



REPORT TO: East Lothian IIB Audit & Risk Committee

MEETING DATE: 3 June 2025

BY: Chief Internal Auditor

SUBJECT: ELIJB Annual Governance Statement

1 PURPOSE

- 1.1 To present the draft Annual Governance Statement 2024/25 for the East Lothian Integration Joint Board (IJB) which explains the MIJB's governance arrangements and system of internal control and reports on their effectiveness for the year ended 31 March 2025.

2 RECOMMENDATIONS

- 2.1 The Audit & Risk Committee members are asked to consider the ELIJB draft Annual Governance Statement 2024/25 (Appendix 1), which explains the ELIJB's governance arrangements and system of internal control and reports on their effectiveness for the year ended 31 March 2025, and provide any commentary and approve for inclusion in the draft Annual Accounts 2024/25.

3 BACKGROUND

- 3.1 The ELIJB is established as a separate legal entity as required by the Act, is responsible for the strategic planning of a wide range of integrated health and social care services across the East Lothian partnership area, based on resources which have been delegated to it by the partners, East Lothian Council and NHS Lothian.
- 3.2 Regulation 5(2) of the Local Authority Accounts (Scotland) Regulations 2014 requires an authority to conduct a review at least once in a year of the effectiveness of its system of internal control and include a statement reporting on the review with any published Statement of Accounts. Regulation 5(4) of the Local Authority Accounts (Scotland) Regulations 2014 require that for a local authority in Scotland the statement is an Annual Governance Statement.
- 3.3 The CIPFA Good Governance Framework states that Local authorities are required to prepare an annual governance statement in order to report publicly on the extent to which they comply with their own code of governance, which in turn is consistent with the good governance

principles in this Framework. This includes how they have monitored and evaluated the effectiveness of their governance arrangements in the year, and on any planned changes in the coming period.

- 3.4 The ELIJB Audit & Risk Committee remit includes a review the ELIJB's corporate governance arrangements against the good governance framework and consider annual governance reports and assurances. This paper and approval of the Annual Governance Statement (Appendix1) fulfils this part of the remit.

4 ENGAGEMENT

- 4.1 The findings from the review have been discussed with Management, are being presented to the Audit & Risk Committee members and will then be included in the draft annual accounts where they will be subject to wider engagement.

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 DIRECTIONS

- 7.1 The subject of this report does not require any amendment to or creation of Directions.

8 RESOURCE IMPLICATIONS

- 8.1 Financial – None
- 8.2 Personnel – None
- 8.3 Other – None

9 BACKGROUND PAPERS

- 9.1 None.

Appendix 1: Draft Annual Governance Statement ELIJB.

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DATE	26 May 2025

Appendix 1 Draft Annual Governance Statement

East Lothian IJB

Introduction

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

Scope of Responsibility

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

To meet this responsibility, the ELIJB has established arrangements for governance which includes a system of internal control. The system is intended to manage risk to support the achievement of the ELIJB's policies, aims and objectives. Reliance is also placed on NHS Lothian and East Lothian Council's (the partners) systems of internal control that support compliance with both organisations' policies and promotes achievement of each organisation's aims and objectives, as well as those of the ELIJB. The system can only provide reasonable and not absolute assurance of effectiveness.

The Governance Framework and Internal Control System

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

The ELIJB governance processes reflect the changing context of integration and are consistent with the 7 core principles and recommendations of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government' (2016) and the supporting guidance notes for Scottish authorities. The overall aim of the Framework is to ensure that: resources are directed in accordance with agreed policy and according to priorities; there is sound and inclusive decision making; and there is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities.

The main features of the governance framework and internal control system associated with the seven core principles of good governance defined for the ELIJB Local Code in existence during 2024/25 included:

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

The roles and responsibilities of Board members and statutory officers and the processes to govern the conduct of the Board's business are defined in the Scheme of Integration which was approved by the Board and NHS Lothian in June 2022 and by the Scottish Government in July 2023, which serves as the approved constitution, and Standing Orders, a revision of which was approved by the Board in March 2020, to make sure that public business is conducted with fairness and integrity.

The Ethical Standards in Public Life (Scotland) Act 2000 provides for Codes of Conduct for local authority councillors and members of relevant public bodies. As a Public Body listed in schedule 3 of the Act, the ELIJB is required to produce and for members to adhere to a Code of Conduct, which was adopted by the Board in June 2022 reminders have been provided to the IJB in October 2023 and 2024 and all members have signed the Code of Conduct.

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

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

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

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

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

B. Ensuring openness and comprehensive stakeholder engagement

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

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

Community engagement was encouraged as part of the development of the Scheme of Integration and the Strategic Plans of the Health and Social Care Integration Joint Board were developed following consultations with interested parties including members of the public. The Board approved the ELIJB Participation and Engagement Strategy 2023-25 in May 2023.

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

The vision, strategic objectives and outcomes are reflected in the East Lothian Integration Joint Board Strategic Plan 2022-25 which was approved in September 2022 and has been updated to reflect on-going assessment of need and priorities following public consultation. The new IJB strategic plan is being developed over 2025 with a final version to be agreed in January 2026 taking into account the revised financial and risk context. The plan will be reviewed after 3 years to ensure relevance and if significant change is required as result of financial environment.

Implementation is underpinned by the core and specific directions approved by the ELIJB Board in June 2024 and the ELIJB Strategic Plan – Annual Delivery Plan for 2024-25 also approved by the ELIJB Board in June 2024.

ELIJB Formally adopted the CIPFA FM Code at its meeting in December 2022. Regular review of the financial plans has been ongoing with the review at the ELIJB in April 2024 with the approval of the Revised Five Year financial plan 2024/25.

A Further Revision of the IJB's Five Year Financial Plan was approved by the Board in October 2024. In October 2024 an unusual decision to expend during the financial year the IJB's remaining c. £3.1 million general reserve to support the projected overspends in the IJB's Health budget was approved by a majority vote of the Board. A review of the reserves policy of the IJB is now scheduled for the 2025/26 financial year.

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

In determining how services and other courses of action should be planned and delivered, the ELIJB has a statutory responsibility to involve patients and members of the public. The Board approved the ELIJB Participation and Engagement Strategy 2023-25 in May 2023.

The ELIJB Strategic Plan is based on consultation throughout its review and the approach to developing the 2025-2030 strategic plan was agreed by the ELIJB in February 2025.

The ELIJB has issued Directions to the partners for service delivery in June 2024.

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

The ELIJB Chief Officer is responsible and accountable to the Board for all aspects of management including promoting sound governance and providing quality information/support to inform decision-making and scrutiny.

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

Members of the ELIJB Board are provided with the opportunity to attend Development Sessions relevant to their role.

A 3 year Workforce Plan 2022-25 was created, approved and published in February 2023 to help ensure it has the right people, with the right skills, in the right place, at the right time to support the delivery of its strategic objectives and priorities. A Strategic Workforce Plan 2025-28 has been drafted and is being reviewed through IJB Governance Processes.

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

The ELIJB Chief Officer has overall responsibility for directing and controlling the partnership to deliver health and social care services. The ELIJB Board is responsible for key decision-making.

The ELIJB has approved a Risk Strategy and Risk Policy through the Audit & Risk Committee in December 2022 and risk reporting continues to each Audit & Risk Committee. However IJB standing orders require the Risk Management Policy and the risk appetite and

tolerance levels will be approved and defined by the ELIJB Board which will be completed in 2025.

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

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

The ELIJB also relies upon the partners for:

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

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

The Shared Chief Internal Auditor of East Lothian Council is the ELIJB's Chief Internal Auditor whose role is to provide an independent and objective annual opinion on the effectiveness of the ELIJB's internal controls, risk management and governance. This is carried out in conformance with the Public Sector Internal Audit Standards for the 2024-25 financial year and will be in conformance with Global Internal Audit Standards as amended for the UK Public Sector.

The ELIJB responds to the findings and recommendations of Internal Audit, External Audit, Scrutiny and Inspection bodies. The ELIJB Audit and Risk Committee is integral to overseeing assurance and monitoring improvements in internal controls, risk management and governance.

An Annual Performance Report for 2024/25 is being prepared to outline progress against strategic objectives over the year. The last Annual Performance Report for 2023/24 was approved by the Board in June 2024.

The Annual Accounts and Report for 2024/25 will set out the financial position in accordance with relevant accounting regulations and is being prepared for submission in draft to the June 2024 Board meeting.

Review of Adequacy and Effectiveness

The ELIJB is required to conduct an annual review of the effectiveness of its governance framework.

The review was informed by: an annual self-assessment carried out by Internal Audit against the ELIJB's Local Code of Corporate Governance; Internal Audit reports for the ELIJB; External Audit reports for the ELIJB; relevant reports by other external scrutiny bodies and inspection agencies; and relevant partners' (NHS Lothian and East Lothian Council) Internal Audit and External Audit reports.

In respect of the three improvement areas of governance identified by the ELIJB in 2024/25, there have been developments during the year in all three of these. Specifically, Structure and Governance Review of Change Boards was implemented through the strategic planning group in January 2025. The HSCP Performance Framework was approved by the IJB Board who are monitoring the implementation of the framework through the performance reports submitted to the Board. The IJB approved a revised Model publication scheme in June 2024 and published the scheme online in July 2024. Significant work has been ongoing during 2024/25 and continues on the IJB Five Year Financial Plan with regular reporting to the IJB Board. A new full time Chief Finance Officer was approved in December 2024 and appointed in January 2024 to support this process and the delivery of efficiencies across work programmes.

Improvement Areas of Governance

The review activity outlined above has identified the following areas where further improvement in governance arrangements can be made to enhance compliance with the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government' (2016):

- The Internal Audit Report on Recovery Plan Monitoring highlighted that whilst the IJB approved recovery plans and Board members had access to information on the progression of these plans through Development Sessions no formal reporting framework on the delivery of the recovery plans was in place. Some reporting of the delivered savings has been completed within quarterly finance reports during the 2024/25 financial year reporting and this will continue to be enhanced during 2025/26.
- The East Lothian IJB has never formally approved a Local Code of Governance in line with the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government' (2016). As further guidance has recently been published by CIPFA in May 2025 a review of the Local Code of Governance will be completed and presented to the IJB in 2025 for approval.
- The East Lothian IJB Audit & Risk Committee approved a Risk Strategy and Policy following a review in December 2022, however the ELIJB Standing orders require the ELIJB Board to approve the Risk Management Policy and define the risk appetite and associated risk tolerance levels, a formal review is being undertaken and a revised Policy will be submitted for formal approval to the Board in 2025.
- The Revised IJB Five year financial Plan 2025/26 to 2029/30 as presented to the March 2025 ELIJB Board indicates total financial pressures of £30.3m over the plan period. The paper highlighted that recent IJB development sessions have focussed on the need for continued efficiency programmes delivering a combination of Grip and Control and Transformational change schemes which result in recurring savings. The 2025/26 budget requires £4.17 million delivered efficiencies to provide a breakeven position and continued focus on delivering efficiencies both in year and in future years will be required to provide a sustainable financial position for East Lothian IJB.
- Following the unusual decision in the middle of the financial year for East Lothian IJB Board to expend the remaining General Reserve of £3.1 million in support of the Health budgets ELIJB has no General reserves. A review of the ELIJB reserve policy will be completed during the 2025/26 financial year.

The implementation of these actions to enhance the governance arrangements in 2025/26 will be driven and monitored by the ELIJB Chief Officer in order to inform the next annual review. Internal Audit work planned in 2025/26 is designed to test improvements and compliance in governance.

Conclusion and Opinion on Assurance

It is our opinion that reasonable assurance can be placed upon the adequacy and effectiveness of the EIJB's governance arrangements and system of internal control, while recognising that further improvements are required to fully demonstrate compliance with the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government' (2016) in order for the EIJB to fully meet its principal objectives. Systems are in place to regularly review and improve governance arrangements and the system of internal control.

Andrew Cogan
Chair

Fiona Wilson
Chief Officer