

# East Lothian Integration Joint Board

2022/23 Annual Audit Report



 AUDIT SCOTLAND

Prepared for East Lothian Integration Joint Board and the Controller of Audit  
14 December 2023

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# Key messages

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## 2022/23 annual accounts

- 1 Audit opinions on the annual accounts of the East Lothian Integration Joint Board (East Lothian IJB) are unmodified. The financial statements give a true and fair view and were properly prepared in accordance with the applicable financial reporting framework.

## Financial management and sustainability

- 2 East Lothian IJB has appropriate and effective financial management arrangements in place.
- 3 East Lothian IJB reported a deficit of £10.2 million in 2022/23. The outturn position included planned use of reserves in year. East Lothian IJB's underlying operational performance was broadly in line with budget.
- 4 A 5-year medium-term financial plan is in place and has been updated to reflect the impact of Covid 19. It identifies a budget deficit of £13.964 million over the period from 2022/23 - 2026/27.
- 5 Financial sustainability remains a significant risk to East Lothian IJB's strategic objectives. It is the highest rated risk in the risk register. East Lothian IJB needs to work with its partners to design services which are financially sustainable and fit for the needs of the region's citizens.

## Vision, leadership and governance

- 6 Governance arrangements are appropriate and operate effectively. There is effective scrutiny, challenge and informed decision making.
- 7 East Lothian IJB's vision is set out in its Strategic Plan and supported by a suite of strategies including the Medium Term Financial Plan and Strategic Workforce Plan. East Lothian IJB's commissioned services need to transform to remain financially sustainable and strong collaborative leadership and partnership working will be needed to deliver this.
- 8 Revisions to the Integration Scheme have been concluded. Scottish Ministers approved the revised Integration Scheme in May 2023.

## Use of resources to improve outcomes

- 9 Performance reporting in the annual accounts met the minimum requirements but could be developed to provide more useful insights.

- 10** East Lothian IJB is performing above the Scottish average in most of the national integration indicators.
- 11** East Lothian IJB does not have arrangements in place to demonstrate how it delivers Best Value.

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# Introduction

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1. This report summarises the findings from the 2022/23 annual audit of East Lothian Integration Joint Board (East Lothian IJB). The scope of the audit was set out in an annual audit plan presented in draft to the 8 March 2023 meeting of the Audit and Risk Committee and finalised by 31 March 2023. This Annual Audit Report comprises:

- significant matters arising from an audit of East Lothian IJB's s annual accounts
- conclusions on the following wider scope areas that frame public audit as set out in the [Code of Audit Practice 2021](#):
  - Financial Management
  - Financial Sustainability
  - Vision, Leadership, and Governance
  - Use of Resources to Improve Outcomes.
- conclusions on East Lothian IJB's arrangements for meeting its Best Value duties

2. This report is addressed to the board of East Lothian IJB and the Controller of Audit and will be published on Audit Scotland's website [www.audit-scotland.gov.uk](http://www.audit-scotland.gov.uk) in due course.

## Audit appointment from 2022/23

3. I, John Boyd, have been appointed by the Accounts Commission as auditor of East Lothian IJB for the period from 2022/23 until 2026/27. The 2022/23 financial year was the first of my five-year appointment. My appointment coincides with the new [Code of Audit Practice](#) which was introduced for financial years commencing on or after 1 April 2022.

4. My team and I would like to thank management, particularly those in finance, for their cooperation and assistance in this year and we look forward to working together constructively over the course of the five-year appointment.

## Responsibilities and reporting

5. East Lothian IJB has primary responsibility for ensuring the proper financial stewardship of public funds. This includes preparing annual accounts that are in accordance with proper accounting practices. East Lothian IJB is also

responsible for compliance with legislation and putting arrangements in place for governance and propriety that enable it to successfully deliver its objectives.

**6.** The responsibilities of the independent auditor are established by the Local Government (Scotland) Act 1973 and the [Code of Audit Practice 2021](#), and supplementary guidance and International Standards on Auditing in the UK.

**7.** 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. Communicating these does not absolve management of East Lothian IJB from its responsibility to address the issues we raise and to maintain adequate systems of control.

**8.** This report contains an agreed action plan at [Appendix 1](#). It sets out specific recommendations, the responsible officers, and dates for implementation.

## Auditor Independence

**9.** We can confirm that we comply with the Financial Reporting Council's Ethical Standard. We can also confirm that we have not undertaken any non-audit related services and therefore the 2022/23 audit fee of £31,470 as set out in our 2022/23 Annual Audit Plan remains unchanged. We are not aware of any relationships that could compromise our objectivity and independence.

**10.** We add value to East Lothian IJB by:

- identifying and providing insight on significant risks, and making clear and relevant recommendations
- providing clear and focused conclusions on the appropriateness, effectiveness and impact of corporate governance, arrangements to ensure the best use of resources and financial sustainability.
- sharing intelligence and good practice identified.

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# 1. Audit of 2022/23 annual accounts

Public bodies are required to prepare annual accounts comprising financial statements and other related reports. These are principal means of accounting for the stewardship public funds.

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## Main judgements

Audit opinions on the annual accounts of the IJB are unmodified.

The unaudited annual accounts were provided within the agreed timescale.

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## Audit opinions on the annual accounts are unmodified

**11.** East Lothian Integration Joint Board approved the annual accounts for the year ended 31 March 2023 on 14 December 2023. As reported in the independent auditor's report, in my opinion as the appointed auditor:

- the financial statements give a true and fair view and were properly prepared in accordance with the financial reporting framework.
- the audited part of the remuneration report was prepared in accordance with the financial reporting framework.
- the management commentary and annual governance statement were consistent with the financial statements and properly prepared in accordance with the applicable requirements.

## Overall materiality was assessed as £4.3 million

**12.** Broadly, the concept of materiality is applied by auditors to determine whether misstatements identified during the audit could reasonably be expected to influence the economic decisions of users of the financial statements, and hence impact their opinion set out in the independent auditor's report. Auditors set a monetary threshold when considering materiality, although some issues may be considered material by their nature. It is ultimately a matter of the auditor's professional judgement.

**13.** Our initial assessment of materiality was carried out during the risk assessment and planning phase of the audit. This was reviewed and revised on receipt of the unaudited annual accounts and is summarised in [Exhibit 1](#).

## Exhibit 1

### Materiality values

Materiality level	Amount
Overall materiality	£4.3 million
Performance materiality	£3.2 million
Reporting threshold	£215 thousand

**14.** The overall materiality threshold for the audit of the annual accounts of East Lothian Integration Joint Board was set with reference to net (and gross) expenditure, which we judged as the figure most relevant to the users of the financial statements.

**15.** Performance materiality is used by auditors when undertaking work on individual areas of the financial statements. It is a lower materiality threshold, set to reduce the probability of aggregated misstatements exceeding overall materiality. Performance materiality was set at 75% of overall materiality, reflecting a history of no significant errors being identified in the financial statements.

**16.** It is our responsibility to request that all misstatements, other than those below our reporting threshold, are corrected, although the final decision on making the correction lies with those charged with governance.

### Significant findings and key audit matters

**17.** Under International Standard on Auditing (UK) 260 we communicate significant findings from the audit to the board, including our view about the qualitative aspects of the body's accounting practices.

**18.** The Code of Audit Practice also requires all audits to communicate key audit matters within the annual audit report under International Standard on Auditing (UK) 701. These are matters that we judged to be of most significance in our audit of the financial statements.

**19.** The significant findings from the audit are summarised in [Exhibit 2](#).

## Exhibit 2

### Significant findings and key audit matters from the audit of the annual accounts

Issue	Resolution
<p><b>1. Presentation of Comprehensive Income and Expenditure Statement</b></p> <p>The Code of Practice for Local Authority Accounting in the UK requires the Comprehensive Income and Expenditure Statement (CIES) to show gross expenditure, gross income and net expenditure for the year. The IJB's CIES reported only net expenditure.</p>	<p>The presentation of the Comprehensive Income and Expenditure Statement was amended in the revised accounts. This did not impact on the reported comprehensive net expenditure figure.</p>
<p><b>2. Presentation of Movement in Reserves Statement</b></p> <p>The Movement in Reserves Statement (MIRS) was not presented in accordance with the Code of Practice for Local Authority Accounting in the UK. The MIRS should present the opening balance, total comprehensive income or expenditure and the closing balance for usable and any unusable reserves.</p>	<p>The presentation of the Movement in Reserves Statement was amended in the revised accounts.</p>
<p><b>3. Remuneration Report</b></p> <p>The remuneration disclosure for two senior officers who were in post for part of the year was incorrect. The remuneration paid to the officers was correct but each senior officer had at least two roles and only the remuneration relevant to the IJB role should be disclosed for the period of employment in the IJB.</p>	<p>The Remuneration Report was amended in the revised accounts.</p>

Source: Audit Scotland

## Our audit work responded to the risk of material misstatement we identified in the annual accounts

**20.** We have obtained audit assurances over the identified significant risk of material misstatement in the annual accounts. [Exhibit 3](#) sets out the significant risk of material misstatement to the financial statements we identified in our 2022/23 Annual Audit Plan. It also summarises the further audit procedures we performed during the year to obtain assurances over this risk and the conclusions from the work completed.

**Exhibit 3****Significant risk of material misstatement in the annual accounts**

Audit risk	Assurance procedure	Results and conclusions
<p><b>1. Risk of material misstatement due to fraud caused by management override of controls</b></p> <p>As stated in International Standard on Auditing (UK) 240, management is in a unique position to perpetrate fraud because of management's ability to override controls that otherwise appear to be operating effectively.</p>	<p>Evaluate the assurances obtained from the auditors of East Lothian Council and NHS Lothian in line with the 2022/23 Integration Joint Boards Protocol for Auditor Assurances.</p> <p>Agreement of balances and transactions to financial reports / ledger of the two partners.</p> <p>Detailed testing of any significant year-end adjustments.</p> <p>Review of East Lothian IJB financial monitoring reports during the year.</p> <p>Make inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments.</p> <p>Test the process for the IJB to record transactions, including journals at the year-end and post-closing entries, and focus on significant risk areas.</p> <p>Assess the adequacy of controls in place for identifying and disclosing related party relationship and transactions in the financial statements.</p> <p>We will assess any changes to the methods and underlying assumptions used to prepare accounting estimates compared to the prior year.</p>	<p>The assurances received from the external auditors of East Lothian Council and NHS Lothian confirmed that there were no significant matters identified that would affect the East Lothian IJB audit.</p> <p>Balances, transactions and related party disclosures were agreed to financial information and assurances provided to East Lothian IJB by East Lothian Council and NHS Lothian.</p> <p>No unusual or inappropriate activity or journal entries were identified.</p> <p>The accounts do not contain any significant accounting estimates.</p> <p>No evidence of management override of controls was identified.</p>

Source: Audit Scotland

## **We identified no misstatements above our reporting threshold in the financial statements**

**21.** It is our responsibility to request that all misstatements, other than those below the reporting threshold, are corrected. However, the final decision on making the correction lies with those charged with governance considering advice from senior officers and materiality. Our audit identified no misstatements above our reporting threshold.

**22.** Our review of the unaudited accounts identified some changes needed in the Management Commentary to comply with disclosure requirements. Management updated the Management Commentary to be consistent with the financial statements and added further performance narrative. Disclosures that were not material were removed.

## **East Lothian IJB submitted its unaudited annual accounts in line with the agreed audit timetable**

**23.** East Lothian IJB submitted its unaudited annual accounts in line with our agreed audit timetable on 22 June 2023. The working papers provided to support the audit process were of a good standard and finance staff provided good support to the audit team during the audit. The timing of the audit was delayed beyond the agreed timetable due to audit resourcing pressures. As a result the audit was concluded and the annual accounts were approved in December rather than September as originally planned.

## **We received no objections to the annual accounts**

**24.** The Local Authority Accounts (Scotland) Regulations 2014 require local government bodies to publish a public notice on their website that includes details of the period for inspecting and objecting to the annual accounts. This must remain on the website throughout the inspection period. East Lothian IJB complied with this requirement. There were no objections to the 2022/23 annual accounts.

## **The IJB made good progress in implementing prior year recommendations**

**25.** East Lothian IJB has made good progress in implementing the audit recommendations identified by the IJB's previous external auditor, also Audit Scotland, as set out in [Appendix 1](#).

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## 2. Financial management

Financial management means having sound budgetary processes, and the ability to understand the financial environment and whether internal controls are operating effectively.

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### Conclusion

East Lothian IJB has appropriate and effective financial management arrangements in place.

East Lothian IJB reported a deficit of £10.2 million in 2022/23. The outturn position included planned use of reserves in year.

The underlying operational performance was broadly in line with budget.

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**East Lothian IJB returned a deficit on the provision of services of £10.2 million in 2022/23. This outturn position includes planned use of reserves in year.**

**26.** East Lothian IJB does not have any assets, nor does it directly incur expenditure or employ staff, other than the Chief Officer and Chief Finance Officer. All funding and expenditure is incurred by partner bodies and processed in their accounting records.

**27.** East Lothian IJB reported a £10.167 million deficit on the provision of services for 2022/23. This reduced reserves to £10.122 million as at 31 March 2023. This outturn position reflects the planned use of earmarked reserves, including the Covid-19 reserve. In September 2022 the Scottish Government indicated that it would reclaim unspent IJB Covid-19 reserves for use elsewhere in the NHS. £3.633 million was reclaimed from East Lothian IJB by the Scottish Government via reduced NHS funding allocations, which were passed on to the IJB by NHS Lothian. The IJB's remaining Covid-19 reserves were used to cover the gap created by the reduction in funding. Going forward, the expectation is that any Covid-19 expenditure is funded by IJB baseline budgets.

**28.** The underlying operational performance was broadly in line with budget although there are continuing financial pressures for individual services. The outturn against budget is reported against the funding provided in-year by the partner bodies.

## Budget monitoring arrangements are appropriate

**29.** Quarterly budget monitoring reports were submitted to the IJB Board throughout the year. The outturn to date and projected year-end outturn position were clearly stated in these reports while the actual year-end outturn position was in line with expectations. The finance reports were relatively short but the Chief Finance Officer gave additional context in presenting the reports to the Board.

**30.** We observed that senior management and members receive regular and accurate financial information on East Lothian IJB's financial position and have concluded East Lothian IJB has appropriate budget monitoring arrangements.

## East Lothian IJB has appropriate financial control arrangements in place

**31.** East Lothian IJB does not have its own financial systems and instead relies on partner bodies' financial systems. All financial transactions are therefore processed under the partner bodies' internal controls.

**32.** As part of our audit approach, we sought assurances from the external auditors of NHS Lothian and East Lothian Council. The health board auditor did not report any significant weaknesses that could result in a risk to the annual accounts of East Lothian IJB. The council auditor reported that in response to control weaknesses identified earlier in the year, they carried out additional substantive audit testing which gave the required assurance over council income and expenditure in 2022/23. The auditor has provided assurances that sufficient arrangements were in place over the financial transactions and balances reported by the Council to the Integration Joint Board.

## Informed by work carried out by internal audit throughout the year, East Lothian IJB has concluded that it can place a reasonable level of assurance over the adequacy and effectiveness of the framework of governance, risk management and control for the year ending 31 March 2023.

**33.** Internal audit provides East Lothian IJB with independent assurance on risk management, internal control and corporate governance processes. East Lothian IJB's internal audit function is provided by East Lothian Council's Internal Audit Unit. In addition to the work undertaken by the council team, work is also undertaken by the NHS Lothian Internal Audit team through principles agreed by NHS Lothian and the Lothian IJBs.

**34.** Internal Audit have now completed their 2022/23 audit work and presented their Annual Audit Report to the June 2023 Audit and Risk Committee. Internal Audit's 2022/23 opinion was that, subject to some control weaknesses identified, reasonable assurance can be placed the overall adequacy and effectiveness of East Lothian IJB's framework of governance, risk management and control for the year ended 31 March 2023.

**35.** There is a continuing significant risk of cyber-attacks on public bodies and it is important to have appropriate cyber security arrangements in place. Several recent incidents have demonstrated the significant impact that a cyber-attack can have on both the finances and operation of an organisation. East Lothian IJB receives assurance from its partners on cyber security, including relevant internal audit reports.

### **Standards of conduct and arrangements for the prevention and detection of fraud and error were appropriate**

**36.** Public sector bodies are responsible for implementing effective systems of internal control, including internal audit, which safeguard public assets and prevent and detect fraud, error and irregularities, bribery and corruption. East Lothian IJB does not maintain its own policies relating to the prevention and detection of fraud and error but instead depends on those in place at its constituent bodies.

**37.** As part of our audit approach, we obtained assurances from the external auditors of NHS Lothian and East Lothian Council. The assurances confirmed that there were no significant weaknesses in the arrangements for the prevention and detection of fraud at either body.

**38.** The IJB has a Code of Conduct for members. Each member is required to sign the Code and complete a Register of Interest to indicate any potential conflicts of interest. Members' Registers of Interest are publicly available on the IJB's website.

**39.** We concluded that East Lothian IJB has adequate arrangements in place to prevent and detect fraud or other irregularities. We are not aware of any specific issues we require to bring to your attention.

# 3. Financial sustainability

Financial Sustainability means being able to meet the needs of the present without compromising the ability of future generations to meet their own needs.

## Conclusion

A 5-year medium-term financial plan is in place and has been updated to reflect the impact of Covid-19. It identifies a budget deficit of £13.964 million over the period from 2022/23 - 2026/27.

Financial sustainability remains a significant risk to East Lothian IJB's achievement of its strategic objectives. It is the highest rated risk in the risk register. East Lothian IJB needs to work with its partners to design services which are financially sustainable and fit for the needs of East Lothian's citizens.

## We carried out audit work in response to a risk relating to financial sustainability identified in our 2022/23 Annual Audit Plan

40. [Exhibit 4](#) sets out the wider scope risk relating to Financial Sustainability we identified in our 2022/23 audit. It summarises the audit procedures we performed during the year to obtain assurances over this risk and the conclusions from the work completed.

### Exhibit 4

#### Risk identified from the auditor's wider responsibility under the Code of Audit Practice

Audit risk	Assurance procedure	Results and conclusions
<p><b>1. Financial Sustainability:</b></p> <p>East Lothian IJB is operating in an environment of increasing financial constraints. The Medium-Term Financial Plan 2022/23-2026/27 indicates a funding gap in each year beyond 2022/23 but does not set out how East Lothian IJB plans to address the gap. There is a</p>	<p>We will review East Lothian IJB's financial reporting to assess the reasonableness of the assumptions in the medium-term financial plan.</p> <p>We will review progress made in dealing with cost pressures, including meeting any savings targets.</p> <p>We will review the Management Commentary in</p>	<p>The Scottish Government effectively reclaimed East Lothian IJB's unspent Covid-19 reserves by reducing NHS Lothian's funding allocation, which was passed on to East Lothian IJB in a £3.633 million reduction in NHS Lothian's funding contribution to the IJB. East Lothian IJB then used its reserves to cover the funding gap created</p>

Audit risk	Assurance procedure	Results and conclusions
<p>risk that the IJB is unable to deliver the changes required to remain within its resource constraints.</p> <p>In addition, The Scottish Government wrote to all IJBs in September 2022 indicating that, due to changes in public health policy, it intended to reclaim and re-distribute some IJB reserves which relate to Covid funding to meet current Covid priorities. It is anticipated that this will be achieved through a reduction in NHS funding allocations, ultimately reducing NHS Lothian's funding contribution to East Lothian IJB.</p> <p>If funding is reduced, this could have a significant impact on the IJB's ability to deliver services or its ability to meet future financial pressures</p>	<p>the annual accounts for disclosures on the IJB's financial decision making during 2022/23.</p> <p>We will review Board papers and minutes to assess the transparency of financial decision making.</p>	<p>by the reduced funding contribution.</p> <p>The rolling 5-year financial plan agreed by the East Lothian IJB Board in December 2022 identified a funding gap before savings plans of £13.694 million over the period 2022/23 to 2026/27. Officers have yet to identify savings to fully address the gap.</p> <p><b>Conclusion:</b></p> <p>The IJB is still to identify measures to ensure a financial sustainable service delivery model.</p> <p>Financial sustainability remains a significant risk for the IJB.</p>

### East Lothian IJB has a medium-term financial plan but is yet to identify savings measures to close the financial gap identified in the plan.

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

**42.** East Lothian IJB has a rolling five-year medium-term financial plan which indicates a funding gap in each of the years 2022/23 to 2026/27. The latest finance updates projected a £6.8 million overspend for 2023/24 and savings measures of £6.3 million. Progress in delivering savings measures is being monitored by East Lothian IJB but a gap still needs to be closed. Finance reports do not indicate if the savings measures deliver recurring or non-recurring savings. Recurring savings will help to close the funding gap in future years.

**43.** East Lothian IJB keeps its financial planning assumptions under review: the most significant risks identified are in GP prescribing costs (which can be influenced but not directly controlled as these are demand led and GP prescribers are independent contractors), a national care uplift estimated at

5.5%, care at home inflation estimated at 3.5%, and pressure from unfunded pay awards.

**44.** The IJB reserves policy is to maintain a minimum level of uncommitted reserves of £4 million (2% of net expenditure). As at 31 March 2023 the IJB had £5.030 million of uncommitted reserves and £5.092 million of reserves earmarked for specific purposes. A further £0.740 million of the uncommitted reserves has now been committed since the year end, reducing the uncommitted reserves to £4.290 million, just above the minimum level.

**45.** Financial sustainability is currently the highest rated risk in the risk register. East Lothian IJB needs to transform its services and increase its focus on prevention and early intervention to design service models which are financially sustainable. The Change Boards and the Strategic Planning Group have a key role in designing services which are financially sustainable and fit for the needs of East Lothian's citizens.

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## Recommendation 1

The IJB should identify further savings measures to address the budget gap projected in its medium-term financial plan. The IJB should engage with its partners to identify financially sustainable service delivery options.

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**46.** Developing robust scenario planning to support the medium-term financial plan would provide IJB members with a framework for strategic decision making in the context of increasing uncertainty over future funding and increasing financial pressures.

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## Recommendation 2

East Lothian IJB should develop robust scenario planning to support members' strategic decision making in the context of increasing uncertainty over future funding and increasing financial pressures.

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# 4. Vision, leadership and governance

Public sector bodies must have a clear vision and strategy and set priorities for improvement within this vision and strategy. They work together with partners and communities to improve outcomes and foster a culture of innovation.

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## Conclusion

East Lothian IJB's governance arrangements are appropriate and operate effectively. There is effective scrutiny, challenge and informed decision making.

East Lothian IJB's vision is set out in its Strategic Plan and supported by a suite of strategies including the 5-year Medium Term Financial Plan and Strategic Workforce Plan. East Lothian IJB's commissioned services need to transform to remain financially sustainable and strong collaborative leadership and partnership working will be needed to deliver this.

Revisions to the Integration Scheme have been concluded. Scottish Ministers approved the revised Integration Scheme in May 2023.

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## **Governance arrangements are appropriate and operate effectively and there is effective scrutiny, challenge and informed decision making**

**47.** East Lothian IJB has well established governance arrangements with the IJB Board supported through the Audit and Risk Committee.

**48.** From review of committee and Board papers and through attendance at committee meetings throughout the year we have found that these are conducted in a professional manner and there is a good degree of scrutiny and challenge by members.

**49.** We consider that governance arrangements are appropriate and support effective scrutiny, challenge and decision making.

**50.** East Lothian IJB's vision is set out in its Strategic Plan 2022-25 and supported by a suite of strategies including the 5-year Medium Term Financial Plan, Strategic Workforce Plan, Commissioning Strategy, and Engagement Strategy.

**51.** The work of the Strategic Planning Group and the Change Boards is important for planning services that meet local needs and that are delivered in financially sustainable models. As demand for services grows and financial resources become even more pressured, East Lothian IJB will need to work with its partners to transform services. The potential impact of preventative and early intervention work has been discussed at IJB meetings but these are areas which the IJB has not yet fully developed.

**52.** Although approval of the Strategic Workforce Plan is a positive step in supporting the strategic objectives of East Lothian IJB, further important development is needed. The 2022/23 Internal Audit Report on Workforce Planning reviewed the adequacy and effectiveness of the arrangements in place for workforce planning. Internal Audit provided 'Reasonable Assurance' on this area but reported that a comprehensive skills gap analysis has not yet been completed so East Lothian IJB is unable to determine workforce demands or develop appropriate recruitment and training to address gaps. Management action to conduct a skills gap analysis is still in progress.

### **Revisions to the Integration Scheme have been concluded**

**53.** Integration Schemes require to be updated every five years. The East Lothian Integration Scheme was reviewed in 2022 with public consultation on the revised scheme in March 2022. Scottish Ministers approved the revised scheme in May 2023.

### **Changes in senior officers**

**54.** There were two recent changes in senior officer posts as the Chief Officer left their post in June 2022 and a new Chief Officer was appointed from July 2022. The Chief Finance Officer left their post in September 2023 and a new Chief Finance Officer was appointed on an interim basis until 31 March 2024. The Interim Chief Finance Officer previously held this role on an interim basis to cover a leave of absence in 2021/22. Recruitment for a permanent Chief Finance Officer is under discussion.

### **Climate change arrangements**

**55.** The Scottish Parliament has set a legally binding target of becoming net zero by 2045 and has interim targets including a 75% reduction in greenhouse gas emissions by 2030. The public sector in Scotland has a key role to play in ensuring these targets are met and in adapting to the impacts of climate change.

**56.** East Lothian IJB is required to comply with the Climate Change (Scotland) Act 2009. The Strategic Plan 2022 commits to issuing a "Net Zero Emissions Target Statement by end November 2022, as required by Scotland's mandatory annual reporting by public bodies on their statutory climate change duties. This statement will reflect the commitments of our partners whose buildings and facilities we occupy and their policies and procedures regarding buildings, transport and energy." We could not locate this statement in a search of the IJB's website. As part of our audit work at NHS Lothian and East Lothian Council we consider the arrangements in place over climate change.

**57.** The Auditor General and Accounts Commission are developing a programme of work on climate change. This involves a blend of climate change-specific outputs that focus on key issues and challenges as well as moving towards integrating climate change considerations into all aspects of audit work.

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# 5. Use of resources to improve outcomes

Public sector bodies need to make best use of their resources to meet stated outcomes and improvement objectives, through effective planning and working with strategic partners and communities.

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## Conclusion

Performance reporting in the annual accounts met the minimum requirements but could be developed to provide more useful insights.

East Lothian IJB is performing above the Scottish average in most of the national integration indicators.

East Lothian IJB does not have arrangements in place to demonstrate how it delivers Best Value.

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## Performance reporting in the annual accounts met the minimum requirements but improved reporting would be more useful

**58.** Management Commentaries included in the annual accounts should provide information on a body, its main objectives and the principal risks faced. It should provide a fair, balanced and understandable analysis of a body's performance as well as helping stakeholders understand the financial statements.

**59.** The management commentary in the annual accounts provides a summary of the main service achievements during the year including explanation of the impact of Covid-19 on outturn and reserves. The commentary was revised in the audited annual accounts to include further narrative on performance against the IJB's strategic objectives and outcomes.

## East Lothian IJB is performing above the Scottish average in most of the national integration indicators.

**60.** The Public Bodies (Joint Working) (Scotland) Act 2014 requires the IJB to produce an annual performance report covering areas such as assessing performance in relation to national health and wellbeing outcomes, financial performance and best value, reporting on localities, and the inspection of services.

**61.** East Lothian IJB's Annual Performance Report 2022/23 was presented to the Board in June 2023. The report is also published on the IJB's website with some commentary on performance achievements.

**62.** Performance levels are measured against a suite of national performance indicators covering areas such as delayed discharges, care services rated 'good' or better by Care Inspectorate inspections, and premature mortality rates. The IJB reported against ten national integration indicators.

**63.** For seven of the ten indicators, East Lothian IJB's annual performance was higher than the Scottish average performance. In particular:

- the premature mortality rate per 1000 population (357) was significantly lower than the Scottish average (442).
- Delayed discharges (number of days people aged 75+ spend in hospital when they are ready to be discharged, per 1,000 population) at 206 days in East Lothian were significantly below the Scottish average of 919 days.

**64.** In three cases performance was below the Scottish national average. For two of these, the East Lothian rate was just below the national average: "falls rate per 1000 population 65+" was 21 (Scottish average 22); and "proportion of last 6 months of life spent at home or in a community setting" in East Lothian (88% in 2022) has remained just below the Scottish average (89% in 2022) for each year recorded. The East Lothian rate of emergency bed days for adults (per 100,000 population) increased slightly from the previous year and remained marginally higher (115,704 in 2022) than the Scottish level (113,134).

**65.** Nine of the national integration indicators are based on data from the biennial Scottish Health and Care Experience survey. The most recent survey was in 2021/22 and performance against these indicators was reported in the IJB's 2021/22 performance report. These national indicators are not directly comparable to previous years because of changes to the wording and methodology of the Health and Care Experience survey.

**66.** The Annual Performance Report also covers the six ministerial steering group performance measures. Performance in 2022/23 against these measures has been mixed. There was a reduction in the number of emergency admissions, but there was a year-on-year deterioration in four measures including new A&E attendances. The 6-year trend remained positive for four measures. The IJB reported data issues in reporting the number of unscheduled geriatric and mental health hospital bed days.

**67.** The IJB's performance reporting mentions very few performance targets and thus it is not clear whether there are areas where performance is not in line with targets. It is not made clear whether targeted action plans have been developed in areas of declining performance and are being monitored to improve performance.

**68.** The IJB provides other information on service performance via the News section of its website, which includes service updates and external inspections. This provides a clear summary with links to further information where relevant. A

joint inspection of adult support and protection measures in East Lothian, undertaken by the Care Inspectorate, Healthcare Improvement Scotland and His Majesty's Inspectorate of Constabulary in Scotland, was published in June 2023. It found clear strengths in ensuring adults at risk of harm are safe, protected and supported.

**69.** We have concluded that the IJB has arrangements in place for measuring and reporting performance but this reporting is unclear on whether performance is in line with targets and what actions are taken to improve performance where areas of concern are identified.

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### **Recommendation 3**

The IJB should expand its performance reporting to report whether performance is in line with targets and to report on mitigating actions planned in areas where performance is not in line with expectations.

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#### **East Lothian IJB does not have arrangements in place to demonstrate how it delivers Best Value**

**70.** Integration Joint Boards have a statutory duty to have arrangements to secure Best Value. To achieve this, IJBs should have effective processes for scrutinising performance, monitoring progress towards their strategic objectives and holding partners to account.

**71.** East Lothian IJB's statutory equalities reporting, financial reporting and performance reporting arrangements demonstrate key aspects set out in the statutory Best Value guidance. However, the IJB does not make an overall assessment of how it delivers Best Value. It is good practice to self-assess compliance with statutory Best Value duties.

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### **Recommendation 4**

The IJB should consider formal self-assessment against the Best Value guidance to demonstrate how it complies with its statutory Best Value duties.

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# Appendix 1. Action plan 2022/23

## 2022/23 recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p><b>1. Financial Sustainability</b></p> <p>East Lothian IJB's medium term financial plan identifies a funding gap of £13.964 million before savings measures. Identified savings are not enough to close the gap. Service transformation will be needed to ensure services remain within the available resource constraints.</p> <p>Risk – the IJB's strategic plans are not financially sustainable.</p>	<p>The IJB should identify savings measures to address the funding gap over the 5-year period of its medium-term financial plan. The IJB should engage with its partners to identify financially sustainable service delivery options.</p> <p><a href="#">Paragraph 45</a></p>	<p>Agreed. The IJB is developing its financial plan and is preparing a recovery plan and a further sustainable plan. This work will be undertaken working closely with both of the IJB's partners. The IJB will ensure that any financial plans will reflect the IJB's overall goals as expressed in its Strategic Plan.</p> <p>This work will be led by the Chief Finance Officer and the Chief Officer.</p> <p>To be actioned by October 2024.</p>
<p><b>2. Strategic financial planning</b></p> <p>East Lothian IJB's medium term financial plan covers a 5-year period and supports the IJB's strategic aims. Robust scenario planning could assist IJB members with strategic decision making in the context of increasing financial pressures and uncertainty over future funding.</p> <p>Risk – the IJB's strategic vision and decision making is</p>	<p>East Lothian IJB should develop robust scenario planning to support members' strategic decision making in the context of increasing uncertainty over future funding and increasing financial pressures.</p> <p><a href="#">Paragraph 46</a></p>	<p>Agreed. This will be addressed as part of the work on the medium term plan above.</p> <p>This work will be led by the Chief Finance Officer and the Chief Officer.</p> <p>To be actioned by March 2025.</p>

Issue/risk	Recommendation	Agreed management action/timing
not fully supported by a sustainable financial plan.		
<p><b>3. Performance reporting</b></p> <p>East Lothian IJB's performance reporting is unclear on whether performance is in line with expectations. It contains few targets and is not explicit on, and on whether targeted improvement actions are planned for areas of concern.</p> <p>Risk – the IJB does not manage its performance effectively.</p>	<p>The IJB should expand its performance reporting to report whether performance is in line with targets and to report on mitigating actions planned in areas where performance is not in line with expectations.</p> <p><a href="#">Paragraph 69</a></p>	<p>Agreed.</p> <p>This work will be led by the Chief Officer.</p> <p>To be actioned by October 2024.</p>
<p><b>4. Compliance with Best Value statutory duties</b></p> <p>East Lothian IJB does not have arrangements in place to demonstrate how it delivers Best Value. It has key elements such as financial and performance reporting in place but does not report an overall assessment of its delivery of Best Value.</p> <p>Risk – the IJB does not comply with its statutory duties.</p>	<p>The IJB should consider formal self-assessment against the Best Value guidance to demonstrate how it complies with its statutory Best Value duties.</p> <p><a href="#">Paragraph 71</a></p>	<p>Agreed. Development work on Best Value was undertaken by the CFO and the IJB's Audit and Risk Committee in 2021/22. This will be reviewed and revised and reported to the IJB for approval.</p> <p>This work will be led by the Chief Finance Officer.</p> <p>To be actioned by October 2024.</p>

## Follow-up of prior year recommendations

Issue/risk	Recommendation	Agreed management action/timing
<p><b>b/f 1 Medium term financial plan update</b></p> <p>The medium-term (five year) financial plan 2021/22 – 2024/25 was prepared under a 'business as usual,' pre-Covid-19 scenario. The plan</p>	<p>The existing medium-term financial plan must be revised to take account of the impact, new challenges, and ways of working as a result of Covid-19.</p>	<p><b>Complete</b></p> <p>The IJB's Strategic Plan 2022-25 recognises the impact of Covid-19 on the future of community health and care services.</p>

Issue/risk	Recommendation	Agreed management action/timing
<p>is due to be refined and updated once there is further clarity on future service provision.</p> <p><b>Risk –</b> There is a risk that the IJB will not be able to deliver against its objectives, its strategic plan and deliver financial balance against its budget in the longer term.</p>		<p>The medium-term financial plan 2022/23-2026/27 that supports this Strategic Plan was presented to the IJB in December 2022, although further updating was needed to identify actions to address the funding gap identified.</p>
<p><b>b/f 2. Performance information provided to the IJB</b></p> <p>It is noted that East Lothian IJB is taking advantage of the nationally agreed delay in producing the annual performance report.</p> <p><b>Risk –</b> There is a risk that the performance information for East Lothian IJB is not reported to the Board on a regular basis with the Board members not being able to see the whole picture of how the IJB is performing.</p>	<p>Ensure the annual performance report is prepared and presented to the IJB in a timely fashion to allow the members of the IJB to be aware of how it is performing as a whole.</p>	<p><b>Complete</b></p> <p>The 2022/23 Annual Performance Report was reported to the IJB in June 2023 and is now published on the IJB's website.</p>

# East Lothian Integration Joint Board

## 2022/23 Annual Audit Report

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