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**SBC Internal
Audit Section**

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Internal Audit Annual Assurance Report 2017/18 (Final)

to

Chief Officer and Interim Chief Financial Officer

for

Scottish Borders Health and Social Care Integration Joint Board

21 June 2018

1 Background and Introduction

The Public Bodies (Joint Working) (Scotland) Bill was passed by the Scottish Parliament on 25 February 2014 establishing the framework for the integration of health and social care in Scotland. Under the framework the Integration Joint Board (IJB) was established which via the process of delegation from the Health Board and Local Authority and its Chief Officer, has responsibility for the planning, resourcing and operational delivery of all integrated services which have been delegated.

The Scottish Borders Health and Social Care IJB is a legal entity in its own right, created by Parliamentary Order on 6 February 2016 following Ministerial approval of a Scheme of Integration which sets out the detail of the integration arrangement, as agreed by NHS Borders and Scottish Borders Council. It is therefore expected to operate under public sector good practice governance arrangements which are proportionate to its transactions and responsibilities.

The IJB, as strategic commissioner of health and social care services, gives directions to NHS Borders and Scottish Borders Council for delivery of the services in line with the Strategic Plan. The Scheme of Integration sets out how the managerial arrangements across the integrated arrangements flow back to the IJB and the Chief Officer. These arrangements are further supported by the IJB's Local Code of Corporate Governance.

There are a growing number of people needing services, at a time of limited resources with which to deliver them, and in order that services both meet the expectations and needs of service users and are sustainable these services must be provided more effectively and efficiently in future.

2 Scope

We summarise below the work we have undertaken to obtain assurances over the arrangements in place for each area considered and our conclusions on the effectiveness and appropriateness of these arrangements.

Corporate Governance

- assess the IJB's corporate governance arrangements in place to deliver services to meet the needs of service users and the strategic priorities for health and social care integration set out in the Strategic Plan.
- assess the IJB's progress in commissioning redesigned services and their fit with stated strategic objectives.
- attend the IJB meetings to observe planning, approval, monitoring and review activity of Scottish Borders Health and Social Care Partnership business and performance.
- review the IJB's Local Code of Corporate Governance to ensure compliance with the CIPFA/SOLACE Revised Code, including clarity of roles and responsibilities, compliance with the Scheme of Integration, and arrangements for the operation of Standing Orders.

Risk Management

- consider key areas of risk for the IJB and the roles and responsibilities of Board members and officers.

Follow up of previous Internal Audit recommendations

- follow-up of progress on areas of improvement recommended in 2016/17 audit assurance work relating to corporate governance, financial management and performance management.

3 Summary Findings and Conclusions

Corporate Governance

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

Requirement for good governance

The Integration Joint Board (IJB) is a legal entity in its own right and as a public body it should operate under public sector good practice governance arrangements which are proportionate to its transactions and responsibilities. We have reviewed and updated the Local Code of Corporate Governance for the IJB to reflect current practice and compliance with their governance arrangements.

Strategic direction

The IJB is required to exercise strategic leadership by developing and clearly communicating the authority's purpose and vision and its intended outcomes for service users. The Strategic Plan should be articulated through a Commissioning and Implementation Plan. The Strategic Plan is currently being updated and the Commissioning and Implementation Plan 2017-2019 was approved by the Board in October 2017, which represents a significant improvement on the previous version. This plan links local strategic objectives to national objectives as well as local objectives to local projects.

Whilst the Commissioning and Implementation plan sets out project responsibilities and timescales and is more operationally based than previously, it is still presented at a high level and requires support from more detailed individual project plans that are generally not yet in place.

The successful delivery of the plan relies heavily upon the realisation of Integrated Care Fund (ICF) and Transformation and Efficiencies (T&E) programmes. Update reports have been provided to the Board; however they did not facilitate critical appraisal and analysis. During the meeting of 19 March 2018 it was recognised that better transparent financial information was required. The IJB Board should be better sighted on progress with ICF funded projects.

The Commissioning & Implementation Plan follows on from the Strategic Plan but in future these documents will be combined. The production of a single plan will need to ensure that the lines between strategic and operational decision making are made clear. During the 2017/18 year the IJB has been busy preparing for the redesign of services. Two major steps on that path are the production of Locality Plans and the update of the Commissioning and Implementation Plan.

A significant change to services following an IJB direction is Discharge to Assess. Notwithstanding this development it appears that limited progress has been made with integration and transformation of other services. It is difficult to gauge what practical benefits have accrued from the use of the ICF. Central to integration and transformation is the successful delivery of identified transformation and efficiency projects. At the IJB meeting on 12 February 2018 the IJB Transformation Programme Tracker report states, at section 2.4, that "projects remain at a relatively early stage and new models of service delivery are still in the process of being determined or scoped."

Improvement in outcomes for service users and Value for money

The integration of Health and Social Care is predicated upon services both meeting the expectations and needs of service users and being provided more effectively and efficiently through Scottish Borders Council, NHS Borders and the third sector working together more closely. The IJB is responsible for commissioning new and reconfigured services which will satisfy these two objectives.

There is no evidence to suggest that the Communications and Stakeholder Engagement Plan has been updated, as previously recommended and agreed. A review of the IJB minutes (2017/18) confirms that no updated plan has been presented to the Board for approval. Similarly there is no consideration of any revised plan at meetings of the Strategic Planning Group (SPG) up to 10 January 2018. During the year Locality Plans have been produced and subjected to a 2 month consultation. A low number of responses received from the consultation were noted, with disparities between areas. This might cast doubt on the effectiveness of engagement processes.

Effective leadership

Effective leadership is essential to the IJB in delivering its strategic objectives. The present governance structure is composed of 10 voting Board members supported by a Chief Officer and an Interim Chief Financial Officer, whose role is being fulfilled on a temporary basis by SBC's Chief Financial Officer and NHS Borders' Director of Finance. The Board meets every two months at which members of the Executive Management Team (EMT) are in attendance. EMT consists of the Chief Executives and selected senior officers from both of the partners. There is an approved Constitution, Standing Orders and standalone Terms of Reference as well as a Local Code of Corporate Governance which is based upon the CIPFA/SOLACE model.

The agendas for Board meetings are set by the Secretary to the IJB, in consultation with the Chief Officer and Chair of the IJB, by seeking items for inclusion from a wide range of individuals within the partnership. Agenda setting has improved since our previous audit, although there is still a need to make the distinction clearer between strategic matters and provider operational issues for the benefit of the IJB Board Members.

Good governance requires that a senior officer is made ultimately responsible and accountable to the authority for all aspects of operational management. Within the context of the IJB this is the Chief Officer. The Chief Officer's role is in this regard subject to some difficulty brought about by the way in which the IJB is structured in accordance with national legislation. The Chief Officer is accountable directly to the IJB for the preparation, implementation and reporting on the Strategic Plan, including overseeing the operational delivery of delegated services whilst on the other hand legislation requires that the Chief Officer be an employee of one of the partners. Legislative requirements subject the Chief Officer to potential conflicts of interest; however, safeguards have been developed by the Chief Officer to ensure that potential conflicts of interest are identified and managed.

Transparent and effective Decision Making

Decisions made by the Board should be based on comprehensive information and appropriate advice. The rationale for decisions should be clear and relevant documentation made available for public inspection except where exemption applies.

The Board is transparent about how decisions are taken and has developed and maintained open and effective mechanisms for documenting evidence for decisions although possible alternative action including “doing nothing” is generally not specified, making the rationale behind the decision less clear. The decision making process is supported by having good quality information and professional advice

The Chair of the IJB meets with the Chief Officer every week/fortnight to discuss matters. Operational decisions are made by EMT, where the Chief Officer attends these meetings. Strategic decisions are made by the IJB. However, if there are any urgent decisions to be made, it is written in the Standing Orders of the IJB that the Chair, Chief Officer and Vice Chair can do this, as approved by IJB in November 2017.

Defining responsibility and developing capacity of the Board

The Board has an approved Terms of Reference and continues to be offered Development Sessions which generally appear to be more relevant to their needs than was previously the case. Importantly, sessions have been delivered on Corporate Governance, Commissioning and the IJB Board role, as well as Finance and Budgeting.

Arrangements are not yet in place for reviewing the self-evaluation of the performance of the Board as a whole and of individual members, as set out in the IJB Local Code of Corporate Governance

Developing processes for effective scrutiny

An effective scrutiny function which provides the Board with constructive challenge and enhances the partnership’s performance overall is an essential component in a well-run organisation. The IJB Audit Committee which has been constituted with Terms of Reference should provide challenge in areas within its remit.

Challenging progress made with integrating service delivery does not fall within the remit of the IJB Audit Committee although its responsibility to consider the assurances on value for money service delivery might provide some basis for challenge. If this is not the case then progress will not be subject to scrutiny.

Conclusion

The IJB operates under good public sector practice governance arrangements, but having regard to matters referred to above we consider that governance arrangements operating in practice are partially effective for the IJB

Managing risk in decision making

Risk Management arrangements will assist the IJB making informed business decisions and provide options to deal with potential problems.

It is important that the IJB has its own robust risk management arrangements in place because if objectives are defined without taking the risks into consideration, the chances are that direction will be lost should any of these risks materialise. Furthermore the ability to manage risk will help the Board act more confidently on future business decisions. Knowledge of the risks they face will give them various options on how to deal with potential problems.

A Risk Management Strategy was approved by the IJB on 7 March 2016 which includes the: reporting structure; types of risks to be reported; risk management framework and process; roles and responsibilities; and monitoring risk management activity and performance. Risk management is not yet fully embedded into the culture of the IJB; however, whilst committee reports follow a standard reporting template in which discussions of risks associated with options is required, there are no real Board deliberations or properly documented evidence of risk discussion.

A strategic financial risk register was prepared in 2016 but never finalised; however a new strategic risk register is currently a work in progress.

Conclusion

Risk Management is not yet fully embedded into the culture of the IJB and documentary evidence of risk deliberations in decision making requires improvement. Strategic risks should be regularly considered and reviewed at IJB meetings.

Performance Management

Performance requires a strategic and integrated approach to improving the effectiveness of the organisation in delivering a high quality of service for users which represents value for money.

Developing performance management arrangements

Effective performance management relies upon:

- Reliably measuring and monitoring relevant aspects of service delivery and outcomes on a timely basis in order to ascertain areas which are performing significantly better or worse than expected; and
- Taking appropriate action to secure improvement.

From January 2018 performance is reported to the Board via the Integrated Performance Group (IPG).

The IPG continues to report the 6 indicators requested by Scottish Government for the Ministerial Steering Group for Health and Social Care Partnerships. Additional indicators have been added by the IPG which are more relevant to social care reducing the predominance of Health related indicators.

The Strategic Plan sets out objectives and priorities which are tailored to local needs. The Scottish Government has produced a set of indicators that will serve to show progress nationally but are less relevant to the local dimension.

The Commissioning and Implementation Plan approved in October 2017 notes:

“A robust appraisal process is essential to ensure services are efficient and cost effective and that resource decisions are equitable and justifiable. A key component of this is an evidence based review programme. In the Scottish Borders we have developed an Integrated Performance Management Reporting process, which continues to evolve and develop over time.”

Whilst there is a positive direction of travel as far as performance reporting is concerned more work is required to address the substantial disjoint between both national and local objectives set and monitoring progress in achieving those objectives.

The Commissioning and Implementation Plan contains a number of measures in the Performance Monitoring (“Review” and “Analyse”) component of the plan.

However:

- Most of the measures currently in use are produced by the partners but not shared with the IJB; and
- For a significant number of targets/benefits, performance indicators to measure outcomes have not been defined.

Service users are entitled to receive a high quality of service and this is recognised in the Strategic Plan along with the need to make best use of resources so that tax payers/service users receive value for money.

A decision has still not been taken by the IJB of how the quality of services it commissions for users is to be measured nor how the information will be collected needed to review service quality. This remains equally true in respect of value for money.

Conclusion

The Performance Management Framework at present is not fully developed or complete and does not meet the needs of the Board. Existing arrangements are not an effective mechanism to monitor service delivery.

Scottish Borders Council’s Internal Audit function conforms with the professional standards as set out in the Public Sector Internal Audit Standards (2017), including the production of this report to communicate the results of the reviews of the arrangements in place for each area considered.

4 Follow-up of previous Internal Audit recommendations

Recommendations	Agreed management actions	Current Findings	Further Recommendations See Section 5 Action Plan
1 Corporate Governance – Consultation	Priority 3		
<p>The Communications and Stakeholder Engagement Plan should be updated to provide clear guidance on the types of issues that consultation or engagement with the public and service users will take place in the future and when to conduct it.</p> <p>Similarly a clear policy on what, how and when staff and their representatives within the partner organisations are consulted should be developed.</p>	<p>This is being updated and will include consultation arrangements.</p> <p>Responsible Owner: Elaine Torrance, Chief Officer</p> <p>Completion Date: December 2017</p>	<p>See Section 3 “Improvement in outcomes for service users and Value for money”</p>	<p>The Communications and Stakeholder Engagement Plan should be updated to provide clear guidance on the types of issues that consultation or engagement with the public and service users will take place in the future and when to conduct it.</p> <p>Similarly a clear policy on what, how and when staff and their representatives within the partner organisations are consulted should be developed.</p>
2 Corporate Governance – Commissioning	Priority 2		
<p>The Commissioning and Implementation Plan should be revised with assistance from people with experience of commissioning and provide more detail on how objectives will be achieved and who is responsible for achieving them.</p>	<p>A final draft has been completed linked to 2017-2019 Priorities. This will be presented to the IJB in June 2017.</p> <p>Responsible Owner: Elaine Torrance, Chief Officer</p> <p>Completion Date: June 2017</p>	<p>See Section 3 “Strategic Direction” and “Developing performance management arrangements”</p>	<p>Detailed individual project plans should be developed to support the Commissioning and Implementation Plan.</p> <p>The IJB Board should be better sighted on progress with ICF funded projects as the successful delivery of the plan relies heavily upon the realisation of ICF and Transformation and Efficiencies (T&E) programmes.</p>

Recommendations	Agreed management actions	Current Findings	Further Recommendations See Section 5 Action Plan
			The Commissioning and Implementation Plan follows on from the Strategic Plan but in future these documents will be combined. The production of a single plan will need to ensure that the lines between strategic and operational decision making are made clear.
3 Corporate Governance – Clarity of roles and responsibilities	Priority 1		
The agenda for meetings of the IJB should be set by the Chief Officer of the IJB who through discussion with the Board identifies the issues that merit the attention in accordance with its remit.	A process has been agreed with the new Chair of the IJB for agenda setting for the IJB. Complete	See Section 3 “Effective Leadership”	Consideration should be given to making the distinction clearer between IJB strategic matters and provider operational issues when setting agendas.
Whilst the Scottish Government’s principle of Co-production requires that the use of the fund must be developed in partnership, primarily between Health and Social Care, responsibility for the fund lies with the IJB and therefore decisions over the use of funds should be taken within the IJB most sensibly by the Chief Officer under a delegated authority.	It has been agreed by the IJB that resources in the ICF will be used to progress the transformation / change agenda in line with the transformation programme. Complete		

Recommendations	Agreed management actions	Current Findings	Further Recommendations See Section 5 Action Plan
4 Corporate Governance – Decision making and delegation of authority	Priority 1		
The Board should consider delegating decision making authority to the Chief Officer on all but significant strategic matters.	This is a Board decision.	This is now complete with the proviso that it is not just the Chief Officer who makes decisions.	None
5 Corporate Governance – Defining responsibility and developing capacity	Priority 1		
Self-contained Terms of Reference for the Board should be developed The Board should organise targeted guidance and training in order to develop their capacity and capability.	A Terms of Reference for the Board will be developed in line with the Scheme of Integration. Responsible Owner: Paul McMenamin, Chief Financial Officer Completion Date: June 2017 The Board members' training needs and the content of development sessions will be discussed with the new Chair of the IJB taking account of the Terms of Reference for the Board as part of the Induction of new Board members. Responsible Owner: Elaine Torrance, Chief Officer Completion Date: June 2017	This is now complete.	None

Recommendations	Agreed management actions	Current Findings	Further Recommendations See Section 5 Action Plan
6 Corporate Governance – Risk Management	Priority 2		
<p>Risk should be properly considered as part of everything that the IJB does in order to fulfil its strategic plan. Considerations of risk should be properly documented.</p>	<p>A strategic risk register will be finalised and approved by the Joint Management Group.</p> <p>The section on risk for all IJB reports will be further developed, reflecting the risks and mitigations contained with the strategic risk register.</p> <p>Responsible Owner: Elaine Torrance, Chief Officer</p> <p>Completion Date: Sept 2017</p>	<p>See Section 3 “Managing risk in decision making”</p>	<p>The IJB strategic risk register should be finalised.</p> <p>Ensure IJB strategic risks are considered and reviewed regularly at IJB meetings.</p> <p>Risk management deliberations associated with IJB decision making should be clearly documented.</p>
7 Performance Management - Framework	Priority 2		
<p>The Board, with assistance from the data analysts should determine what local indicators are to be developed in order to monitor the achievement of strategic objectives.</p> <p>Indicators should be set which allow for the quality of services it commissions for users to be monitored.</p> <p>The IJB should provide clear guidance on what performance information it requires from the partners.</p>	<p>Regular performance reporting is now in place on identified Ministerial priority areas.</p> <p>Complete</p> <p>A final draft Annual Performance Report 2016/17 has been completed which is a full report on all key performance data. This will be presented to the IJB in June 2017.</p> <p>Responsible Owner: Elaine Torrance, Chief Officer</p> <p>Completion Date: June 2017</p>	<p>See section 3 “Performance Management and Framework”</p>	<p>The IPG should continue to develop performance reporting with emphasis on monitoring</p> <ul style="list-style-type: none"> the progress in achieving national and local objectives set. the quality of services it commissions for users value for money within commissioned services

Recommendations	Agreed management actions	Current Findings	Further Recommendations See Section 5 Action Plan
8 Performance Management – Service Failure	Priority 2		
<p>Consideration should be given to revising the IJB’s Clinical and Care Governance Framework to reflect better the respective responsibilities and risks.</p> <p>Rigorous contract/performance management arrangements should be developed such that serious deficiencies in the quality of services provided by either of the partners become apparent.</p> <p>The IJB Board need only receive reports concerning the partner’s clinical governance arrangements where a significant existing or emerging clinical and care governance risk could seriously impact the delivery of outcomes for services which it has commissioned.</p>	<p>Possible change to the existing framework will be considered to better reflect the responsibilities and risks.</p> <p>Responsible Owner: Elaine Torrance, Chief Officer</p> <p>Completion Date: September 2017</p>	<p>There is no evidence to suggest that the IJB’s Clinical and Care Governance Framework has been revised to reflect better the respective responsibilities and risks.</p> <p>We noted from a review of meeting minutes that during the period April 2017 to March 2018 neither the IJB nor the SPG have received any Clinical and Care Governance reports.</p>	<p>Consideration should be given to revising the IJB’s Clinical and Care Governance Framework to better reflect the respective responsibilities and risks.</p> <p>Rigorous contract/performance management arrangements should be developed such that serious deficiencies in the quality of services provided by either of the partners become apparent.</p> <p>The IJB Board need only receive reports concerning the partner’s clinical governance arrangements where a significant existing or emerging clinical and care governance risk could seriously impact the delivery of outcomes for services which it has commissioned.</p>

5 Action Plan

Recommendations in reports are suggested changes to existing procedures or processes. The grading of each recommendation reflects our risk assessment of non-implementation, being the product of the likelihood of the risk materialising and its impact. The gradings are:

Priority Ratings for Recommendations

Priority 1 – Arising from a finding which leaves the IJB open to a very high risk of not achieving its strategic objectives, and where the risk is sufficiently significant to require immediate action within one month of formally raising the issue.

Priority 2 – Arising from a finding which leaves the IJB open to significant risk of not achieving its strategic objectives requiring reasonably urgent action within three months of formally raising the issue.

Priority 3 – Arising from a finding which leaves the IJB open to moderate risk of not achieving its strategic objectives requiring action within six months of formally raising the issue to improve efficiency, effectiveness and economy of operations.

Recommendations

Agreed action owner and timescale

1 Corporate Governance – Consultation

Priority 3

The Communications and Stakeholder Engagement Plan should be updated to provide clear guidance on the types of issues that consultation or engagement with the public and service users will take place in the future and when to conduct it.

Similarly a clear policy on what, how and when staff and their representatives within the partner organisations are consulted should be developed.

Responsible Owner: Robert McCulloch-Graham,
Chief Officer

Completion Date: March 2019

2 Corporate Governance – Commissioning

Priority 2

Detailed individual project plans should be developed to support the Commissioning and Implementation Plan.

The IJB Board should be better sighted on progress with Integrated Care Fund (ICF) funded projects as the successful delivery of the Plan relies heavily upon the realisation of ICF and Transformation and Efficiencies (T&E) programmes.

The Commissioning and Implementation Plan follows on from the Strategic Plan but in future these documents will be combined. The production of a single plan will need to ensure that the lines between strategic and operational decision making are made clear.

Responsible Owner: Robert McCulloch-Graham,
Chief Officer

Completion Date: December 2018

Recommendations	Agreed action owner and timescale
3 Corporate Governance – Clarity of roles and responsibilities	Priority 2
Consideration should be given to making the distinction clearer between IJB strategic matters and provider operational issues when setting agendas for the benefit of the IJB Board Members.	Responsible Owner: Robert McCulloch-Graham, Chief Officer Completion Date: December 2018
4 Corporate Governance – Risk Management (previous rec 6)	Priority 2
The IJB strategic risk register should be finalised. Ensure IJB strategic risks are considered and reviewed regularly at IJB meetings. Risk management deliberations associated with IJB decision making should be clearly documented.	Responsible Owner: Robert McCulloch-Graham, Chief Officer Completion Date: December 2018
5 Performance Management – Framework (previous rec 7)	Priority 2
The IPG should continue to develop performance reporting with emphasis on monitoring: <ul style="list-style-type: none"> • the progress in achieving national and local objectives set; • the quality of services it commissions for users; and • value for money within commissioned services. 	Responsible Owner: Robert McCulloch-Graham, Chief Officer Completion Date: December 2018
6 Performance Management – Service Failure (previous rec 8)	Priority 2
Consideration should be given to revising the IJB’s Clinical and Care Governance Framework to better reflect the respective responsibilities and risks. Rigorous contract/performance management arrangements should be developed such that serious deficiencies in the quality of services provided by either of the partners become apparent. The IJB Board need only receive reports concerning the partner’s clinical governance arrangements where a significant existing or emerging clinical and care governance risk could seriously impact the delivery of outcomes for services which it has commissioned.	Responsible Owner: Robert McCulloch-Graham, Chief Officer Completion Date: December 2018