



Edinburgh Integration Joint Board

2015/16 Annual Audit
Report for members of
Edinburgh Integration
Joint Board and the
Controller of Audit

September 2016

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Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. We help the Auditor General for Scotland and the Accounts Commission check that organisations spending public money use it properly, efficiently and effectively (www.audit-scotland.gov.uk/about/).

David McConnell, Assistant Director, Audit Scotland is the engagement lead of Edinburgh Integration Joint Board for the 2015/16 year.

This report has been prepared for the use of Edinburgh Integration Joint Board and no responsibility to any member or officer in their individual capacity or any third party is accepted.

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Key messages

Audit of financial statements

- We have completed our audit of the IJB and issued an unqualified independent auditor's report on the 2015/16 financial statements.
- Working papers were provided according to the agreed timetable.

Financial management & sustainability

- Overall, the IJB has satisfactory financial management arrangements in place and the financial position is sustainable.
- The proposed budget for 2016/17 assumes £22.2 million of efficiency savings in 2016/17, with discussions ongoing with NHS Lothian around bridging the remaining £5.8 million funding gap. Although the majority of these savings have been identified, there is a risk that these planned efficiencies are not delivered, or that additional savings or income streams cannot be identified to bridge the funding gap.

Governance & transparency

- We obtained audit assurance over the accuracy and completeness of financial transactions processed by the partner bodies.
- Internal audit services provided to the IJB comply with Public Internal Audit Standards.

Best Value

- The IJB is fully committed to the integration agenda and has made good progress to date.
- The strategic plan outlines the partnership's aims, visions and priorities for the next three years. This is reviewed annually.
- Key outcomes for the IJB have been agreed.
- The IJB is continuing to develop performance management arrangements to ensure effective reporting of outcomes.

Outlook

- The integration joint board will continue to operate in a period of austerity with reduced funding in real terms, increasing cost pressures and a growing demand for services. All integration authorities need to continue to shift resources, including the workforce, towards a more preventative and community based approach.
- It is important that the IJB can demonstrate that these changes, which may take several years to fully evolve, is making a positive impact on service users and improving outcomes.

Introduction

1. In October 2015 the Accounts Commission approved the appointment of Audit Scotland's Audit Services Group as external auditors of Edinburgh Integration Joint Board (the "IJB"). Our audit appointment is for one year, covering the 2015/16 financial year, the first accounting period for which the IJB is required to prepare financial statements.
2. This report is a summary of our findings arising from the 2015/16 audit of Edinburgh Integration Joint Board. The report is divided into sections which reflect our public sector audit model.
3. The management of the IJB is responsible for:
 - preparing financial statements which give a true and fair view
 - implementing appropriate internal control systems
 - putting in place proper arrangements for the conduct of its affairs
 - ensuring that the financial position is soundly based.
4. Our responsibility, as the external auditor of Edinburgh Integration Joint Board, is to undertake our audit in accordance with International Standards on Auditing, the principles contained in the Code of Audit Practice issued by Audit Scotland in May 2011 and the ethical standards issued by the Auditing Practices Board.
5. An audit of financial statements is not designed to identify all matters that may be relevant to those charged with governance. It is the auditor's responsibility to form and express an opinion on the financial statements; this does not relieve management of their responsibility to prepare financial statements which give a true and fair view.
6. [Appendix I](#) lists the audit risks that we identified in the annual audit plan we issued in May 2016. It also summarises the assurances provided by management to demonstrate that risks are being addressed and the conclusions of our audit work. [Appendix II](#) lists the reports we issued to the IJB during the year. A number of national reports have been issued by Audit Scotland during the course of the year. These reports, summarised at [Appendix III](#), include recommendations for improvements.
7. [Appendix IV](#) is an action plan setting out our recommendation to address the high level risk we have identified during the course of the audit. Officers considered the issues and agreed to take steps to address them. The IJB should ensure it has a mechanism in place to assess progress and monitor outcomes.
8. We have included in this report only those matters that have come to our attention as a result of our normal audit procedures; consequently, our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.
9. The cooperation and assistance afforded to the audit team during the course of the audit is gratefully acknowledged.

Audit of the 2015/16 financial statements

| | |
|---------------------------------|---|
| <p>Audit opinion</p> | <ul style="list-style-type: none"> • We have completed our audit and issued an unqualified independent auditor’s report. |
| <p>Going concern</p> | <ul style="list-style-type: none"> • The financial statements were prepared on the going concern basis. • The IJB had not agreed its 2016/17 budget at the start of the financial year. However we do not feel this or any other events or conditions cast significant doubt on the IJB’s ability to continue as a going concern. |
| <p>Other information</p> | <ul style="list-style-type: none"> • We review and report on other information published with the financial statements, including the management commentary, annual governance statement and the remuneration report. We consider whether these reports have been properly prepared, comply with extant guidance and are consistent with the financial statements. • We report any material errors or omissions, any material inconsistencies with the financial statements or any otherwise misleading content. We have nothing to report in respect of the other information published as part of the annual report and accounts. |

Submission of financial statements for audit

10. The Public Bodies (Joint Working) (Scotland) Act 2014 specifies that Integration Joint Boards (IJBs) should be treated as if they were bodies falling within section 106 of the Local Government (Scotland) Act 1973. The financial statements of the IJB are prepared in accordance with the 1973 Act and the 2015/16 Code of Practice on Local Authority Accounting in the United Kingdom (the Code).
11. NHS Lothian is required to submit audited accounts by 30 June each year. The IJB had satisfactory arrangements in place to ensure that information required by its stakeholder bodies was received by specified dates to enable incorporation into the group accounts of the stakeholder bodies. This included details of balances held at the year-end, the transactions in the year and other information including assurances needed for the governance statement.
12. We received the unaudited financial statements of the IJB in accordance with the agreed timetable. The working papers were of a good standard and finance staff provided good support to the audit team which assisted the delivery of the audit by the deadline.

Overview of the scope of the audit of the financial statements

13. Information on the integrity and objectivity of the appointed auditor and audit staff, and the nature and scope of the audit, were outlined in our Annual Audit Plan presented to the Audit and Risk Committee on 20 May 2016.

14. As part of the requirement to provide full and fair disclosure of matters relating to our independence, we can confirm that we have not undertaken non-audit related services. The 2015/16 agreed fee for the audit was set out in the Annual Audit Plan and as we did not carry out any work additional to our planned audit activity, the fee remains unchanged.
15. The concept of audit risk is central to our audit approach. We focus on those areas that are most at risk of causing material misstatement in the financial statements. In addition, we consider what risks are present in respect of our wider responsibility, as public sector auditors, under Audit Scotland's Code of Audit Practice.
16. During the planning phase of our audit we identified a number of risks and reported these to you in our Annual Audit Plan along with the work we proposed doing in order to obtain appropriate levels of assurance. [Appendix I](#) sets out the significant audit risks identified and how we addressed each risk.
17. Our audit involved obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error.

Materiality

18. Materiality can be defined as the maximum amount by which auditors believe the financial statements could be misstated and still not be expected to affect the decisions of users of financial

statements. A misstatement or omission, which would not normally be regarded as material by amount, may be important for other reasons (for example, an item contrary to law).

19. We consider materiality and its relationship with audit risk when planning the nature, timing and extent of our audit and conducting our audit programme. Specifically with regard to the financial statements, we assess the materiality of uncorrected misstatements, both individually and collectively.
20. We summarised our approach to materiality in our Annual Audit Plan. As Edinburgh IJB did not become fully operational until 1 April 2016, the decision on the appropriate level of materiality was deferred until the receipt of the unaudited accounts. Based on our knowledge and understanding of Edinburgh IJB, materiality has been set at £1,000 (or 1% of gross expenditure).

Evaluation of misstatements

21. The audit identified some presentational adjustments which were discussed and agreed with management. There were no monetary adjustments required as a consequence of our audit work.

Significant findings from the audit

22. International Standard on Auditing 260 requires us to communicate to you significant findings from the audit, including:
 - The auditor's views about significant qualitative aspects of the entity's accounting practices, including accounting policies, accounting estimates and financial statement disclosures

- Significant difficulties encountered during the audit
 - Significant matters arising from the audit that were discussed, or subject to correspondence with management
 - Written representations requested by the auditor
 - Other matters which in the auditor's professional judgment are significant to the oversight of the financial reporting process.
23. There are no findings from our financial statements audit that we consider need brought to your attention.

Future accounting and auditing developments

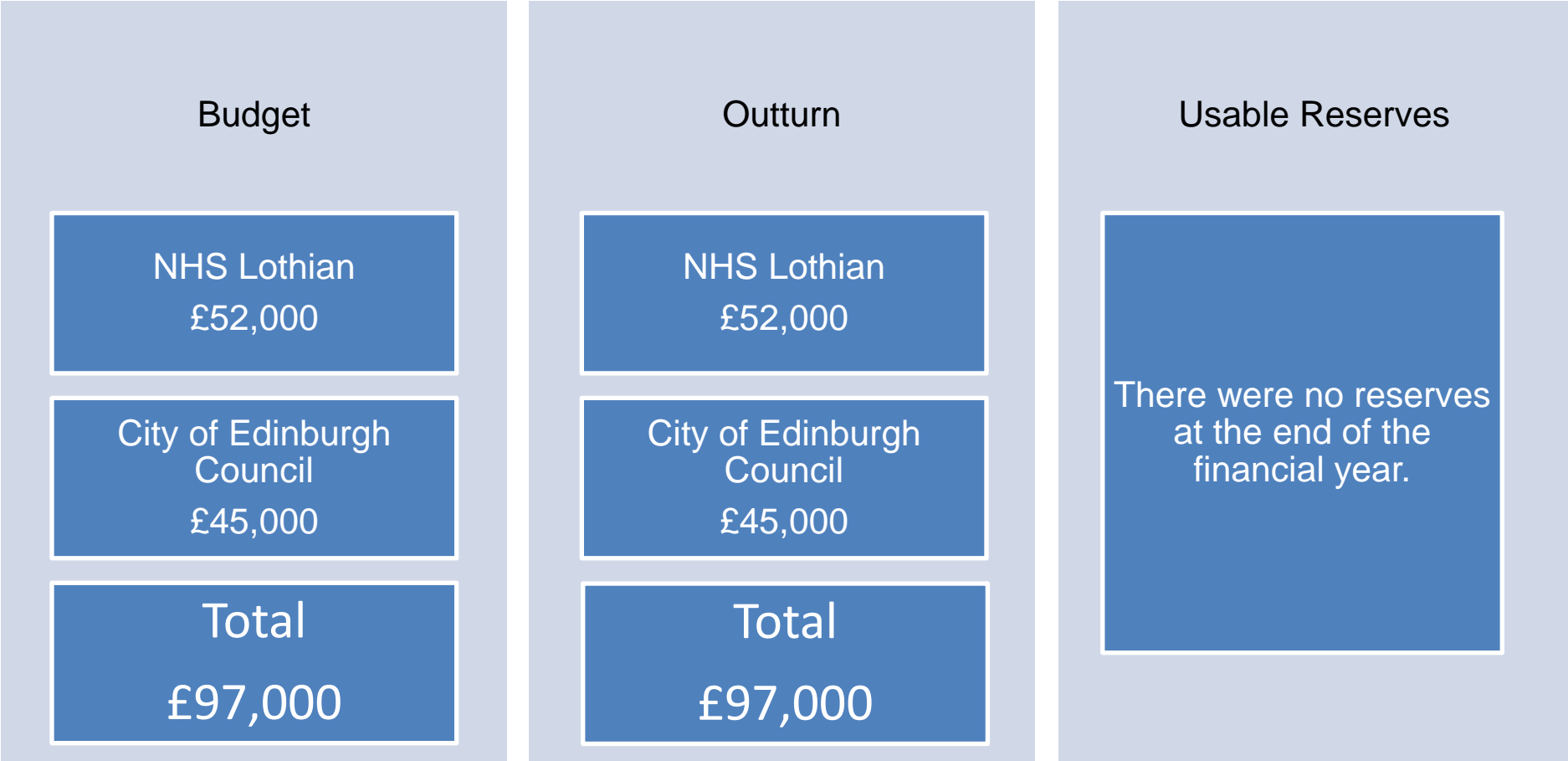
Audit appointment from 2016/17

24. The Accounts Commission is responsible for the appointment of external auditors to integration joint boards. Paragraph 1 of this report refers to Audit Scotland's one year appointment as the auditor of Edinburgh Integration Joint Board in 2015/16. This was restricted to one year to reflect the final year of our five year appointment as auditors of NHS Lothian and City of Edinburgh Council. External auditors are appointed for a five year term either from Audit Scotland's Audit Services Group or private firms of accountants.
25. The procurement process for the new round of audit appointments was completed in March 2016. Your new appointed auditor will be Scott-Moncrieff.

Code of Audit Practice

26. A new Code of Audit Practice applies to public sector audits for financial years starting on or after 1 April 2016. It replaces the Code issued in May 2011. It outlines the objectives and principles to be followed by auditors.
27. The new Code increases the transparency of our work by making more audit outputs available on Audit Scotland's website. In addition to publishing all Annual Audit Reports, Annual Audit Plans and other significant audit outputs will be put on the website for all audited bodies. This is irrespective of whether the body meets in public or makes documents available to the public through its own website.

Financial management and sustainability



Financial management

28. In this section we comment on the Edinburgh Integration Joint Board financial performance and assess the IJB's financial management arrangements.
29. The IJB does not have any assets, nor does it directly incur expenditure or employ staff, other than the Chief Officer. All funding and expenditure relating to services managed by the IJB are incurred by the stakeholder parties and processed in their accounting records. Satisfactory arrangements are in place to identify this income and expenditure and report this financial information to the IJB.
30. The integration scheme between NHS Lothian and City of Edinburgh Council sets out the financial arrangements around payments by the parties to Edinburgh Integration Joint IJB in respect of all of the functions delegated by them to the IJB.
31. Legislation empowers the IJB to hold reserves. The integration scheme and the reserves strategy set out the arrangements between the partners for addressing and financing any overspends or underspends. It highlights that underspends in an element of the operational budget arising from specific management action may be retained by the IJB to either fund additional in year capacity, or be carried forward to fund capacity in future years of the Strategic Plan. Alternatively, these can be returned to the partner bodies.
32. Where there is a forecast overspend the partner bodies must agree a recovery plan to balance the budget.

Financial performance 2015/16

33. The IJB set a breakeven budget for 2015/16. This was based on administrative expenditure of £97,000 with £52,000 contributed by NHS Lothian and £45,000 City of Edinburgh Council. The IJB recorded a breakeven position at the end of March 2016.

Financial management arrangements

34. As auditors, we need to consider whether audited bodies have established adequate financial management arrangements. We do this by considering a number of factors, including whether:
 - the Chief Financial Officer has sufficient status to be able to deliver good financial management
 - standing financial instructions and standing orders are comprehensive, current and promoted within the IJB
 - reports monitoring performance against budgets are accurate and provided regularly to budget holders
 - monitoring reports do not just contain financial data but are linked to information about performance
 - IJB members provide a good level of challenge and question budget holders on significant variances.
35. The Chief Finance Officer was appointed on an interim basis in July 2015, pending the appointment of a Chief Officer for the IJB and the introduction of a reporting structure to the Chief Officer. The IJB intend to make a permanent Chief Finance Officer appointment by the end of 2016.

36. We reviewed the standing orders, which were created on the formation of the IJB. These were approved by the IJB and we consider these to be adequate.
37. Financial due diligence was undertaken by officers during 2015/16 on the proposed 2016/17 resource allocations from City of Edinburgh Council and NHS Lothian. These process included reviews of the historical spend of both organisations, identification of non-recurring or previously committed budget elements, and assessment of key risk areas around the deliverability of services. Regular updates on the due diligence process were made to the IJB during 2015/16.
38. The IJB is currently developing a financial reporting strategy for 2016/17 that builds on existing reporting arrangements in the partner bodies. Both City of Edinburgh Council and NHS Lothian currently monitor expenditure on a monthly basis, however NHS Lothian use quarterly budget forecasts whilst the Council work use monthly forecasts. The high level financial position for EIJB as at 31 May 2016 was reported to the IJB in July 2016. Going forward, quarterly financial reporting to the IJB will be aligned to the most current forecast information available.
39. As auditors we attend a number of Board meetings and Audit and Risk Committee meetings. IJB members provide a good level of challenge and question budget holders on significant variances and service performance issues.

Conclusion on financial management

40. We have concluded that the IJB has satisfactory financial management arrangements. These support the review and scrutiny of financial performance, the achievement of financial targets, and awareness of any potential overspends.

Financial sustainability

41. Financial sustainability means that the IJB has the capacity to meet its current and future plans. In assessing financial sustainability we are concerned with whether:
 - spending is being balanced with income in the short term
 - long-term financial pressures are understood and planned for.

Financial planning

42. A budget of £596 million has been proposed for 2016/17, as set out in table 1.
43. In addition to the direct allocations from City of Edinburgh Council and NHS Lothian, the proposed budget includes additional funding allocated nationally by the Scottish Government Health and Social Care Directorate. EIJB's share of this £250 million national allocation is £20 million. Within the overall budget of £596 million, the IJB will have strategic influence over £93 million of the large hospital services budget during 2016/17, to improve social care outcomes.

Table 1: EIJB Indicative budget 2016/17

| | Base budget (£million) |
|-----------------------------|---------------------------|
| City of Edinburgh Council | 185.226 |
| NHS Lothian core and hosted | 297.923 |
| Social care fund | 20.180 |
| Sub-total | 503.329 |
| NHS Lothian set aside | 93.144 |
| Total | 596.473 |

Source: IJB Board papers July 2016

44. Delays to the agreement of the Scottish Government's financial plans, and the subsequent delay in agreeing NHS Lothian's financial plan meant that the IJB budget for 2016/17 was not formally set at the beginning of the financial year. The council budget was set on 21 January 2016. This provided confirmation of the council element of the partnership funding, although discussions continue around conditions attached to elements of the social care fund previously delivered through the council.
45. The NHS Lothian element of partnership funding for 2016/17 is based on a financial plan submitted to the Scottish Government which was out of balance by £20 million, with the IJB's share of this gap being £5.8 million. Subsequently, £6 million of recurring funding has been allocated to NHS Lothian, and they are currently
- investigating a number of other areas to deliver a balanced budget. The distribution of this recurring funding and allocation of additional efficiency savings to the IJB has still to be determined.
46. The absence of an agreed budget at the start of the 2016/17 financial year meant there was some uncertainty during this period regarding the extent to which the IJB could develop and implement its strategic plan objectives. However the IJB has continued to develop and implement these objectives on the basis of indicative funding levels, with limited movement from these original assumptions.
47. The proposed funding settlements for 2016/17 assume realisation of efficiency savings of £22.2 million across the partner bodies, with savings plans developed to deliver these. As noted in previous paragraphs, a funding gap of £5.8 million exists in relation to NHS Lothian's settlement, and the IJB is continuing discussions with NHS Lothian about bridging this gap.
48. Although historically both partner bodies have delivered within budget, in recent years they have faced significant challenges in achieving this position. NHS Lothian continues to face significant pressures on its budget, particularly around delayed discharges and prescribing, including the increasing costs of acute drugs, all of which impact on services within the IJB remit. The council is going through a significant transformation programme, which aims to radically restructure how its services are delivered. A number of the planned efficiency savings are predicated on successful delivery of this programme. There remains a risk that the planned efficiencies

are not delivered or that additional savings or income streams cannot be identified to bridge the current funding gap.

Action point 1

Conclusion on financial sustainability

49. Overall we conclude that the IJB's financial position is sustainable currently and in the foreseeable future. However this is contingent on partner bodies' continuing their track record of delivering efficiency savings over the coming years, which will require close financial monitoring and early intervention where necessary.

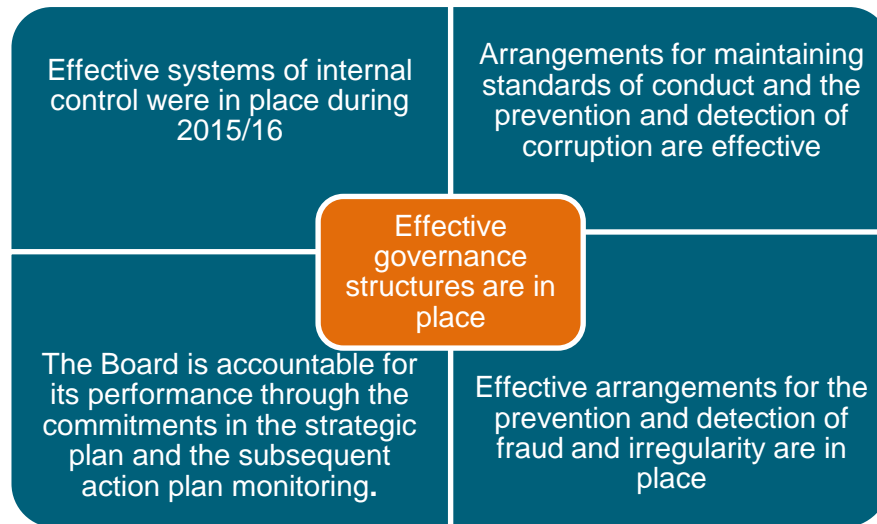
Outlook

50. NHS boards and councils have faced several years of financial constraints and this is expected to continue in the coming years. The ageing population and increasing numbers of people with long term conditions and complex needs have already placed significant pressure on health and social care budgets. This puts further pressure on finances.

51. Strategic plans, while setting out the broad direction, will need to be clear regarding the IJB's priorities and the financing and staff that will be available over the longer term to match these priorities. It is important that they provide detail on the level of resources required in each key area and how they will shift resources towards preventative and community based care.

52. In response to these challenges a transformation programme is being put in place across the Partnership in order to set out and deliver a future operating model for Health & Social Care delivery. The progress of this programme will be reported regularly to the EIJB and the audit and risk committee. The IJB will need to show how it is responding to any challenges that arise from this programme.

Governance and transparency



53. Good governance is vital to ensure that public bodies perform effectively. This can be a particular challenge in partnerships, with board members drawn from a wide range of backgrounds.
54. The integration scheme between City of Edinburgh Council and NHS Lothian sets out the key governance arrangements. It also sets out the requirement to identify and collate a core set of indicators and measures which relate to integrated functions to enable the reporting of performance targets and improvement measures.
55. The IJB is responsible for establishing arrangements for ensuring the proper conduct of the affairs of Edinburgh Integration Joint Board and for monitoring the adequacy of these arrangements.
56. The IJB comprises a wide range of service users and partners including five councillors nominated by City of Edinburgh Council and five non-executive directors nominated by NHS Lothian.
57. The IJB is supported by a Chief Officer who provides overall strategic and operational advice to the Integration Joint Board, and is directly accountable to the IJB for all of its responsibilities. The Chief Officer is also accountable to both the Chief Executive of City of Edinburgh Council and the Chief Executive of NHS Lothian. The Chief Officer also provides regular reports to both the Council and the NHS Board.
58. The IJB is responsible for the strategic planning of health and social care services in Edinburgh, and is supported by the Audit and Risk Committee.
59. The services are delivered through the Edinburgh Health and Social Care Partnership. The operational structure of the Partnership focuses on the delivery of most services on a locality basis across 4 geographic boundaries, which take account of existing neighbourhood partnerships within the local authority area.
60. The IJB met on a regular basis throughout the year, and the Audit and Risk Committee has established a quarterly cycle of meetings since its inception in April 2016. We review Board minutes and Audit and Risk Committee minutes to ensure they are fulfilling their

responsibilities. We also periodically attend meetings of the Audit and Risk Committee. Additionally, we attend selected Board meetings to observe how it operates. We concluded that the IJB has appropriate governance arrangements in place and they provide a framework for effective organisational decision making.

Internal control

61. While auditors concentrate on significant systems and key controls in support of the opinion on the financial statements, their wider responsibilities require them to consider the financial systems and controls of audited bodies as a whole. However, the extent of this work should also be informed by their assessment of risk and the activities of internal audit.
62. City of Edinburgh Council and NHS Lothian are the partner bodies. All financial transactions of the IJB are processed through the financial systems of the partner bodies and are subject to the same controls and scrutiny of the council and health board, including the work performed by internal audit.
63. We sought and obtained assurances from the external auditor of the council and health board regarding the systems of internal control used to produce the transactions and balances recorded in the IJB's annual accounts.
64. We also reviewed the IJB's budget setting and financial monitoring arrangements. Overall, we consider the systems of internal control to be effective.

Internal audit

65. Internal audit provides the IJB and Chief Officer with independent assurance on the IJB's overall risk management, internal control and corporate governance processes. The Chief Auditor of City of Edinburgh Council has been appointed as Chief Internal Auditor for the IJB. An internal audit plan for 2016/17 has been developed and scrutinised by the Audit and Risk Committee.
66. We carried out a review of the adequacy of the internal audit functions at each of the partner bodies. We concluded that internal audit at each partner body operates in accordance with the Public Sector Internal Audit Standards (PSIAS) and has sound documentation standards and reporting procedures in place.
67. As services become more integrated, transactions relating to the IJB will be more fluid between the parties. This provides a challenge to auditors since the annual audit plans of each partner are based on carrying out audit work which may be based on the accounting systems and governance arrangements that relate only to the partner that the auditor is appointed to.

Arrangements for the prevention and detection of fraud and other irregularities

68. Arrangements are in place to ensure that suspected or alleged frauds or irregularities are investigated by one of the partner bodies internal audit sections. Since the IJB does not directly employ staff, it has been agreed that investigations will be carried out by the internal audit service of the partner body where the fraud or

irregularity originated. If this relates to NHS Lothian, there are arrangements in place to use the Counter Fraud Services. The IJB recognises that, as partnership services become more integrated, the investigations will need to take up a more joined up approach.

69. We concluded that the IJB had effective arrangements in place for fraud detection and prevention during 2015/16.

Arrangements for maintaining standards of conduct and the prevention and detection of corruption

70. The Integration Joint Board requires that all members must comply with the Standards in Public Life - Code of Conduct for Members of Devolved Public Bodies. A register of members' interests is in place for IJB Members and senior officers.
71. Based on our review of the evidence we concluded that the IJB has effective arrangements in place for the prevention and detection of corruption and we are not aware of any specific issues that we need to record in this report.

Transparency

72. Local residents should be able to hold the IJB to account for the services it provides. Transparency means that residents have access to understandable, relevant and timely information about how the IJB is taking decisions and how it is using its resources.

73. The Integration Joint Board's purpose and vision are outlined in its Strategic Plan 2016-19, which was approved on 11 March 2016. This shows what success would look like and sets out the IJB's priorities for the next three years. In doing so, it takes account of the priorities outlined in the 2020 Vision for Health and Social Care and the strategic priorities of the Edinburgh Community Planning Partnership.
74. The Strategic Plan for 2016/2019 sets out a range of actions the partnership will take and provides a basis for measuring how well they are doing and whether they are achieving the IJB's priorities and the national outcomes. The action plan is set for a three year period and is reviewed annually.
75. In addition to City of Edinburgh Council and NHS Lothian representation, the IJB includes a number of representatives from health and social care professionals, including GPs, employees, unpaid carers, service users, and the third sector.
76. Members of the public can attend meetings of the IJB. A significant amount of the IJB's business is transacted through the Audit and Risk Committee, the Strategic Planning Group, and the quality and performance sub-group. Minutes and related papers for the IJB are available on the council website. The other committee/group papers are not publicly available, although minutes of their meetings are available within Board papers, and some reports have been presented to the Board for information. As the role and operation of the standing committees and groups develop, the IJB should consider expanding the number of reports routinely available

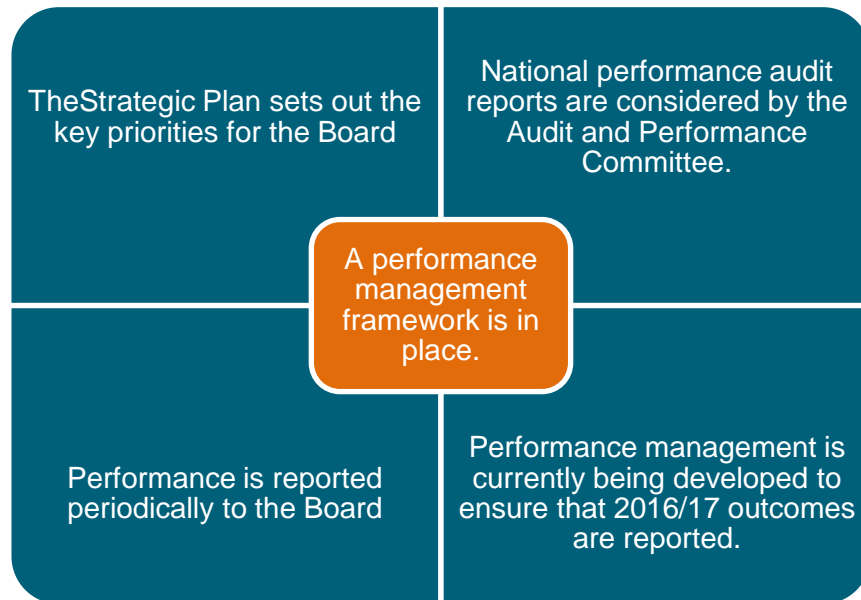
through the council website. Where papers include confidential information these can be withheld or redacted as appropriate.

77. Overall we concluded that the IJB is open and transparent although we believe there is an opportunity to enhance existing arrangements as the Partnership develops.

Outlook

78. Edinburgh Integration Joint Board faces continuing challenges on a number of fronts including mounting financial challenges, meeting exacting performance targets, and delivering the Scottish Government's aim of having people living longer and healthier lives at home or a homely setting (i.e. the 2020 Vision).
79. The design of IJBs brings the potential for real or perceived conflicts of interest for board members and senior managers. Partners need to be clear regarding how governance arrangements will work in practice, particularly when disagreements arise. This is because there are potentially confusing lines of accountability, which could hamper the IJB's ability to make decisions about the changes involved in redesigning services. People may also be unclear who is ultimately responsible for the quality of care.
80. Embedding robust governance arrangements will be an essential element in meeting these challenges and maintaining accountability. All stakeholders including patients, clinicians, carers, the public, staff, partner bodies and the Scottish Government, benefit from the assurance and confidence a good governance regime brings.

Best Value



- 81. The Public Bodies (Joint Working) (Scotland) Act 2014 set out a broad framework for creating integration authorities and gave councils and NHS boards a great deal of flexibility to enable them to develop integrated services that are best suited to local circumstances.
- 82. Integration authorities are required to contribute towards nine national health and wellbeing outcomes. These high level outcomes seek to measure the quality of health and social care services and their impact on, for example, allowing people to live independently and in good health, and reducing health inequalities. This signals an

important shift from measuring internal processes to assessing the impact on people using health and social care services.

- 83. The integration scheme specifies the wide range of functions delegated by the council and NHS Lothian to the IJB. These include all services previously carried out by the council's social services department plus a wide range of service previously carried out by the health board including accident and emergency, all community hospitals, all mental health inpatients services, and primary care.
- 84. Accountable officers have a specific responsibility to ensure that arrangements have been made to secure Best Value. IJBs need to establish effective arrangements for scrutinising performance, monitoring progress towards their strategic objectives, and holding partners to account. There is also a need for regular reporting to partner organisations. This is particularly important as most members of City of Edinburgh Council and NHS Lothian are not directly involved in the IJB's work.

Arrangements for securing Best Value

- 85. The integration scheme committed the IJB to delivering the national outcomes for Health & Wellbeing. Partners identified a core set of indicators and targets and then agreed a framework for reporting progress against these. Locality planning arrangements are also in place which are multi disciplinary and multi sectoral and allow for different local needs to be taken into account in strategic planning.
- 86. The IJB is also committed to a number of high profile deliverables, including savings plans relating to both City of Edinburgh Council

and NHS Lothian, tackling inequalities and poor health outcomes through targeted service delivery on a locality basis, and shifting the balance of care for frail older people to support independent living.

87. The IJB are members of the Lothian Integration Dataset group, which has been working to identify a range of measures of interest to the four integration boards within the NHS Lothian boundary. The aim of the group is to provide a dataset for shared use by the four partnerships, which can be augmented by local measures.
88. The four Edinburgh and Lothian IJBs have identified services that each of the partnerships will lead. For example, Edinburgh Health and Social Care Partnership leads the delivery of rehabilitation and sexual health services. A key objective in respect of the allocation of lead roles across the partnerships was to fairly and effectively monitor, manage and share risks and resources.
89. A key aspect in achieving the vision and priorities set out in the IJB's strategic plan is the effective integration of workforce development across the partnerships to make best use of capacity. This is made more challenging by workforce restructuring ongoing as part of the council's transformation programme. This restructuring is necessary to deliver the financial savings required within the 2016/17 budget. Close management of the programme will be necessary to minimise the risks and impact on workforce development and the IJB's planned service delivery through the transition period.
90. Overall, we concluded that the IJB has arrangements for securing BV and continuous improvement.

Performance management

91. The Strategic Plan identifies six strategic priorities that are linked to the Scottish Government's nine health and wellbeing indicators. These are:
 - Tackling inequalities
 - Prevention and early intervention
 - Person centred care
 - Right care, right place, right time
 - Making best use of capacity across the system
 - Managing our resources effectively.
92. In April 2016 the IJB established a quality and performance sub group whose remit includes the development of a performance framework for the strategic plan. The group are developing and testing rubrics to provide clear criteria and standards against which the 44 actions in the strategic plan can be measured. In addition, 23 core indicators, linked to the key priorities and actions, have been developed from national sources so that the measurement approach for the agreed integration health and wellbeing outcomes is consistent across all areas.
93. The group reports regularly to the Board on progress in developing this framework. The performance management framework will continue to evolve as improved targets or data sources become available through, for example, the change programme.

- 94. As part of the IJB's due diligence process, the budget proposal offers for 2016/17 from both NHS Lothian and City of Edinburgh Council, setting out the expected level of resource available to the EIJB, and identifying potential risks and pressures. Throughout the process the EIJB have been updated by the Chief Finance Officer about progress and whether any issues are arising. The Internal Audit teams of both City of Edinburgh Council and NHS Lothian have reviewed this process and have reported their findings to the relevant committees.
- 95. Managers from both City of Edinburgh Council and NHS Lothian have been working together to develop a budgetary reporting strategy although this has been challenging due to the different methods of reporting in the organisations.
- 96. We concluded that the IJB has established a satisfactory performance management framework. This is based on the developing arrangements and existing performance frameworks at both City of Edinburgh Council and NHS Lothian.

Outlook

- 97. Pressures on health and social care services are likely to continue to increase for the foreseeable future. These increasing pressures have significant implications on the cost of providing health and social care services and challenges in ensuring that people receive the right care, at the right time, and in the right setting.
- 98. The IJB is responsible for co-ordinating health and social care services and commissioning NHS Lothian and City of Edinburgh

Council to deliver services in line with the strategic plan. Over time, the intention is that this will lead to a change in how services are provided, with a greater emphasis on preventative services and allowing people to receive care and support in their home or local community.

- 99. The IJB will need to continue to demonstrate and report whether this is making a positive impact on service users and improving outcomes. To help achieve this it is important that the IJB has strategies covering the workforce, risk management, engagement with service users, and data sharing arrangements which help to enable delivery of the IJB's strategic priorities.

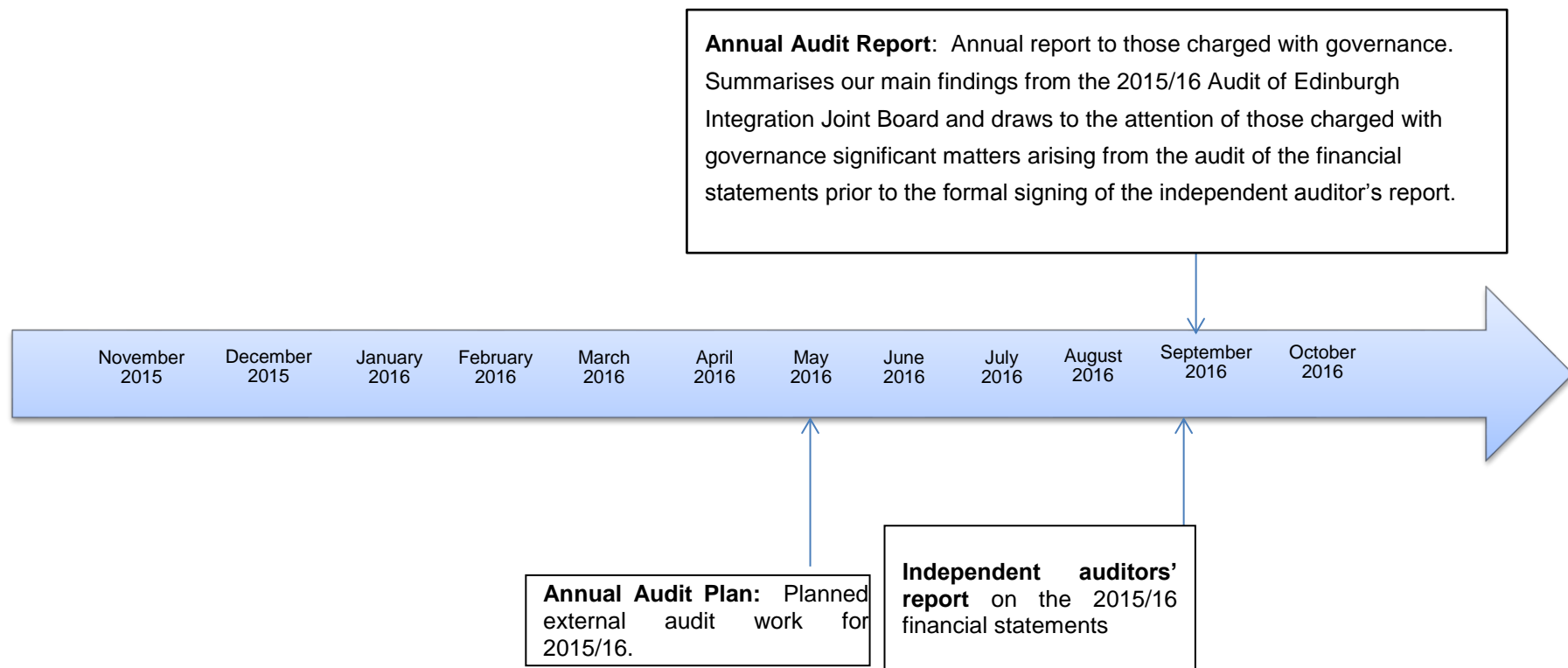
Appendix I: Significant audit risks

The table below sets out the audit risks we identified during the course of the audit and how we addressed each risk in arriving at our opinion on the financial statements.

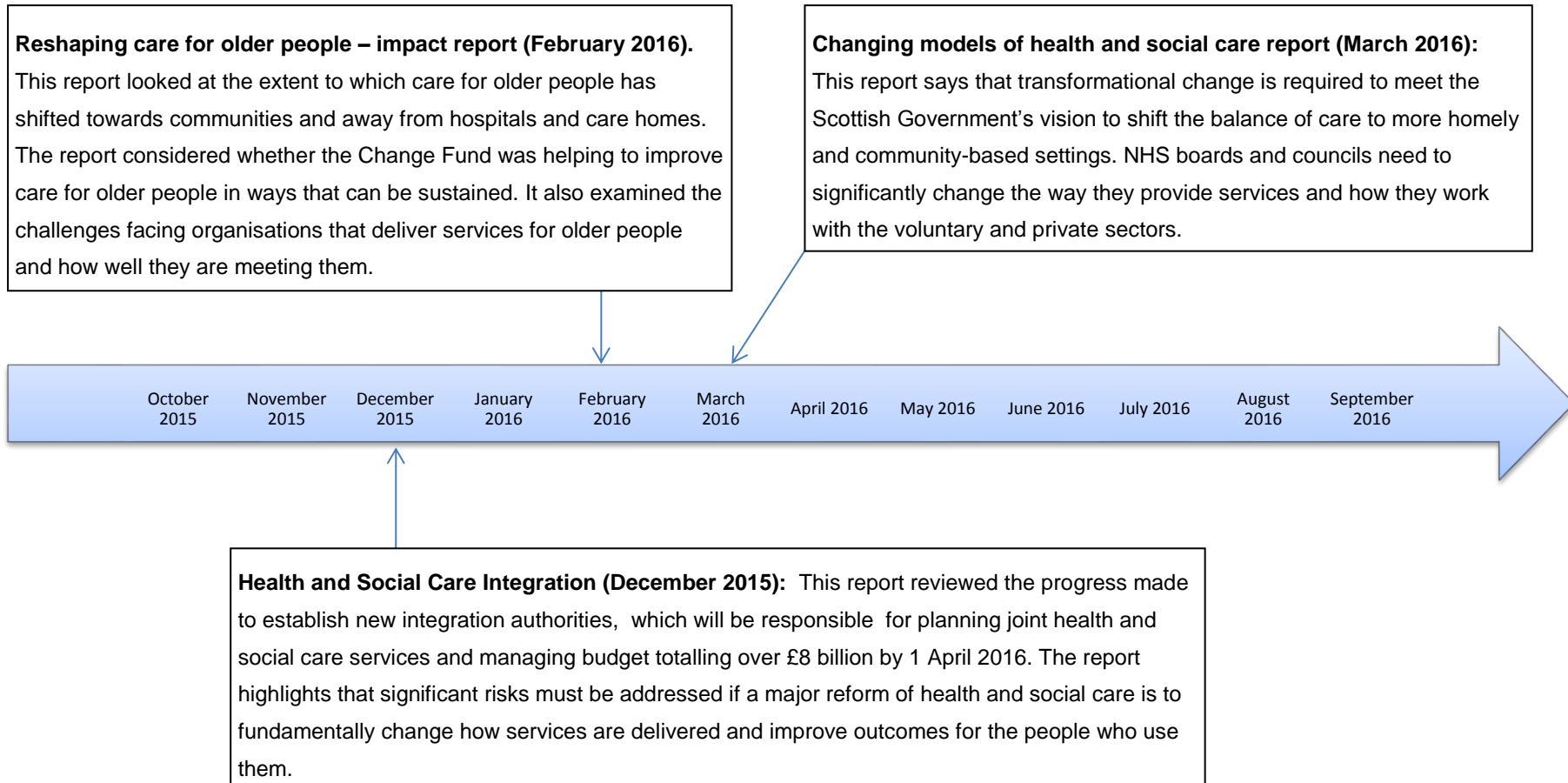
| Audit Risk | Assurance procedure | Results and conclusions |
|--|---|---|
| Risk of material misstatement in the financial statements | | |
| <p>Financial statements</p> <p>The financial statements for the IJB have to be prepared for the first time in 2015/16 for the period from July 2015. The financial statements are required to be prepared in accordance with relevant legislation and the Code of Practice on Local Authority Accounting in the United Kingdom.</p> <p>The IJB is a new body and may not yet have the processes and procedures in place to provide the required financial information.</p> <p>Risk: There is a risk that financial statements disclosures and supporting working papers will not be prepared to the required quality and by agreed timescales.</p> | <ul style="list-style-type: none"> • Review of the IJB's arrangements to ensure the proper conduct of its financial affairs. • Continued engagement with officers prior to the accounts being prepared to ensure relevant information is disclosed and the timetable met. • Review of accounts for compliance technical guidance from LASAAC and IRAG. • Review of accounting policies to ensure they are appropriate and complete. | <ul style="list-style-type: none"> • The financial statements were presented for audit in accordance with the agreed timetable. • No areas of concern highlighted by our audit testing. |

| Audit Risk | Assurance procedure | Results and conclusions |
|---|---|---|
| <p>Governance statement and management assurances</p> <p>Preparation of the IJB financial statements will rely on the provision of financial and non financial information from the systems of the partner bodies.</p> <p>Risk: There is a risk that the Chief Officer does not have adequate assurance that information received from each partner is accurate and complete.</p> | <ul style="list-style-type: none"> • Carry out audit testing to confirm the accuracy and correct allocation of IJB transactions. • Seek relevant audit assurances from the health board auditors. | <ul style="list-style-type: none"> • Assurances obtained from City of Edinburgh Council and NHS Lothian • No areas of concern noted through audit testing |
| <p>Risks identified from the auditor’s wider responsibility under the Code of Audit Practice</p> | | |
| <p>Financial planning and sustainability</p> <p>The IJB is operating in an environment with a number of challenges and risks to future finances. These include increases in demand, demographic changes, welfare reform and potential changes in central funding. The IJB will need strong financial management and budgetary control to address these challenges.</p> | <p>Ensured that ongoing budget monitoring accurately reflects the position of the IJB.</p> | <ul style="list-style-type: none"> • No further areas of concern highlighted by our audit work. |

Appendix II: Summary of Edinburgh IJB local audit reports 2015/16



Appendix III: Summary of Audit Scotland national reports 2015/16



Appendix IV: Action plan

| No. | Para ref. | Issue/risk/Recommendation | Management action/response | Responsible officer / Target date |
|-----|-----------|---|---|---|
| 1. | 48 | <p>Issue</p> <p>The indicative budget for the IJB in 2016/17 assumes that the IJB will achieve efficiency savings in the financial year of £22.2 million. In addition, discussions are ongoing with NHS Lothian around how the current funding gap of £5.8 million will be bridged. There remains a risk that planned efficiencies are not delivered, or additional savings or income streams cannot be identified, leaving the IJB with a deficit for the financial year.</p> <p>Recommendation</p> <p>The IJB should monitor progress towards realising identified savings on a monthly basis, and develop contingency plans to address projected funding gaps.</p> | <p>The financial position is considered on a regular basis at a number of forums. As the Partnership develops, a number of the pre existing arrangements for financial scrutiny remain in place, including:</p> <ul style="list-style-type: none"> quarterly financial performance meetings for the health services in the partnership scrutiny as part of overall NHS Lothian financial position through regular reports to the NHS Lothian Corporate Management Team, Finance and Resources Committee and NHS Lothian Board regular reporting of financial performance for CEC delivered services to the council's Health and Social Care Committee ongoing review of corporate performance by the council's Corporate Management Team and the Finance and Resources Committee. <p>Finance is an agenda item at each Partnership Executive Team meeting and the Chief Officer and Chief Finance Office have scheduled regular star chamber sessions with senior budget holders. These will focus on delivery of base budgets and savings programmes, and aim to identify any slippage and mitigating actions at an early stage. We also have the support of EY who are providing project management support to the overall savings programme.</p> <p>This is supplemented by finance updates to each of the IJB meetings.</p> | <p>Chief Finance Officer</p> <p>Ongoing</p> |