



**Scott-Moncrieff**  
business advisers and accountants

# **Edinburgh Integration Joint Board**

2017-18 Annual Audit Report to the Board  
and the Accounts Commission for Scotland

**October 2018**

# Contents

- Key messages..... 1**
- Introduction..... 3**
- Annual report and accounts ..... 6**
- Financial sustainability ..... 11**
- Financial management ..... 16**
- Governance and transparency ..... 20**
- Value for money..... 26**
- Appendix 1: Respective responsibilities of the Board and the Auditor..... 30**
- Appendix 2: Action plan..... 32**
- Appendix 3: Follow up on prior year action plan..... 35**

# Key messages

## Annual accounts

The annual accounts for the year ended 31 March 2018 were approved by the Board on 28 September 2018. The required signatures for the financial statements were not completed in full until 2 October 2018 which meant that the annual accounts were not submitted to Audit Scotland within the deadline.

We have reported within our independent auditor's report an unqualified opinion on the annual accounts and on other prescribed matters. The annual accounts and supporting schedules were of a good standard. Our thanks go to staff at the IJB and City of Edinburgh Council for their assistance with our work.

## Wider scope audit

### Financial Sustainability

The IJB faces a number of significant challenges relating to the current levels of performance, and associated capacity issues, the rate that the population in Edinburgh is rising, particularly among elderly groups, and a requirement to deliver transformational change within existing resources.

The IJB has considered a high level financial outlook for the next 5 years, which signals that there will be a financial gap of almost £117 million without substantial changes being made to the way that services are delivered.

### Financial management

The IJB was able to report a surplus within its annual accounts, but again relied on additional contributions from the City of Edinburgh Council and NHS Lothian to reflect areas of significant overspend.

We have noted improvements in the budgeting process, including joint work with NHS Lothian to produce an improved financial model.

The IJB was unable to make any significant contribution to savings targets during 2017-18, but steps have been taken to improve the monitoring of savings, including the establishment of a Partnership Savings Governance Board.

### Governance & transparency

The Board has experienced significant changes in membership during the period of the Strategic Plan, which may undermine the pace of change.

The Board has identified areas for improvement in its governance arrangements, including a number of areas of significant control weakness within operational areas highlighted by the internal auditors. These must be addressed urgently.

We consider that the reporting of progress against improvement plans has lacked clarity and focus.

### Value for money

Performance continues to be poor in relation to a number of key targets despite a range of interventions.

The IJB must work with its partners to develop the leadership and financial capacity required to support and deliver a realistic and focused improvement programme.

## Conclusion

This report concludes our audit for 2017-18. Our work has been performed in accordance with the Audit Scotland Code of Audit Practice, International Standards on Auditing (UK) and Ethical Standards.

**Scott-Moncrieff**  
**September 2018**

# 1

## Introduction

This report is presented to those charged with governance and the Auditor General for Scotland and concludes our audit of Edinburgh IJB for 2017/18.

We carry out our audit in accordance with Audit Scotland's Code of Audit Practice (May 2016). This report also fulfils the requirements of International Standards on Auditing (UK) 260: Communication with those charged with governance.

At Edinburgh IJB, we have designated the Audit and Risk Committee as "those charged with governance".

# Introduction

1. Audit Scotland appointed Scott-Moncrieff as auditor to Edinburgh Integration Joint Board (“IJB” / “the Board”) for the five year period 2016-17 to 2020-21.
2. The scope of the audit was set out in our External Audit Annual Plan, which was presented to the Audit and Risk Committee in April 2018. The core elements of our work include:
  - an audit of the 2017-18 financial statements and related matters;
  - consideration of the wider dimensions of public audit work, as set out in Exhibit 1; and
  - any other work requested by Audit Scotland (including input into the performance audit on health and social care integration to be reported in autumn 2018).

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## Exhibit 1: Audit Dimensions within the Code of Audit Practice



Source: Audit Scotland Code of Audit Practice, May 2016

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3. The IJB is responsible for preparing an annual report and accounts which show a true and fair view and for implementing appropriate internal control systems. The weaknesses or risks identified in this report are only those that have come to our attention during our normal audit work, and may not be all that exist. Communication in this report of matters arising from the audit of the annual report and accounts or of risks or weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.
4. This report contains an action plan with specific recommendations, responsible officers and dates for implementation. Senior management should assess these recommendations and consider their wider implications before deciding appropriate actions. Each recommendation has been given a grading to help the Board assess its significance and prioritise the actions required.
5. We discussed and agreed the content of this report with the Chief Officer and Chief Finance Officer. We would like to thank all members of the Board's management and staff who have been involved in our work for their co-operation and assistance during our audit work.

### Confirmation of independence

6. International Standards on Auditing in the UK (ISAs (UK)) require us to communicate on a timely basis all facts and matters that may have a bearing on our independence.
7. We confirm that we have complied with Financial Reporting Council's (FRC) Revised Ethical Standard (June 2016). In our professional judgement, the audit process is independent and our objectivity has not been compromised in any way. In particular, there have been no relationships between Scott-Moncrieff and the Board or senior management that may reasonably be thought to bear on our objectivity and independence.

## Feedback

8. We aim is to add value to the IJB through our external audit work by being constructive and

forward looking, by identifying areas of improvement and by recommending and encouraging good practice. In this way, we aim to help the Board promote improved standards of governance, better management and decision making and more effective use of resources.

9. Any comments you may have on the service we provide, the quality of our work and our reports would be greatly appreciated at any time. Comments can be reported directly to the audit team or through our online survey: [www.surveymonkey.co.uk/r/S2SPZBX](http://www.surveymonkey.co.uk/r/S2SPZBX)
10. While this report is addressed to the Board, it will be published on Audit Scotland's website [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk)

# 2

## Annual report and accounts

The IJB's annual report and accounts is the principal means of accounting for the stewardship of its resources and its performance in the use of those resources.

In this section we summarise the findings from our audit of the 2017/18 annual accounts.

# Annual report and accounts

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The annual report and accounts for the year ended 31 March 2018 were approved by the Joint Board on 28 September 2018. The required signatures for the financial statements were not completed in full until 2 October 2018 which meant that the annual accounts were not submitted to Audit Scotland within the deadline.

We have reported unqualified opinions within our independent auditor's report.

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## Overall conclusion

### An unqualified audit opinion on the annual accounts

11. The annual report and accounts for the year ended 31 March 2018 were considered and approved by the Audit and Risk Committee on 7 September 2018 and thereafter by the Board on 28 September 2018. We have reported within our independent auditor's report:

- an unqualified opinion on the financial statements; and
- an unqualified opinion on other prescribed matters.

12. We are also satisfied that there are no matters which we are required to report to you by exception.

### Good administrative processes were in place

13. We received unaudited annual accounts and supporting papers for the annual accounts in line with our agreed audit timetable. Our thanks go to the Chief Finance Officer and the Finance team at City of Edinburgh Council for their assistance.

14. The annual report and accounts will be submitted to Audit Scotland and the Accounts Commission before the 30 September deadline.

## Our assessment of risks of material misstatement

15. The assessed risks of material misstatement described in Exhibit 2 are those that had the greatest effect on our annual accounts audit strategy, the allocation of resources in the audit and directing the efforts of the audit team. Our audit procedures relating to these matters were designed in the context of our audit of the annual accounts as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the annual accounts is not modified with respect to any of the risks described in Exhibit 2.

16. We outline three significant risks in Exhibit 2. A further four significant risks were identified within our audit plan relating to wider scope risks.



## Exhibit 2: Our assessment of risks of material misstatement and how the scope of our audit responded to those risks

### 1. Management override

In any organisation, there exists a risk that management have the ability to process transactions or make adjustments to the financial records outside the normal financial control processes. Such issues could lead to a material misstatement in the annual accounts. This is treated as a presumed risk area in accordance with ISA 240.

*Excerpt from the 2017-18 External Audit Plan*

7. We have not identified any indications of management override in the year. We have reviewed the Board's accounting records and obtained evidence to ensure that all significant transactions were valid and accounted for correctly. We have also reviewed management estimates and the journal entries processed in the period and around the year end and did not identify any areas of bias in key judgements made by management and that judgements were consistent with prior years.

### 2. Revenue recognition

Under ISA 240 - The auditor's responsibilities relating to fraud in an audit of financial statements, there is a presumed risk of fraud in relation to revenue recognition. The presumption is that the IJB could adopt accounting policies or recognise income in such a way as to lead to a material misstatement in the reported financial position.

*Excerpt from the 2017-18 External Audit Plan*

18. We evaluated each type of revenue transaction and reviewed the controls in place over revenue accounting, including the financial assurance and due diligence processes undertaken by the Chief Finance Officer. We are satisfied that all income recognised in the Board's annual accounts relate to agreed contributions from the City of Edinburgh Council and NHS Lothian. We have gained reasonable assurance on the completeness and occurrence of income and we are satisfied that income is fairly stated in the financial statements.

### 3. Risk of fraud in the recognition of expenditure

The FRC published a revised Practice Note 10, which applies to the audit of financial statements of public sector bodies in the UK, for periods commencing after June 2016. The Practice Note recognises that most public sector bodies are net spending bodies and notes that there is an increased risk of material misstatement due to improper recognition of expenditure. In line with the practice note, our presumption is that the Board could adopt accounting policies or recognise expenditure in a way that materially misstates the Board's financial performance.

*Excerpt from the 2017-18 External Audit Plan*

19. In accordance with our audit plan, we identified the significant expenditure streams and reviewed the controls in place over accounting for expenditure. We have gained reasonable assurance on the completeness and occurrence of expenditure and are satisfied that expenditure is fairly stated in the financial statements. To inform our conclusion we carried out testing to confirm that the Board's policy for recognising expenditure is appropriate and has been applied consistently throughout the year. As a result of the testing, we concluded that expenditure was appropriate and was not materially misstated.

## Our application of materiality

20. The assessment of what is material is a matter of professional judgement and involves considering both the amount and the nature of the item. This means that different materiality levels will be applied to different elements of the annual accounts.
21. Our initial assessment of materiality for the annual report and accounts was £10 million. On receipt of the 2017-18 draft accounts, we reassessed materiality and increased this threshold to £11 million. Our assessment equates to approximately 1.6% of the IJB's 2017/18 gross expenditure. We consider this to be the principal consideration for the users of the accounts when assessing the financial performance of the IJB.

### Performance materiality

22. Performance materiality is the amount set by the auditor at less than overall materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of the uncorrected and undetected misstatements exceed materiality for the financial statements as a whole.
23. We set a performance (testing) materiality for each area of work which was based on a risk assessment for the area. We perform audit procedures on all transactions and balances that exceed our performance materiality. This means that we perform a greater level of testing on the areas deemed to be of significant risk of material misstatement. Performance testing thresholds used are as set out below:

Area risk assessment	Weighting	Performance materiality
High	40%	£4.95million
Medium	55%	£6.05million
Low	75%	£7.70million

24. We agreed to report on all material misstatements and uncorrected misstatements with a value in excess of £200,000, as well as other misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.

## Audit differences

25. We are pleased to report that there were no material adjustments to the unaudited annual accounts. We identified some disclosure and presentational adjustments during our audit, which have been reflected in the final set of annual accounts.

## Qualitative aspects of accounting practices and financial reporting

26. During the course of our audit, we consider the qualitative aspects of the financial reporting process, including items that have a significant impact on the relevance, reliability, comparability, understandability and materiality of the information provided by the annual accounts. The following observations have been made:

Qualitative aspect considered	Audit conclusion
The appropriateness of the accounting policies used.	The accounting policies, which are disclosed in the annual accounts, are considered appropriate to the IJB.
The timing of the transactions and the period in which they are recorded.	We did not identify any concerns over the timing of transactions or the period in which they were recognised.
The appropriateness of the accounting estimates and judgements used.	We are satisfied with the appropriateness of the accounting estimates and judgements used in the preparation of the annual accounts.
The appropriateness of the going concern assumption	We have not identified any uncertainties, including any significant risk or required disclosures, which should be included within the financial statements.
The potential effect on the annual accounts of any uncertainties, including significant risks and related disclosures that are required.	We have not identified any uncertainties, significant risk or required disclosures, which should be included in the financial statements.
The extent to which the annual accounts have been affected by unusual transactions during the period and the extent that these transactions are separately disclosed.	From the testing performed, we identified no significant, unusual transactions in the period.
Apparent misstatements in the annual report or material inconsistencies with the accounts.	The management commentary contains no material misstatements or inconsistencies with the financial statements.
Any significant annual accounts disclosures to bring to your attention.	There are no significant annual accounts disclosures that we consider should be brought to your attention. All the disclosures required by relevant legislation and applicable accounting standards have been made appropriately.
Disagreement over any accounting treatment or annual accounts disclosure.	There was no material disagreement during the course of the audit over any accounting treatment or disclosure.
Difficulties encountered in the audit.	No significant difficulties were encountered during the financial accounts audit.

3

# Financial sustainability

Financial sustainability looks forward to the medium and longer term to consider whether the IJB is planning effectively to ensure they can deliver services in the way envisioned in the Strategic Plan.

# Financial sustainability



The IJB faces significant financial pressures, both immediately and over the medium to longer term. Recurring financial balance will not be achieved without the delivery of sustainable, transformational change. The ability to deliver significant change of this scale within available resources will be a key challenge for the Board.

The Board has considered high level financial projections for the next five year period which set out an expected gap of £116 million by 2022-23. There is now an urgent need to work with partners to develop a strategic approach to financial planning.

## Introduction

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

## Significant audit risk

28. Our audit plan identified a significant risk in relation to financial sustainability under our wider scope responsibilities:

### Financial sustainability

The IJB has been able to demonstrate arrangements for short term financial planning. However, it has not yet fully developed medium or long-term financial plans. The IJB recognises that it faces significant challenges over the medium term (5 years) due to increasing demand for services and a climate of constrained financial resources and it has begun to develop a strategic approach to financial planning for the next 3-5 years. At this stage, estimates made based on existing service provision, projected increases in costs and the available information on income indicates deficits in each of the 5 years (from £32.541m in 2018/19 to £116.544m in 2022/23).

Without a medium term financial plan in place, the IJB cannot demonstrate how it will deliver the key priorities identified in their strategic plan within the financial resources that will be available.

*Excerpt from the 2017-18 External Audit Plan*

29. We have reviewed the financial monitoring and reporting papers, including financial assurance and due diligence reports, presented to the IJB alongside assurance and supporting documentation provided by the City of Edinburgh Council and NHS Lothian. We note that while the IJB has a high level financial outlook which sets out the scale of the challenge, the Board has not yet developed a medium or long-term financial plan or strategy. The Board needs leadership and financial support from partner bodies to be able to change the way services are delivered and achieve the savings required. Financial sustainability will therefore continue to be considered a significant risk in our 2018-19 audit plan.

*Action Plan Point 1*

## Strategic Planning

30. The Board published its Strategic Plan for Health and Social Care in Edinburgh 2016-19 (the strategic plan) in March 2016. The Plan sets out how the IJB intends to develop and charge the services that it controls, using the resources available.
31. The Strategic Plan identifies 6 key priorities:
- Tackling inequalities,
  - Managing resources effectively,
  - Making the best use of capacity,
  - Right care, right place, right time,
  - Person centred care; and
  - Prevention and early intervention.
32. Progress against the Strategic Plan has been more difficult to achieve than envisaged in 2016. The scale of the challenge in Edinburgh is exacerbated by demand pressures including:
- An elderly population that is rising quickly. Population projections envisage a 28% growth in those aged 85+ between 2012 and 2022, a group that makes more intensive use of care services. The number of people aged 85+ is projected to more than double in Edinburgh by 2037;
  - Significant underlying weaknesses identified within the Care Inspectorate/Health Improvement Scotland joint inspection of services for older people in Edinburgh
  - Levels of delayed discharges that are regularly the highest in Scotland.
33. The Board has now begun developing a Strategic Plan for 2019 and beyond. The updated Strategic Plan will build on a plan for “Immediate Pressures and Longer Term Sustainability” that the Board agreed in May 2018. The Plan recognises the scale of the challenges facing the Board and its partners in delivering change and outlines short term and longer term actions to alleviate pressures on services and budgets. Short term actions are underway and planned to be completed in 2018-19. These include:

- The establishment of a temporary funded project team to clear the waiting list for assessments (which had exceeded 2,000 individuals).
- A project to redesign the assessment process. The new assessment will be closely aligned to the redesigned carers’ assessment, which has been co-produced with carers, in readiness for the introduction on 1 April 2018 of the new carers’ legislation.
- Purchase of additional care home beds has been under negotiation between the Partnership and the independent sector since the proposal was approved by the IJB in December 2017. Additional bed capacity began in April 2018. In addition to relieving some delayed discharge pressure, it is anticipated that this will also allow for consideration of the shape and type of residential, respite, nursing and intermediate care beds required in the longer-term.

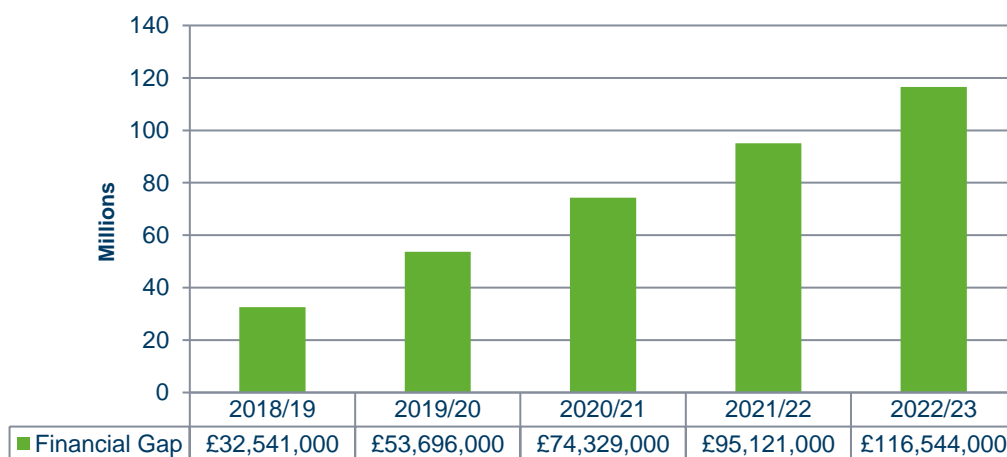
## Financial Strategy

### The development of a strategic approach to achieving financial sustainability is progressing

34. The current Strategic Plan recognises that the financial pressures faced by the Board and its partners make the current approach to health and social care unsustainable. Under the Plan, the Board committed to work with the City of Edinburgh Council and NHS Lothian to develop sustainable plans to achieve financial balance, including delivery of savings plans.
35. In December 2017, the Chief Finance Officer presented a high level overview of financial projections for the next 5 years. As Exhibit 3 highlights, the projections outline a significant financial challenge for the Board, with the financial gap approaching £117m by 2022-23.
36. The development of the Scottish Government’s national Medium Term Financial Framework for Health and Social Care has been delayed as a result of changes in planning assumptions, such as the Barnett consequential of additional spending on health services in England, and increased pay awards.

37. The IJB is working with NHS Lothian and the City of Edinburgh Council to further refine the financial framework to allow greater understanding of costs and the monitoring of savings.

**Exhibit 3: The projected financial gap based on the current model of health and social care in Edinburgh is expected to reach £117 million by 2022-23**



Source: Financial Performance and Outlook paper to the IJB, December 2017

38. A medium term financial plan is essential to support the delivery of a new Strategic Plan for 2019-22. In November 2017, the senior management team of the Edinburgh Health and Social Care Partnership presented a Statement of Intent to the Integration Board which gave commitments regarding actions to be taken in seven key areas (Exhibit 4).

39. Alongside the development of a financial framework, commissioning strategies will be one of the key approaches to underpin wider transformational change, and therefore financial sustainability.

40. The Board used a development session on 27 April 2018 to considered Outline Strategic Commissioning Plans for the five areas outlined below:

- Physical Disability
- Primary Care
- Mental Health,
- Older People, and
- Learning Disabilities

#### Exhibit 4: Statement of Intent Commitments

1. Doing the basics well (including clarifying roles, responsibilities and accountability throughout the Partnership)
2. Developing a performance framework against which the Partnership will prioritise and then manage its operations
3. Establishing a financial framework linked to the performance framework, which will articulate how the Partnership aims to deliver financial balance
4. Ensuring optimum quality
5. Developing strategies, with identifiable, manageable actions that reflect both the EIJB's aspirations and the environment in which it operates.
6. Clarifying and simplifying governance arrangements
7. Improving relationships between the Partnership and the City of Edinburgh Council, NHS Lothian, and the third and independent sectors

41. The Outline Strategic Commissioning Plans are subject to review and approval at the Board's Strategic Planning Group, before being approved by the IJB. The plans to date have included outline financial information and there is a commitment to linking the Commissioning Plans to a financial framework before they are submitted for approval by December 2018.

#### **Workforce plans are under development**

42. We highlighted within our annual report for 2016-17 that the integration scheme requires the development of a workforce plan to demonstrate that a strategic approach is in place to manage the risks that the IJB faces in relation to workforce supply and demand challenges.

43. The IJB issued Direction 19 to the City of Edinburgh Council and NHS Lothian, which required the partnership to produce and implement a workforce development strategy that supports the delivery of the strategic plan, taking account of the National Health and Social Care workplan.

44. The national Health and Social Care Workforce Plan is being developed by the Scottish Government and a single, integrated national workforce plan is due to be published later in 2018. During 2017-18, three stages have been published:

- Part I – NHS Workforce
- Part II – Social Care Workforce
- Part III – Primary Care Workforce.

45. The IJB does not yet have a workforce strategy in place, but a Workforce Strategy Group has been established to developing the strategy across the partnership. The Group is chaired by the Chief Nurse and includes representation from finance. The IJB will require further support from partners to understand the potential impact of future pressures, such as the UK withdrawal from the EU, on the health and social care workforce.

*[Refer to Appendix 3](#)*



# 4

# Financial management

Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.

# Financial management



The IJB was able to breakeven in 2017-18, but relied on non-recurrent funding from partners to address continuing areas of overspend.

Governance arrangements to identify and monitor savings have improved but the IJB has not yet delivered any significant savings to date.

## Introduction

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

## Significant audit risk

47. Our audit plan identified a significant risk in relation to financial management under our wider scope responsibilities:

### Projected in-year deficit

Delegated services reported an overspend of £4.0m for the first 7 months of 2017/18, which was projected to rise to £7.1m by the end of the financial year without any further action. At the planning stage of our audit ongoing actions were being progressed to reduce the predicted in-year deficit to achieve a year-end balanced position. However, at December 2017 only limited assurance could be given of the achievement of break even.

There is a risk that the IJB will not achieve the planned outturn position which could have a detrimental impact on short and medium term plans for the delivery of directed services. There is also the potential for underperformance to have a wider impact on, or be reflective of underlying challenges to, longer term financial sustainability.

48. As we describe below, the IJB was able to report an in year surplus within the annual accounts for 2017-18 as a result of additional contributions from partners. During our audit we considered the approach the IJB has taken to financial reporting in 2017/18 and we were satisfied that the partnership approach taken to financial management across the IJB, the City of Edinburgh Council and NHS Lothian meant that overspends incurred were met by the relevant individual partner.

## Financial performance in 2017-18

### The IJB reported a surplus for the year as a result of additional contributions from partners

49. The IJB spent almost £705 million delivering health and social care services to people in Edinburgh in 2017-18. The Board achieved a surplus in 2017-18 of £4.7 million (2016-17: surplus of £3.69 million). As a result, the IJB now has reserves totalling £8.4 million.
50. However, as Exhibit 4 highlights, the surplus was achieved as a result of additional

contributions from the Board's partners to meet significant continuing overspends including:

- A Care at Home overspend of £7 million
- GP prescribing overspend of £2.1million
- An overspend of £2.4 million on NHS Lothian's set aside budgets, including Junior Doctors.

51. As a result, one off contributions were agreed for 2017-18 from the City of Edinburgh Council,

totalling £7.5 million, and NHS Lothian providing an additional £4.9 million.

Financial Performance	Budget £000	Actual £000	Variance £000
Health services	506.455	511.336	(4.881)
Council services	185.809	193.273	(7.464)
<b>Gross position</b>	<b>692.264</b>	<b>704.609</b>	<b>(12.345)</b>
Non recurring health contributions	-	(4.881)	4.881
Non recurring council contributions	-	(7.464)	7.464
<b>Reported outturn</b>	<b>692.264</b>	<b>692.264</b>	<b>-</b>

**Exhibit 4: Overspends against budget for both health and council services were met by non-recurring contributions from partners in 2017-18**

## Delivering financial balance

52. The 2017-18 budget was set by the Board in March 2017. In common with other IJBs, the financial planning cycles of the partner bodies have not historically aligned. In practice, this meant that the budget had to be set based on indicative proposals from NHS Lothian.

53. A financial assurance process and due diligence exercise was conducted to ensure that the allocations proposed by the City of Edinburgh Council and NHS Lothian were adequate and fair for the IJB. The financial assurance process identified a savings gap of £20.5 million in 2017-18. While changes to funding meant that the IJB received more income than planned at that time, the IJB acknowledge that very little savings were achieved during 2017-18. In addition, the financial framework used by NHS Lothian has meant that historically it has been difficult to track savings that relate to hosted and set aside services.

54. For 2018-19, there are a number of improvements in place. The Chief Financial Officer has established a Savings Governance Board to provide additional rigour and visibility of savings throughout the partnership.

55. The Chief Finance Officer has also worked closely with NHS Lothian colleagues to support work on a new financial model. The work aims to map each area of expenditure across the health board from budget to actual to ensure that budgets are fair and that the cost to the IJB is closely aligned to actual spend.

56. During the financial planning process for 2018-19, the partners recognised that the scale of the challenge could not be tackled within existing resources. The City of Edinburgh Council and NHS Lothian have agreed, in principle, to contribute an additional £4 million each to help address some of the capacity issues facing the IJB.

## Financial reporting

57. The City of Edinburgh Council and NHS Lothian are responsible for the operational management of their allocated budgets, in line with the integration scheme. We are satisfied that both partners provide information to enable the IJB to prepare a financial update report that is presented to the full IJB Board at each meeting.

- 58.** Financial reports present an overview of the financial position and the projected year end position. Where delegated services are presenting an overspend, further detail is provided on the underlying reasons and the actions being taken within each partner organisation.
- 59.** In addition, the IJB are asked to approve in-year mitigating actions required to deliver a breakeven position. We are satisfied that financial reports provided sufficient information to enable to IJB to effectively manage financial position.

### Internal controls

- 60.** We sought and obtained assurances from the external auditor of the City of Edinburgh Council and NHS Lothian regarding the systems of internal control used to produce the transactions and balances recorded in the IJB's annual accounts.
- 61.** We reviewed the approved standing financial instructions and standing orders and consider them adequate for the IJB's purposes.

- 62.** The IJB has adequate systems in place to record, process, summarise and report financial and other relevant data. We have not identified any material weaknesses in the accounting and internal control systems during our audit, although we are aware of weaknesses identified by internal audit.
- 63.** The IJB does not hold assets, directly incur expenditure or legally employ staff. All financial transactions of the IJB are processed through the financial systems of the council and health board. All transactions are subject to the controls and scrutiny of the respective partners, including the work performed by internal audit.

### Fraud and irregularity

- 64.** The IJB does not directly employ staff and so places reliance on the arrangements in place within the City of Edinburgh Council and NHS Lothian for the prevention and detection of fraud and irregularities. Arrangements are in place to ensure that suspected or alleged frauds or irregularities are investigated by the partner bodies. Overall, we found the arrangements to be sufficient and appropriate.

5

# Governance and transparency

Governance and transparency is concerned with the adequacy of governance arrangements, leadership and decision making, and transparent reporting of financial and performance information.

# Governance and transparency



The Board has experienced significant changes in membership during the period of the Strategic Plan, which may undermine the pace of change necessary.

The Board has reviewed the governance arrangements in place, but there is scope to improve the reporting and assurance processes. The IJB's internal auditors have identified also a number of areas of significant control weakness which must be addressed urgently.

We note that the reporting of progress to address recommendations made within the Joint Inspection of Older People's Services (May 2017) report has lacked clarity and focus. A progress inspection is ongoing and therefore presents an opportunity to recast the improvement plan in line with the findings.

## Introduction

65. The IJB is responsible for ensuring the proper conduct of its affairs including compliance with relevant guidance, the legality of activities and transactions and for monitoring the adequacy and effectiveness of these arrangements.

## Significant audit risk

66. Our annual audit plan identified a significant audit risk relating to progress against the IJB's Statement of Intent:

### Recovery Plan

During 2017/18 the interim management team for the Edinburgh Health and Social Care Partnership (the group overseeing operational delivery of the IJB's directions to its partners) considered that there was a clear requirement to bring greater clarity and focus to the activities of the partnership, with an emphasis on performance, quality and finance. At its development session on 13 October 2017 the IJB considered a "Statement of Intent" setting out:

*"a high-level recovery plan to address the immediate, short and medium-term challenges faced by the Partnership, the EIJB and the parent bodies. It is constructed around the three key pillars of quality, performance and finance."*

The recovery plan outlined the following seven high-level themes as well as related commitments:

- Doing the basics well.
- Establishing a financial framework.
- Ensuring optimum quality.
- Improving relationships between the IJB and its partners
- Developing a performance framework.
- Developing strategies, with identifiable, manageable actions
- Clarifying and simplifying governance arrangements

The IJB has recognised that without a clear roadmap to work with, it cannot bring clarity to the partnership's activities, nor can the partnership support the IJB in effectively discharging its duties. This in turn would lead to suboptimal performance and quality, and financial imbalance.

67. As part of our 2017/18 audit we reviewed the IJB's development of the recovery plan and reporting arrangements. Progress against the Statement of Intent has not yet been considered by the Board, although some key steps were outlined in a paper presented to the May 2018 meeting titled *A Plan for Immediate Pressures and Longer Term Sustainability*.

68. We do, however, consider that it is too early to conclude on the progress made against the recovery plan and we note below areas for improvement in the governance to support change. We therefore continue to regard the recovery plan as a significant risk and will monitor the key actions in 2018-19.

## Governance arrangements

69. As a new body, the IJB continues to refine its governance arrangements. One of the objectives of the IJB's recovery plan is to simplify governance and to clarify reporting processes. In our assessment of governance arrangements, we consider how effectively the Board is able to fulfil its role and to support improvement.

## Board membership

70. The IJB has only been in place and responsible for its functions for two full financial years. During that time, we note that the Board membership has been subject to significant change. Only two of the voting members who were in place at the formation of the IJB continue as Board members, although a further member has rejoined. During the same timeframe there have been significant changes at senior management level, including interim arrangements for the role of Chief Officer.
71. The IJB is a complex and unusual organisation and we therefore consider that Board members require sufficient experience and knowledge to make decisions about the future of services and effectively scrutinise the delivery of the Strategic Plan. Such a significant turnover in key decision-makers may have an impact on the pace and scale of improvement.
72. We note that the IJB has recently developed an induction programme for new members, but we would recommend additional arrangements to protect member continuity, particularly during election periods. In addition, additional training and support is being developed for members of the Audit and Risk Committee in recognition of the skills and competencies required for the role.

## Openness and transparency

73. One of the sector risks identified by Audit Scotland for 2017-18 relates to public sector organisations keeping pace with public expectations on openness and transparency.

74. We found that the IJB had clear arrangements in place to ensure that members of the public can attend the board meetings as observers, and that agendas were available 5 working days in advance of the meeting. The IJB has also recently agreed to webcasting their meetings for a trial period.

75. Audit Scotland's NHS in Scotland 2017 noted that it is important that the public, staff, and elected officials are able to easily access information about how the NHS and integration authorities are performing so that they can get involved with and hold these bodies to account. The report identified a range of areas where transparency could improve, including allowing the public to attend committee meetings and publishing all committee meeting papers and minutes on the organisation's website.

76. Our own research highlights that Edinburgh IJB is one of only 8 IJBs that do not make audit committee papers publicly available on their website. Any future review of governance arrangements should therefore consider whether the balance of openness is appropriate.

## Overall conclusion

77. Overall, we consider that the IJB has appropriate governance arrangements in place, but that greater support could be provided to Board members by reviewing the frequency and formatting of reporting. We note that there are inconsistencies in the language used across the partner organisation, such as the levels of assurance adopted by NHS Lothian. The Board may therefore benefit from the introduction of an assurance framework to provide additional oversight of progress against the Strategic Plan.

## Action Plan Point 2

## Joint Inspection of Older People's Services: Improvement Agenda

78. In 2016-17, we reported on the outcomes of the Joint Inspection of Older Peoples Services, which was published by the Care Inspectorate/Health Improvement Scotland in May 2017. The recovery plan proposed by the Interim Chief Officer was identified as a significant risk for our audit. Exhibit 5 outlines the timeline of reporting to the Board on the Improvement Plan, along with our observations. We noted areas for improvement including:

- Agreeing a single, succinct format and frequency for reporting progress to ensure that Board members can engage in effective scrutiny;

- Ensuring that action plans are framed in SMART terms to allow Board members to hold officers to account for progress; and
- Providing a clear assessment of progress against actions, including the use of high level/traffic light reports.

79. We also found that tracking individual actions to respond to the recommendations was difficult as reporting lacked clarity and focus. Some 15 months after the report was published, the level of progress made against the 17 recommendations is not clear. A follow up inspection is underway, and expected to report in October 2018. This will therefore provide an opportunity to review the improvement plan and ensure that it is aligned with the strategic vision.

### Action Plan Point 3

#### Exhibit 5: Joint Inspection of Older Peoples Services: Timeline of Reporting to the Board

Date	Event	Our observations
May 2017	Joint Inspection of Older People's Services published, including 17 recommendations for improvement.	-
June 2017	Inspection Report considered by the Board, along with an action plan for improvement. The improvement plan included 59 actions mapped against the recommendations, of which 13 were classified as "Priority 1" to be completed within 3 months.	The Board has received no further updates against this action plan, or how the original actions map against revised plans.
Sept 2017:	The Board received an Older People's Inspection Update report which provided a description of actions taken in relation to each recommendation.	The report is descriptive in nature. It is not cross referenced to the improvement plan, although notes that the plan will be rebased. It does not provide an overall assessment of progress against each recommendation.
Nov 2017	The Interim Chief Officer presented a revised Improvement Plan to reconfigure the previous action plan to address the findings of the inspection more effectively	A progress report against Improvement Plan was presented to Performance and Quality Group but group requested future reports at higher level and more focused on milestones.
Nov 2017	IJB approves the Statement of Intent which articulates 7 key priorities for improvement.	
Dec 2017	The IJB receives a "comprehensive improvement programme" which lists 60 actions mapped against the key priorities within the Statement of Intent	The improvement plan remains at an early stage: <ul style="list-style-type: none"> <li>- Only 1 action is listed as complete</li> <li>- 42 (70%) are either in pipeline or in development</li> </ul>
March 2018	The IJB received an Older People's Inspection Update.	The report is descriptive in nature and in some instances lacks clarity about how the actions described will meet the requirements of the recommendation. Progress is not framed in SMART terms and no assessment is given to indicate completion or additional resources required to deliver.

Source: Edinburgh IJB Meeting Papers



## Internal Audit

80. The City of Edinburgh Council internal audit team provides the IJB's internal audit service and the Chief Auditor of City of Edinburgh Council has been appointed as Chief Internal Auditor for the IJB.
81. To avoid duplication of effort and to ensure an efficient audit process we have taken cognisance of the work of internal audit throughout our audit. While we have not placed formal reliance on the work of internal audit in 2017/18 for our financial statements audit, we have taken account of internal audit's work in respect of our wider scope responsibilities. We are grateful to the internal audit team for their assistance during the course of our work.
82. During 2017-18, the City of Edinburgh Council internal audit team performed a self-assessment against the Public Sector Internal Audit Standards and found that they had not conformed with all requirements. The non-conformance related to insufficient follow-up of internal audit findings between April 2015 and October 2017; and resourcing challenges within the team which had impacted on the completion of two planned quality assurance reviews to ensure consistency of audit quality.
83. Internal audit noted within their annual audit opinion that these instances of non-conformance have had no direct impact on the quality of internal audit reviews completed in 2017/18.

### Internal audit plan and resource

84. The internal audit plan for 2017/18 was approved in principle by the Audit and Risk Committee in June 2017. The plan identified six high and six medium auditable risks upon which assurance could be sought.
85. The Audit and Risk Committee, and internal audit, considered that assurance should be gained on all high-risk areas on an annual basis, with medium risk areas covered on a rolling 3-year basis. Four audits were planned for 2017-18, providing assurance over all high risks identified. However, the resource restraint prevented any medium risks being reviewed. This was also the case in 2016-17.

86. In December 2017, the Audit and Risk Committee approved changes to the Internal Audit Plan, with the proviso that the changes were required due to the lack of audit capacity and should not be long-term. The change was proposed to ensure that sufficient assurance was provided over the existing Health and Social Care Partnership risk relating to budgets and financial models, as the risk had significantly increased during the year.

### Significant enhancements required - internal audit opinion

87. In her Annual Opinion, the Chief Internal Auditor notes that significant enhancements are required to the EIJB control environment and governance and risk management frameworks. As a result, internal audit provided a "red rated opinion" (significant enhancements required) and deem there to be significant weaknesses that put the achievement of organisational objectives at risk.
88. Internal audit's opinion is based on the outcomes of the three audits included in the 2017-18 internal audit annual plan; the outcomes of relevant Partnership reports referred to the EIJB by the relevant Audit Committees; and the status of open internal audit findings.
89. The Chief Internal Auditor has drawn attention to the level of opening Internal Audit findings within her annual opinion. As at 31 March 2018, there were 34 (10 High; 20 Medium; and 4 Low). open findings that relate to reviews completed across the 2017-18 EIJB and the Partnership. Of these 28 (82%) were overdue as agreed management actions were not completed by the agreed implementation date.
90. All three audits identified in the revised IJB Internal Audit Plan were delivered in 2017-18. These raised 8 high and 1 medium rated finding.
91. The Health and Social Care Partnership Purchasing Budget Management audit identified four high risk findings. These include:
- The lack of clear allocation of purchasing budget across localities;

- Significant financial control gaps such as the lack of a funding allocation model and clear delegated financial authorities;
- The lack of holistic social care processes or supporting operating procedures are a result of the significant number of teams involved in supporting the delivery of social care

92. A number of significant and systematic control weaknesses in relation to supplier and contract management where third-party providers were used.
93. The Performance Target Data audit was delivered by NHS Lothian internal audit team. This identified three high risk findings including setting timescales and performance objectives, reporting arrangements and the frequency of performance information.
94. The IJB has agreed remedial actions and timescales for addressing these issues. The Chief Officer has established an Assurance Oversight Group to invite action owners to provide assurance on progress against actions. We will monitor progress in addressing the recommendations as part of our 2018-19 audit.

### Risk Management

95. Public sector bodies face increasing demand for quality services at a time of significant financial pressure. Well-developed risk management arrangements help boards to make effective decisions and secure better use of resources.
96. The IJB's corporate risk register has been subject to significant revision and review during 2017-18 to ensure that the arrangements are fit for purpose and reflect the Strategic Plan. Both the Audit and Risk Committee and the Board receive regular reports on the corporate risk register, which provide updates on action taken to mitigate risks.

## The governance statement

97. Following minor amendments processed during the audit, the governance statement discloses the rationale for internal audit's opinion and other areas of weakness during the year, such as the significant challenges the partnership faces from the level of delayed discharges and the areas of concern raised by the joint inspection of services for older people. Subject to the concerns disclosed, the IJB considered that reasonable assurance could be placed on the effectiveness and adequacy of the systems of governance.
98. We are satisfied that the governance statement within the annual accounts is consistent with the financial statements and that report has been prepared in accordance with the Delivering Good Governance in Local Government: Framework 2016.

## Standards of conduct

99. In our opinion, the IJB's arrangements in relation to standards of conduct and the prevention and detection of bribery and corruption are adequate.
100. The IJB implemented a code of conduct based on the template code provided by Scottish Government and the codes in place at the partner organisations. In line with the integration scheme, the IJB utilises the financial governance arrangements in place within the partner bodies including fraud management arrangements.

# 6

## Value for money

Value for money is concerned with using resources effectively and continually improving services. In this section we report on our audit work as it relates to the IJB's own reporting of its performance.

# Value for money



The IJB provides the public with an annual report on its performance but more could be done to improve the clarity of reporting and to update the Board on progress against the Strategic Plan throughout the year.

The IJB identified the significant backlog in people awaiting assessment in the community as an immediate priority and invested to clear the backlog waiting list within a planned timescale.

The IJB continues to perform poorly against a number of key indicators, including delayed discharges and waiting lists for assessment, despite investment in interventions.

## Performance Framework

- 101.** Under the integration scheme, the IJB is responsible for implementing a comprehensive performance management system that allows for transparent reporting and appraises achievement against the strategic plan. One of the key strands outlined in the IJB's Statement of Intent is the development of a performance management framework.
- 102.** During 2016-17 we noted that there had been limited reporting to the Board on performance against the strategic plan to date. Due to concerns about the acute challenges relating to delayed discharges, the Board receive a regular report on whole system delays. Other regular performance reporting is delegated to other committees and sub-groups, which may mean that Board members are unable to fully scrutinise performance in the round, and therefore make informed decisions about priorities and budgets.
- 103.** In May 2018, the Board agreed to suspend the work of the Performance and Quality Sub-Group and to refer its performance monitoring role to the Strategic Planning Group, with an understanding that a paper on governance arrangements would be brought to the Board at a later date.
- 104.** The Statement of Intent recognises that neither the EIJB nor the Partnership has had sufficient focus on performance, or on accountability for that performance.

- 105.** Work to date has focused on the development of metrics that will be reported to every meeting of the EIJB. We support the introduction of a regular, agreed format of performance reporting to allow Board members to access to succinct and easy to understand performance information. We will therefore continue to monitor progress in performance reporting during 2018-19.

*Refer to Appendix 3*

## Directions – Performance Monitoring

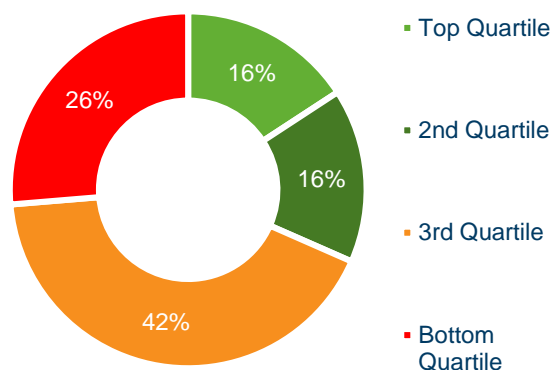
- 106.** During 2017-18, we note that NHS Lothian's internal audit team conducted a review to establish whether performance objectives have been set for each of the Directions issued by the IJB and whether performance was monitored by a relevant Board committee at an adequate frequency.
- 107.** The report was issued in June 2018 and found significant areas for improvement, including:
- Ensuring that performance measures, with timescales are adopted for each direction to enable more effective performance monitoring;
  - Clarity about reporting arrangements to committee for direction objectives, including the frequency of performance reports; and
  - Outlining the person or group responsible for providing information.

108. An action plan for improvement has been agreed with senior management and should be considered as part of the development of the performance framework.

### Performance during 2017-18

109. In line with the requirements of the Public Bodies (Joint Working) Act 2004, the IJB prepares an annual public performance report that considers progress against both the nine National Health and Wellbeing Outcomes and the key priorities identified within their strategic plan.
110. The 2017-18 annual performance report is available on the Transform Edinburgh website and reports on:
- Progress against the six priorities in the strategic plan 2016-19
  - Delivering against the National Health and Wellbeing Outcomes
  - Progress in each locality across North West, North East, South West and South East Edinburgh; and
  - Financial Performance.
111. Performance against the priorities is largely narrative in nature, although indicates significant improvements in areas such as tackling inequalities.
112. The performance report compares the IJB's performance against the 23 core national Indicators to the Scottish average. The report also highlights which quartile the IJB currently performs at, to allow comparison with other IJBs. As Exhibit 6 demonstrates, performance continues to be mixed.

**Exhibit 6: Edinburgh IJB performance against the core national indicators**



Source: Edinburgh IJB Annual Performance Report 2017-18.

113. The report highlights that the IJB performs strongly against three indicators, and is within the top quartile for:
- The percentage of adults able to look after their health very well or quite well;
  - The Emergency admission rate; and
  - The Emergency day rate.
114. A number of areas show poor performance and the IJB is in the lowest quartile including:
- The number of days people spend in hospital when they are ready to be discharged ("delayed discharges")
  - The percentage of carers who feel supported to continue in their role
  - The proportion of the last 6 months of life spent at home or in a community setting.

### Delayed discharges

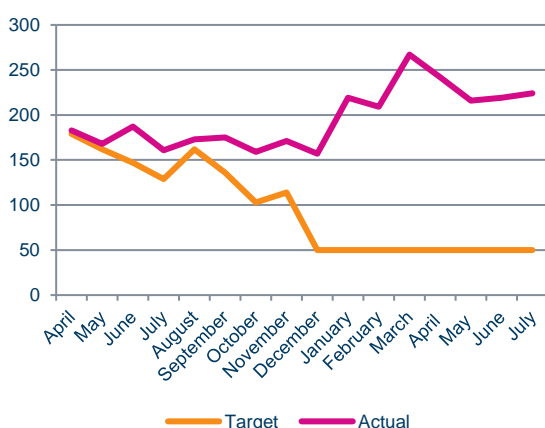
115. The IJB recognise that the levels of delayed discharges in the city present a particular risk to the partnership in providing the right care at the right time. To reflect the importance and urgency of the need to reduce the number and length of delayed discharges the IJB receive regular updates on performance in this area.
116. Over the last 2 years, a number of intervention actions have been taken to reduce delayed discharges, including:

- The Chief Officer has set up a Delayed Discharge Oversight Group which has representation of the whole system and the identified Delayed Discharge Lead for the partnership
- The development of detailed performance reports on a locality basis, which allows performance targets to be set and monitored more locally;
- A weekly 'star chamber' for locality and hub managers to allow any issues having a negative impact to be escalated immediately;
- Capacity planning is ongoing to determine resource requirements; and
- The Care at Home Contract is under review.

**117.** The IJB planned to reduce non-complex delayed discharges to 50 by December 2017. As Exhibit 7 highlights, the planned targets have not been achieved at any point in the year.

**118.** The main reasons for the high level of delayed discharges are lack of available care packages (54% of the total reported) and care home places (27%) due to lack of local authority funding and suspensions in admissions.

**Exhibit 7: The IJB has not reached delayed discharge targets for 2017/18.**

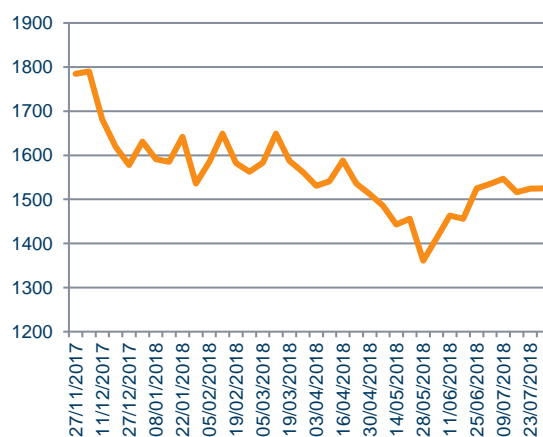


*Source: Whole System Delays report to IJB and Executive Management Team*

## Assessment Waiting List

- 119.** *The Plan for Immediate Pressures and Long Term Sustainability* presented to the IJB in May 2018 identified the backlog in people awaiting assessment in the community as an immediate priority for the Partnership. A short-term team of assessors was recruited with the aim to clear all of the backlog assessments by the end of July 2018. Over 700 individuals were transferred to the team to conduct assessments. The team were able to clear the backlog waiting list within the planned timescale. As Exhibit 8 demonstrates, this reduced the waiting list, but only temporarily.
- 120.** The Partnership must consider the complex reasons behind the continuing capacity challenges, including how hubs and clusters operate, and whether there are alternative routes that could be signposted rather than adding individuals to the waiting list.

**Exhibit 8: The Waiting List for Assessments fell during intense intervention but has begun to rise again**



- 121.** The Statement of Intent outlines a clearer vision for the future focusing on a shift in the balance of care and a plan for financial sustainability. Early progress has been made within outline strategic commissioning plans, but financial and strategic support from partners will be critical to deliver the vision and make a sustained improvement in performance.

## Action Plan Point 4

# 7

## Appendices

# Appendix 1: Respective responsibilities of the Board and the Auditor

## Responsibility for the preparation of the annual accounts

The IJB is required to make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for administration of those affairs. The Chief Financial Officer has been designated as that officer by the IJB.

### In preparing the annual report and accounts, the IJB is also required to:

- Manage its affairs to achieve best value in the use of its resources and safeguard its assets;
- Ensure the annual accounts are prepared in accordance with legislation ( The Local Authority Accounts (Scotland) Regulations 2014), and so far as is compatible with that legislation, in accordance with proper accounting practices (section 12 of the Local Government in Scotland Act 2003); and
- Approve the annual accounts

### The Chief Finance Officer is responsible for:

- The preparation of financial statements that give a true and fair view in accordance with the financial reporting framework;
- Such internal control as the CFO deems necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;
- Selecting suitable accounting policies and applying them consistently;
- Making judgements and estimates that are reasonable and prudent;
- Keeping proper accounting records which are up to date; and
- Taking reasonable steps to ensure the propriety and regularity of the finances of the Integration Joint Board.



## Auditor responsibilities

### We audit the annual accounts and give an opinion on whether:

- the financial statements give a true and fair view in accordance with applicable law and the 2017/18 Code of the state of affairs of the body as at 31 March 2018 and of its surplus on the provision of services for the year then ended;
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2017/18 Code;
- the financial statements have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003;
- the auditable part of the Remuneration Report has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014;
- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003; and
- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016).

### We are also required to report by exception, if in our opinion:

- adequate accounting records have not been kept; or
- the annual accounts and the part of the Remuneration Report to be audited is not in agreement with accounting records; or
- we have not received all the information and explanations we require for our audit; or
- there has been a failure to achieve a prescribed financial objective.

## Wider scope of audit

The special accountabilities that attach to the conduct of public business, and the use of public money, mean that public sector audits must be planned and undertaken from a wider perspective than in the private sector. This means providing assurance, not only on the annual report and accounts, but providing audit judgements and conclusions on the appropriateness, effectiveness and impact of corporate governance and performance management arrangements and financial sustainability.

The Code of Audit Practice frames a significant part of our wider scope responsibilities in terms of four audit dimensions: financial sustainability; financial management; governance and transparency; and value for money.

# Appendix 2: Action plan

The action plan details the weaknesses and opportunities for improvement that we have identified during our audit.

It should be noted that the weaknesses identified in this report are only those that have come to our attention during the course of our normal audit work. The audit cannot be expected to detect all errors, weaknesses or opportunities for improvements in management arrangements that may exist. The weaknesses or risks identified are only those which have come to our attention during our normal audit work, and may not be all that exist. Communication of the matters arising from the audit of the annual accounts or of risks or weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.

## Action plan grading structure

To assist the Board in assessing the significance of the issues raised and prioritising the action required to address them, the recommendations have been rated.

The rating structure is summarised as follows:

<b>Grade 5</b>	Very high risk exposure – major concerns requiring Board attention
<b>Grade 4</b>	High risk exposure – material observations requiring senior management attention
<b>Grade 3</b>	Moderate risk exposure – significant observations requiring management attention
<b>Grade 2</b>	Limited risk exposure – minor observations requiring management attention
<b>Grade 1</b>	Efficiency / housekeeping point

Action plan point	Issue & Recommendation	Management Comments
<b>1. Medium term financial plan</b>	<b>Issue</b> The IJB is forecasting a funding shortfall at current service levels of almost £117 million by 2022-23.	Accepted <b>Responsible officer:</b> Chief Finance Officer
<b>Rating</b>	<b>Recommendation</b>	<b>Implementation date:</b>
<b>Grade 4</b>	The IJB should develop a Medium Term Financial Plan to support the delivery of the vision and priorities within the updated Strategic Plan for 2019-22.	By March 2019
<b>Paragraph ref</b>		
<b>29</b>		

Action plan point	Issue & Recommendation	Management Comments
<b>2. Assurance Framework</b>	<b>Issue</b> During our audit, we noted a number of areas where there was a lack of clarity of requirements for reporting and monitoring performance and improvement plans.	Accepted <b>Responsible officer:</b> Chief Officer
<b>Rating</b>	<b>Recommendation</b>	<b>Implementation date:</b>
<b>Grade 2</b>	We note that the Board has committed to reviewing the governance arrangements during 2018.  As part of a review of governance arrangements, the Board should consider the introduction of an Assurance Framework to ensure that Board members share an understanding about assurance needs and sources.	By March 2019
<b>Paragraph ref</b>		
<b>77</b>		

Action plan point	Issue & Recommendation	Management Comments
<b>3. Recovery Plan</b>	<p><b>Issue</b></p> <p>We noted that reporting on the Improvement Plan is predominantly narrative in nature and it may therefore be difficult for Board members to scrutinise the scale and pace of improvement.</p> <p><b>Recommendation</b></p> <p>The Board should ensure that action plans to deliver improvement actions are:</p> <ul style="list-style-type: none"> <li>Reported on a regular basis, using a succinct format which include a clear assessment of progress against actions</li> <li>Framed in SMART terms</li> </ul>	<p>Accepted</p> <p><b>Responsible officer:</b> Chief Officer</p> <p><b>Implementation date:</b> By January 2019</p>
<b>Rating</b>		
<b>Grade 3</b>		
<b>Paragraph ref</b>		
<b>79</b>		

Action plan point	Issue & Recommendation	Management Comments
<b>4. Performance</b>	<p><b>Issue</b></p> <p>The IJB's performance against a number of key indicators continues to fall below target, despite intervention actions to date. A vision for the future has been set out in the Statement of Intent but strategic support is needed from the Board's partners to deliver transformational change.</p> <p><b>Recommendation</b></p> <p>The Board should work with partners to ensure that sufficient financial and leadership capacity is available to deliver sustained improvement.</p>	<p>Accepted</p> <p><b>Responsible officer:</b> Chief Officer</p> <p><b>Implementation date:</b> Ongoing</p>
<b>Rating</b>		
<b>Grade 4</b>		
<b>Paragraph ref</b>		
<b>121</b>		

# Appendix 3: Follow up on prior year action plan

No.	Issue & recommendation	Management comments	External audit update
1.	<p><b>Financial reporting</b></p> <p>The content of the IJB's financial reporting has developed during 2016-17 and continues to develop. We noted examples within 2016-17 reporting where budget lines showed an underspend for the year to date, but forecast an overspend at year-end with no narrative explanation or context provided.</p> <p>There is a risk that the current form of reporting does not fully reflect the actions undertaken or required in order to achieve the forecast outturn.</p> <p>The IJB should look to continue to develop financial reporting in order to ensure that the Board can easily identify areas of poor performance and fully understand any remedial actions undertaken or required.</p>	<p>Whilst recognising that the financial reporting to the IJB could and should continue to develop this needs to be in line with the IJB's responsibilities and information requirements.</p> <p>When resources have been delegated via directions by the IJB, the City of Edinburgh Council (CEC) and NHS Lothian (NHSL) apply their established systems of financial governance to the delegated functions and resources. Accordingly, budget monitoring of IJB delegated functions is undertaken by finance teams within CEC and NHSL. This arrangement reflects the IJB's role as a strategic planning body which does not directly deliver services, employ staff or hold cash resources. However, it is important that the IJB has oversight of the in year budget position as this highlights any issues that need to be accounted for when planning the future delivery of health and social care services.</p> <p><b>Due Date:</b> March 2018</p> <p><b>Action owner:</b> Chief Finance Officer</p>	<p>Financial updates are regularly presented to the IJB. In response to the initial concern concerning financial position, performance against budget has been closely monitored and financial reporting has been developed to support this.</p> <p>Financial reports present an overview of the financial position and the project year end position. Where delegated services are presenting an overspend, further detail is provided on the underlying reasons and the actions being taken within each partner organisation.</p> <p>In addition, the IJB are asked to approve in-year mitigating actions required to deliver a breakeven position. We are satisfied that financial reports provided sufficient information to enable the IJB to effectively manage financial position.</p> <p><b>Action complete</b></p>
	<b>Rating</b>		
	<b>Grade 3</b>		

No.	Issue & recommendation	Management comments	External audit update
2.	<p><b>Savings plans</b></p> <p>The IJB's achievement of a breakeven position in 2017/18 is wholly dependent on its ability to work effectively with the council</p>	<p>Accepted. However it should be noted that the IJB's ability to confirm how the current NHS Lothian funding gap will be bridged is partly reliant on the</p>	<p>The IJB approved the 2018/19 financial plan in May 2018. This acknowledged the need to develop a savings and recovery programme and proposals of £14.9million</p>
	<b>Rating</b>		
	<b>Grade 4</b>		

No.	Issue & recommendation	Management comments	External audit update
	<p>and health board to deliver the required savings.</p> <p>Discussions remain ongoing with NHS Lothian around how the current funding gap of £6.5million will be bridged and there remains a risk that planned efficiencies are not delivered. While responsibility for the actual delivery of the planned savings will fall to the IJB's partners, it is imperative that the IJB can demonstrate it has taken a strategic approach to the identification of appropriate savings options.</p> <p>The IJB should ensure that future financial plans demonstrate sufficient consideration of the identification of potential savings options, including the financial and operational impact they are expected to have in the short, medium and long term. In the short term, the IJB should confirm how the current funding gap of £6.5million will be bridged.</p>	<p>overall NHS Lothian financial position.</p> <p><b>Due Date:</b> March 2018</p> <p><b>Action owner:</b> Chief Officer</p>	<p>were approved by the IJB. It was agreed that additional scrutiny was required over the achievement of these targets and that regular updates should be provided to the IJB.</p> <p><b>Action complete</b></p>

No.	Issue & recommendation	Management comments	External audit update
<b>3.</b>	<b>Medium term financial planning</b>	An initial high-level financial plan will be presented to the IJB in September. This will be refined in the following months.	A high level summary of the financial outlook for the period 2018/19 to 2022/23 was presented to the IJB in December 2017. This details the projected IJB delegated budget, the projected increase in costs, and the projected shortfall in each year.
<b>Rating</b>	The IJB requested in March 2017 that partners work with the Chief Officer and Interim Chief Finance Officer to prepare a financial plan for IJB delegated functions over a minimum three-year period. The requirement to carry out medium term financial planning is also reflected within the integration scheme. However, medium or long-term financial plans have not yet been developed.	<b>Due Date:</b> December 2017	The assumptions used demonstrate that the IJB have considered key cost pressures, expected demand pressures and potential savings options.
<b>Grade</b>	Without a medium term financial plan in place, the IJB cannot currently demonstrate how it will deliver the key priorities identified in their three-year strategic plan within the financial resources that will be available.	<b>Action owner:</b> Chief Finance Officer	However, the financial outlook report is not aligned to strategic planning and work is still
<b>4</b>	The IJB should prioritise developing a medium term financial strategy that includes a clear understanding of costs,		

No.	Issue & recommendation	Management comments	External audit update
	saving options and expected demand pressures.		required to develop this further.
			<p><b>Management comment</b></p> <p>Agreed.</p> <p>Whilst progress has been made, in particular with the development of financial frameworks to support the outline strategic commissioning plan, it is recognised further work is required to fully align the financial and emerging strategic plans.</p> <p><b>Updated due date:</b></p> <p><b>March 2019</b></p>

No.	Issue & recommendation	Management comments	External audit update
<b>4.</b>	<b>Workforce planning</b>	<p>This is captured in the 2016-17 directions issued to CEC and NHS Lothian. Direction 19 requires:</p> <p><i>"the City of Edinburgh Council and NHS Lothian are directed to work with the Edinburgh Health and Social Care Partnership to:</i></p> <p><i>a. produce and implement a workforce development strategy that supports the delivery of the strategic plan; taking account of the National Health and Social Care Workforce Plan;</i></p> <p><i>b. ensure that any business cases developed in relation to the strategic plan clearly set out any ICT implications."</i></p>	The IJB has established a strategy group to focus on workforce planning, chaired by the Chief Nurse.
<b>Rating</b>	The integration scheme requires the IJB to develop an integrated workforce plan for the city.		Whilst action is being taken, further work is still required to develop an integrated workforce plan.
<b>Grade 4</b>	<p>The IJB has not yet developed an integrated workforce plan, and as a result is not meeting the requirements of the integration scheme. Without a documented plan in place, the IJB cannot demonstrate that a strategic overview is being taken over the risks the city faces in relation to workforce supply and demand challenges, communication, staff engagement and training needs to support the implementation of the strategic plan.</p> <p>The IJB should develop an integrated workforce plan for the city.</p>		<p><b>Management comment</b></p> <p>Accepted</p> <p><b>Updated due date:</b></p> <p>Initial workforce strategy will be presented to the IJB in <b>December 2018</b>.</p>

No.	Issue & recommendation	Management comments	External audit update
		<p><b>Due Date:</b> Timescale for production of strategy to be agreed and set out in delivery plan. Performance measure to be agreed in terms of impact.</p> <p><b>Action owner:</b> Chief Nurse</p>	





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