update.

3 BACKGROUND

- 3.1 At its October 2017 meeting the IJB received a report on the improvement actions that had been laid out both in the IJB's Annual Governance Statement (AGS) and the independent auditors report on the IJB's 2016/17 annual accounts. The IJB asked the committee to ensure that these actions are progressed and the committee chair has asked for an update to be presented at every meeting.
- 3.2 The detail of the actions and the management response was laid out in an appendix to the October paper and this is attached to this report for information.
- 3.3 The update is:-

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Actions identified in the AGS	Update
Financial Assurance	East Lothian Council set its 2018/19 budget at its February 2018 meeting. NHS Lothian is finalising its 2018/19 budget and has made indicative information available to the IJB. Both budgetary propositions to the IJB include an indicative position for the following two years. This information will inform the IJB's three year financial plan which will be presented to the IJB at its March 2018 meeting. Indicative budgetary offers for 2018/19 were presented to the IJB at its February 2018 meeting. These offers were accepted (in principle). Full financial assurance on the 18/19 budget will be presented to the IJB in March 2018.
Three year financial plan	A draft, outline three year financial plan and an outline financial strategy was presented to the IJB at its February 2018 meeting. This work was developed in detail at the IJB workshop in January 2018. The IJB supported the plan and the underlying strategy and agreed that this work should be developed further.
Financial Risk Sharing	The financial risk sharing is laid out in the Integration scheme. The final position for 17/18 is in the process of being agreed by the partners and discussions are scheduled to finalise the IJB position.
Support to the IJB from the partners	The partners have continued to provide support to the IJB.
Performance management	Regular reports are now being presented to the IJB. The A&R committee had a workshop at the end of the IJB's January meeting to discuss risk management and the assurance that can be derived from performance data. The IJB's Internal Audit report on performance management was presented to the IJB at its February 2018 meeting and further actions were agreed.
Risk management	Workshop as above and a further paper to be presented to the committee at this meeting

Use of the Social Care Fund	The 17/18 position will be reported to the IJB at its March 2018 meeting along with proposals for 2018/19.
Risk Register	See above
Participation, engagement and the workforce development plan	The IJB is working with the partners to produce a workforce plan
Budget monitoring	Regular updates on the 2017/18 financial position have been and continue to be presented to the IJB
Efficiency savings	The efficiency savings proposed in 2017/18 were presented to the IJB at its December meeting. The 2018/19 and future plans will be examined in the financial assurance paper to the March IJB

4 ENGAGEMENT

- 4.1 The IJB's Audit and Risk Committee is held in public and the papers are openly available online.

5 POLICY IMPLICATIONS

- 5.1 There are no new policy implication for the IJB in this report.

6 INTEGRATED IMPACT ASSESSMENT

- 6.1 The subject of this report does not affect the wellbeing of the community or have a significant impact on equality, the environment or economy.

7 RESOURCE IMPLICATIONS

- 7.1 Financial – None
7.2 Personnel – None
7.3 Other – None

8 BACKGROUND PAPERS

- 8.1 Previous reports to the Committee and reports to the IJB's February 2018 meeting.

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DATE	27 February 2018

Appendices

1. Action plan for AGS – Annual Accounts 2016/17
2. Extract from independent auditors report on the 2016/17 annual accounts

Appendix 1 - Extract from the 2016/17 annual accounts – AGS action plan

Areas for Improvement identified in 2015/16	Action undertaken 2016/17
<p>Financial Assurance Finalisation of the 2016/17 financial assurance process including a formal offer of financial resources from NHS Lothian</p>	<p>At its March 2016 meeting the IJB accepted the East Lothian Council budgetary offer and an indicative offer from NHS Lothian. NHS Lothian's formal financial allocation offer for 2016/17 was received on 14 June 2016. The final financial assurance for 2016/17 was presented to the IJB at its August meeting. The IJB agreed to the proposed budget.</p>
<p>Three year financial plan The financial plan that underpins the IJB's Strategic Plan should cover a three year period.</p>	<p>Although NHS Lothian have only made an offer for one year, East Lothian Council have made a three year indicative position. The 2017/18 budget is also a one year settlement however this is now being addressed in 2017/18 as part of the future budget setting process.</p>
<p>Financial Risk Sharing Completion of a financial risk sharing agreement between the IJB and its partners.</p>	<p>The 2016/17 financial risk sharing was agreed. NHS Lothian agreed to cover the health elements of the IJB's budget and East Lothian Council made an additional £1.0m available to cover any overspends within the social care element of the IJB's budget.</p>

Areas for Improvement identified in 2015/16	Action undertaken 2016/17
<p>Support to the IJB from the partners Finalisation of the actions requiring to be undertaken by the partners to support the IJB as laid out in the IJB's integration scheme.</p>	<p>A range of matters have been progressed :-</p> <ul style="list-style-type: none"> • Additional staffing to support for the IJB's planning team • Support from NHS Lothian Internal Audit team to the IJB's CIA • Support for the delivery of performance and activity information from NHS Lothian • Support to prepare an IJB risk register • Redesign of the NHS Strategic Planning group and NHS Finance and performance group to reflect the responsibilities of the IJB • Agreement to an whole Lothian system Internal Audit report sharing mechanism – that is all four councils, NHS Lothian and all four IJBs • Representation of the IJB on NHS Lothian's clinical governance committee.
<p>Performance management Further development of the performance management framework for the IJB.</p>	<p>The IJB is continuing to work with its partners to agree and implement a system of performance management (including financial performance). Detailed reports were presented to the IJB at its meetings in August 2016 and February 2017. Further reports will be presented to the IJB in 2017/18.</p>
<p>Risk management Further developments in the risk management system for the IJB.</p>	<p>A draft proposal and risk register was submitted to the IJB's Audit and Risk Committee on 23 March 2016 with a further report along with an updated risk register which was presented to the Audit and Risk Committee on 21 June 2016. The risk register continues to be developed and has been presented to the Audit and Risk Committee at each of its meeting in 2016/17.</p>

Area for Improvement identified in 2016/17	Actions to be undertaken In 2017/18
<p>Use of the Social Care Fund A lack of a clear audit trail to monitor the actual social care fund (£4.37 million) expenditure incurred to date for certain categories of spends.</p>	<p>A range of reports regarding the SCF were made to the IJB in 2016/17 a final report will be made to the IJB meeting of June 2016. This report shows that the expenditure on the SCF was in line with the IJB's agreement with East Lothian Council.</p>
<p>Performance Management The need to ensure that the performance management framework is fully developed and clearly sets out how the IJB will measure performance against the Strategic Plan, identify areas where improvements are required and demonstrate to stakeholders the benefits that are being delivered.</p>	<p>This work continues supported by the IJB's partners and a reporting mechanism has been agreed with further development work in train. Reports were presented to the IJB at its meetings in August 2016 and February 2017.</p>
<p>Risk Register The risk register in place requires review to ensure that it includes all ongoing and emerging risks facing the IJB including these identified as part of the financial assurance process. The register should clearly set out the additional controls and measures to manage the risks identified and meet the desired risk targets.</p>	<p>The IJB's risk register was presented to the meeting of the IJB's Audit and Risk committee in 2016/17. It is being reviewed and updated and work is underway with both NHS Lothian and the other IJBs in the Lothians to ensure that there are all the risk are appropriately covered.</p>
<p>Participation, engagement and the workforce development plan Progress that requires to be made on Participation and Engagement and the Workforce Development and Support Plan, to ensure compliance with the Integration Scheme.</p>	<p>The IJB has continued to engage both its partners and, more importantly the public which its services. Regular updates and briefings are provided on the IJB's website and the IJB has undertaken a second 'big conversation' to engage with the public.</p>

Appendix 1

Action plan 2016/17

2016/17 recommendations for improvement



Para no.	Issue/risk	Recommendation	Agreed management action/timing
28	<p>1. Budget monitoring</p> <p>Quarterly budget monitoring reports were not produced during 2016/17 as per the Integration Scheme.</p> <p>Risk: The absence of adequate budget monitoring arrangements increases the risk that the IJB will fail to identify and remedy with its partners any projected overspends.</p>	<p>For 2017/18, the IJB needs to finalise its financial plan based on offers from the partners and ensure this is reported quarterly to Members.</p>	<p>The IJB is monitoring the 17/18 position closely and has reported the first quarter position and indicative out-turns to the IJB in August 2017. The financial position will be updated on a quarterly basis and the CO and CFO are progressing any required recovery plans with the partners.</p> <p>Action by the CO and the CFO. Quarterly reports.</p>

30	<p>2. Risk sharing framework</p> <p>There is no risk sharing framework in place between the IJB and its partners.</p> <p>NHS Lothian and East Lothian Council were required to provide additional funding in the year in order for the IJB to deliver a break even position.</p> <p>In 2017/18 and future years, in the absence of such funding agreements, the IJB may fail to achieve this break-even position.</p> <p>Risk: In the absence of this framework, and given the funding challenges going forward, there is a risk that lines of accountability for overspends are unclear and go unresolved.</p>	<p>The IJB should put in place a risk sharing framework with its partners to ensure that the lines of accountability regarding overspends are clearly set out.</p>	<p>As above, the IJB will follow the actions to manage overspends as laid out in the Integration Scheme. Having reported the potential for an overspend at to the IJB's August 2017 meeting, the CO and the CFO have requested recovery plans from the partners. The CFO will continue to report this position to the IJB .</p> <p>Action – CFO, updated quarterly.</p>
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48	<p>3. Financial Planning</p> <p>The IJB does not have a medium to long term financial plan in place. Despite the IJB being fully funded by partners</p>	<p>The IJB needs to develop medium to long term financial plans to assist in addressing upcoming and future budget challenges.</p>	<p>The IJB is working with its partners who will provide it with indicative three year allocations. Having considered the resources available to it</p>
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[Appendix 1 Action plan 2016/17 | 21](#)



Para no.	Issue/risk	Recommendation	Agreed management action/timing
	<p>who only receive annual funding allocations from the Scottish Government, this should not prevent the IJB from preparing medium to long term financial plans based on sensitivity analysis and scenario planning for possible budget changes.</p> <p>Risk: Issues relating to financial sustainability and planning in the medium to long term are not identified in a timely matter and this could prevent future delivery of key services.</p>		<p>the IJB will prepare a three year financial plan laying out how it will achieve its Strategic Plan. The partners are committed to supporting the IJB in these actions and the CFO and CO have been discussing and preparing these plans working with both the partners and the IJB's Strategic Planning Group.</p> <p>The proposal is to prepare an outline plan by January 2018.</p> <p>Action CFO</p>

54	4. Efficiency savings <p>For 2017/18 the IJB is required to deliver £3.3 million savings with £500,000 yet to be identified. Robust plans need to be in place as it is unlikely that further funds will be made available by partners to fund any further pressures.</p> <p>Risk: The IJB may not be able to deliver the targeted savings in 2017/18 and will not break-even.</p>	<p>The IJB needs to identify and agree the remaining 2017/18 savings required in order to break-even.</p>	<p>As above, the IJB has approached the partners regarding their efficiency and recovery plans and this will be reported as part of the quarterly financial reporting.</p> <p>Action CFO, updated quarterly.</p>
65	5. Risk management <p>The IJB has not developed its own risk management strategy, and has chosen to rely exclusively on the risk management strategy of its partners in developing its own risk register.</p> <p>Risk: The IJB is not in compliance with the requirements of the Integration Scheme with respect to risk management and could consequently be less effective in capturing and monitoring all of the relevant risks for the IJB.</p>	<p>The IJB should develop its own risk management strategy to ensure it is complying with the Integration Scheme. Further work is still to be done to refine the risk management and review processes within the IJB.</p>	<p>Agreed.</p> <p>This will be developed with the IJB's Audit and Risk committee.</p> <p>Action, CO and CFO, to be completed by the end of the financial year.</p>
73	6. Performance reporting <p>The annual performance report was not submitted in line with the Act during 2016/17.</p>	<p>The IJB needs to ensure that it produces an annual performance report in line with the requirements of the Act and that it is relevant to the</p>	<p>The Annual performance report was submitted to the IJB for approval at its August 2017 meeting. The report has now been published on the IJB's</p>



Para no.	Issue/risk	Recommendation	Agreed management action/timing
	<p>Risk: There is a risk that the failure to routinely monitor and report in-year performance could lead to the IJB failing to meet some or all of the metrics set out by the Act as well as failure to address issues as they become known.</p>	<p>IJBs operations and presented to members by 31 July each year.</p>	<p>website.</p>



REPORT TO: East Lothian IJB - Audit and Risk Committee
MEETING DATE: 6 March 2018
BY: Chief Finance Officer
SUBJECT: Reports from other bodies of interest to the IJB

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1 PURPOSE

- 1.1 This report brings to the Committee's attention a letter from the Scottish Government's Health and Sport Committee regarding financial reporting of the IJB's activities to the Scottish Government.

2 RECOMMENDATIONS

- 2.1 The Committee is asked to note this report.

3 BACKGROUND

- 3.1 The Scottish Government set up a Health and Sport Committee whose remit is to '*.... scrutinise the Scottish Government's policies and expenditure in relation to the following matters...*'. The matters include Health and Social Care Integration and a range of functions delegated to the IJB (including Primary Care, Mental Health etc).
- 3.2 The Health and Sport Committee has taken a considerable interest in the workings of the Integration Authorities and has recently written a letter (attached at appendix 1) to the Cabinet Secretary recommending that a range of financial information is requested from the Integration Authorities to be reported on a national basis.
- 3.3 There is a clear issue of differing regulations between the reporting requirements of Health Boards and Councils. Health Boards are required to report a range of financial (and other) information in year to the Scottish Government who request additional information as required. Councils do not report to the Scottish Government in year but there are a range of reports required at the year end.
- 3.4 The letter can be construed as requesting regular updates on the Integration Authorities in year financial position along with other, more specific information (Mental Health spend etc). This raises the issue of information being released to the Scottish Government in year which

may or may not have been formally report to the IJB depending on timescales.

- 3.5 A formal national network of IJB Chief Finance Officers has been established both to discuss a range of common issues and to ensure representation of the Integration Authorities on a national basis. This network is attended by representatives of the Scottish Government who have requested that a mechanism is put in place to present regular reports to the Scottish Government regarding the IJB's financial position in year.
- 3.6 Whilst this is generally supported, there remains the issue of releasing Council information which has not been reported to the Council and/or financial information regarding the IJB which may not yet have been reported to the IJB. Chief Finance Officers have agreed that only information placed in the public domain may be reported to the Scottish Government however this matter is not yet fully resolved.

4 **ENGAGEMENT**

- 4.1 The IJB's Audit and Risk Committee is held in public and the papers are openly available online.

5 **POLICY IMPLICATIONS**

- 5.1 There are no further policy implications arising from this paper.

6 **INTEGRATED IMPACT ASSESSMENT**

- 6.1 The subject of this report does not affect the wellbeing of the community or have a significant impact on equality, the environment or economy.

7 **RESOURCE IMPLICATIONS**

- 7.1 Financial – none
- 7.2 Personnel – none
- 7.3 Other – none

8 BACKGROUND PAPERS

8.1 None

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DATE	27 February 2018.

Appendix 1 – Letter to the Cabinet Secretary from the Health and Sports committee



The Scottish Parliament
Pàrlamaid na h-Alba

Cabinet Secretary for Health and
Sport

Issued via email

Health and Sport Committee
T3.60

The Scottish Parliament
Edinburgh
EH99 1SP

Tel: 0131 348 5224

Calls via RNID Typetalk: 18001 0131 348 5224

Email: healthandsport@parliament.scot

18 January 2018

Dear Shona

Thank you for your letter of 12 December 2017 to my predecessor detailing the Scottish Government's response to the Health and Sport Committee's report [*Looking ahead to the Scottish Government Health and Sport Draft Budget 2018-19: A call for greater transparency*](#) and the oral evidence you provided to the Committee at its meeting on [9 January 2018](#) on the Scottish Government's Draft Budget 2018-19.

We welcome your recognition of the concerns raised in our report regarding the need for greater transparency in the budget data currently provided. The evidence session was a useful and productive one for exploring your commitment to provide further information on future spending plans and the collation and publication of further budget data. This letter seeks further clarification from you regarding some of these commitments. This letter also sets out how we would wish this further data to be presented to best assist the Committee to perform its scrutiny function.

During the evidence session, a number of references were made to data that was being collected and that could be made available to the Committee to support better scrutiny. These included:

- A consolidated report on integration authority spending (from February 2018)
- Information on mental health spending
- Information on Alcohol and Drug Partnership budgets and spend
- Primary care budgets and spend, including monitoring of the commitment to increase funding for primary care to 11% of the frontline NHS budget
- Community care budgets and spend, including monitoring of the commitment to spend more than half of “frontline spending” on community health services by the end of the Parliament

The exact format, coverage, timing and frequency of reporting was not clear from the evidence session. In particular, it was unclear whether the reporting would relate specifically to integration authorities or whether it would – where appropriate – cover the wider health budget. The Committee would welcome clarity on these issues and welcomes the offer made during the evidence session for the Committee to provide comment and feedback on the proposed reporting framework. With regard to the headline commitments, clarification of definitions used would also be helpful.

Mental health remains a key area of interest for the Committee. We note the comments that the Scottish Government will be monitoring closely whether there is a real terms increase in mental health spend at a health board/integration authority level. We ask for the quarterly consolidated report to detail if this requirement is being met. We also request that this quarterly report contain an assessment of performance against the mental health waiting time target. (Col 22, 25-26). As discussed at the evidence session it would also be helpful to have a breakdown of the annual planned increase over the five year period in the mental health workforce to ensure the commitment to have 800 additional workers in mental health is delivered within this timeframe. (Col 26).

We believe there is merit in assessing the total spend on mental health, not only that allocated under the mental health budget. Conducting this type of analysis would provide a more comprehensive assessment of where money is being spent in mental health provision and assist in evaluating how this contributes to the desired outcomes for mental health. We therefore wish to accept the offer that has been made for the Scottish Government to commission this analysis of mental health spending. (Col 28)

The Committee discussed with you at the evidence session the lack of transparency on ADP funding and the difficulty this causes in scrutinising budgets in this priority area. We welcome the commitment you made at the meeting to publish further information on ADP budgets. We would like to request that the published information covers the total budgets of the ADPs, including income from all sources. It is our understanding that this information is already collected by the Scottish Government. (Col 28-29)

The development of a financial framework was referenced during the course of the evidence session. It was explained that in the medium term the Scottish Government

envisaged this would set out expenditure on and reform of health and social care and shifting the balance of care. We highlighted in our report the Budget Process Review Group recommendation that such plans should set out expectations and board financial plans/projections for at least five years ahead. Are you able to confirm the time frame the financial framework for health and social care will cover and when it will be published? (Col 13)

We welcome the comments made that a capital investment strategy is being developed along with a national infrastructure board aimed at prioritising investment at a national level. Are you able to provide further detail regarding when it is expected the board will be operational and when a capital investment strategy will be published? (Col 11)

There was also some discussion around NDP and PFI health projects. Christine McLaughlin noted that it would be helpful to look at the way in which NDP projects operate compared with earlier PFI deals and also commented that work earlier this year had involved review of the earlier PFIs. She also noted that this review work had generated “almost another £1 million just from looking at the annual contract values”. The Committee would welcome any further information that can be provided on this issue, which is of considerable interest to Committee members.

There were two further requests for further information made by Committee members during the evidence session. You offered to provide clarification on whether sportscotland’s funding allocation incorporated capital spend. You also discussed the resourcing and approach being taken to reduce reliance on nurse agency spending and it would be much appreciated if further detail could be provided on this issue in response to this letter.

As stated we welcome and support the steps being taken by the Scottish Government to increase and enhance the information provided on the health and sport budget. We believe this will greatly assist our future scrutiny of the Scottish Government’s budget.

Yours sincerely



Lewis Macdonald MSP
Convener of the Health and Sport Committee