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**SBC Internal
Audit Section**

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Internal Audit Annual Assurance Report 2019/20

to

IJB Audit Committee, Chief Officer and Chief Financial Officer

for

Scottish Borders Health and Social Care Integration Joint Board

1 Introduction

The Public Sector Internal Audit Standards (PSIAS) (2017) requires that:

“The chief audit executive (SB IJB’s Chief Internal Auditor) must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.

The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation’s framework of governance, risk management and control.

The annual report must incorporate:

- the opinion;
- a summary of the work that supports the opinion; and
- a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme.”

2 Audit Opinion on the Governance, Risk Management and Internal Control

My opinion is that, based on our reviews, risk assessments and knowledge, the SBIJB’s governance arrangements, risk management and systems of internal control are adequate, and improvements to these have been implemented during the year.

The IJB operates under good public sector practice governance arrangements including the Scheme of Integration, Local Code of Corporate Governance, and Standing Orders. Risk Management arrangements have improved during the year through the regular review by the Chief Officer and reporting to the IJB of the Strategic Risk Register to embed into practices the identification, evaluation, mitigation and review of strategic risks.

The budgetary monitoring process is sound although its value for control purposes is limited by the high level information provided to the IJB. Appropriate medium term financial planning arrangements are not yet fully developed.

The IJB is demonstrating strategic leadership by developing and clearly communicating the authority’s purpose, vision and intended outcomes for service users. Progress has been made towards delivering integrated Health and Social Care services but there is still a long way to go. Clarity and transparency of Directions to partners is important to set out the provision of integrated health and care services including major service redesign.

Workforce planning is an ongoing process and should be reviewed and revised regularly to ensure it is up to date in respect of delivery partner plans and commitments, IJB priorities within its Strategic Plan, and Scottish Government guidance.

A Performance Management Framework has been refined during the year in line with the Strategic Plan to support the IJB to assess the effectiveness in achieving strategic objectives. Clear and regular performance updates ensure that the IJB fulfils its requirements regarding monitoring and measuring the effectiveness of the arrangements for the carrying out of the integration functions.

Further improvements in governance and internal control have been agreed by Management as highlighted in Section 5. Internal Audit will continue to follow-up progress on their implementation and provide periodic progress reports.

3 Scope of the Internal Audit Annual Plan 2019/20

Our review for 2019/20 covers: the governance arrangements currently in place; transformation and change in service delivery, including the associated workforce developments and plans to meet the Strategic Plan priorities; the performance management framework; and also follow up work on previous Internal Audit recommendations. 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.

Governance Arrangements

- assess the governance arrangements in place in the fourth full year of the operation of the IJB to ensure they are operating as described, including financial governance arrangements for the management of financial resources delegated to the partnership.

Transformation and Change

- assess the transformation and change in service delivery to meet the Strategic Plan priorities, including the delivery of directions and workforce development.

Performance Management Framework

- assess the alignment of performance measures within the Performance Management Framework to key outcomes and priorities.

Follow up of previous Internal Audit recommendations

- follow-up of progress on areas of improvement recommended in 2018/19 audit assurance work relating to corporate governance.

4 Summary Findings and Conclusions arising from Internal Audit Annual Plan 2019/20 Delivery

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.

The IJB operates under good public sector practice governance arrangements. 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 supported by the IJB's Local Code of Corporate Governance, which is based upon the CIPFA/SOLACE 2016 Framework. The Local Code reflects the appropriate framework for effective governance of the IJB's business, including its role as the strategic commissioning body i.e. setting out when responsibility lies with the Chief Officer, Chief Financial Officer and the Board or where reliance is placed on the arrangements in place at its provider partners. The Board approved revised Local Code of Corporate Governance and Standing Orders in September 2018. The IJB Audit Committee reviewed the Local Code in August 2019; no changes were made.

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 a Chief Financial Officer (CFO). The continuity of the Chief Officer has enabled good progress to be made with integrating management arrangements and frontline services. The CFO role is being fulfilled on an interim basis by a secondee extended until August 2020. Further steps are required to recruit to the IJB CFO role on a permanent basis. Refer to Section 5 (*Recommendation 1*).

Following the Ministerial Strategy Group (MSG) report in February 2019 'Review of Progress with Integration of Health and Social Care' 25 detailed proposals were defined for improvement of IJBs/Partnership working. Three of these proposals are to be taken forward by Government, with the remaining 22 to be taken forward by the individual Health and Social Care Partnerships. The MSG requested that each Partnership undertake a self-assessment against the 22 proposals. The SBIJB self-assessment was submitted to Government in June 2019 and indicates there is work to do to strengthen the partnership. There is also significant cross-over between the MSG Self-Evaluation improvement actions and the Best Value areas of improvement; therefore successful delivery of the MSG actions should contribute towards delivery of the Best Value areas of improvement. The action plan was presented to the IJB Audit Committee in March 2020.

Our attendance at Board meetings, the Strategic Planning Group meetings and review of the Minutes of meetings which we did not attend indicate that strong leadership is in place and that the Health and Social Care partners are working together in a constructive way.

The IJB at its meeting on 19 June 2019 agreed to remove the Chief Officer's Report as a standing item on the agenda and instead to receive a newsletter format report on a monthly basis, subsequently changed to every 2 months, to also include what was happening around partnerships across Scotland. The first Newsletter was produced in February 2020.

External inspections, such as those carried out by the Care Inspectorate, is also another form of independent assurance that the IJB can place reliance on. It was also agreed that an annual report on Clinical Governance should be submitted to the IJB to provide assurance in this area.

In addition to its own governance arrangements, the IJB places reliance on the governance arrangements adopted by NHS Borders and Scottish Borders Council. This includes the existing mechanisms embedded within both NHS Borders and Scottish Borders Council for provision of Internal Audit assurances to their respective Audit Committees. The Chairs of the IJB, the Council and NHS Borders Audit Committees met to share practices and internal audit plans. Details of internal audit reports by Partners' internal audit providers and a summary of the assurances contained therein was provided to the IJB Audit committee in December 2019.

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. In response to a previous Internal Audit recommendation the IJB Strategic Risk Register, following Management reviews, was presented to the IJB 25 September and 17 December 2019. Regular risk reviews by the IJB Chief Officer with support by Scottish Borders Council's Corporate Risk Officer have been established in order to embed risk management into the culture of the IJB. It is important that the IJB has robust risk management arrangements in place because if objectives are defined without taking the risks into consideration, progress with integration may be negatively impacted should any of these risks materialise. The IJB Audit Committee endorsed a new Risk Management Policy and revised Risk Management Strategy in March 2020 for full Board approval.

Conclusion

The IJB operates under good public sector practice governance arrangements including the Scheme of Integration, Local Code of Corporate Governance, and Standing Orders. Risk Management arrangements have improved during the year through the regular review by the Chief Officer and reporting to the IJB of the Strategic Risk Register to embed into practices the identification, evaluation, mitigation and review of strategic risks.

Financial Governance

Financial governance and transparency is concerned with the transparent reporting of financial and performance information.

A strong system of financial management is essential for the successful implementation of policies and the achievement of intended outcomes. The IJB prepares its financial statement and budget monitoring reports by consolidating financial data held within the Council's and NHS Borders' financial systems. The Board receives a financial report and commentary at each meeting and information is provided at very high level with single figures provided for Health and Social Care, reflecting the strategic governance role of the Board. The IJB allocates an annual budget back to partners, however, the IJB annual budget for 2019/20 was not formally approved until 14 August 2019.

A medium term financial plan (MTFP) is necessary to integrate and balance service priorities, affordability and other resource constraints. The NHS and the Council need to undertake joint delivery planning and joint financial planning in order to ensure a successful shift in the balance of care from acute to community services to ensure success for service users and the organisations involved. The IJB agreed that a process of joint financial planning should be explored and joint financial plan assumptions for 2020/21 was presented to the IJB in October 2019. At the IJB March 2020, the Board approved the budget allocations from NHS Borders and Scottish Borders Council for 2020/21, however this still requires Scottish Government approval as part of the NHS Annual Operational Plan process.

These indicative budgets however do not recognise the impact of transformation, efficiency savings or cost pressures and have limited value for planning purposes. We recognise that this is challenging due to partners budget offers being for 1 year reflecting their funding settlements being for 1 year, though commitment has been made by the Scottish Government to support medium term financial planning.

It was not clear how the financial management procedures provide assurance that services delivered represent value for money and that resources are being used efficiently and effectively as specified in National Outcome 9. Reliance will be placed on the value for money arrangements within the partner organisations. The Audit Scotland report on Auditing Best Value for IJBs was presented to the IJB Audit Committee in June 2019. The action plan of MSG Self-Evaluation improvement actions and the Best Value areas of improvement was presented to the IJB Audit Committee in March 2020.

Central to integration and transformation is the successful delivery of identified transformation and efficiency projects. The Transformation Fund now supersedes the Integrated Care Fund (ICF) and is a ring fenced budget totalling £2.13m which is available to the IJB to invest in change and shifting the balance of care from acute to community services. It was agreed in December 2019 that the IJB would receive regular monthly forecasts of the financial position with information on savings programmes across the Partnership. An evaluation of all the Transformation Fund programmes would be brought back to the IJB for decision before the end of the financial year.

Conclusion

The budgetary monitoring process is sound although its value for control purposes is limited by the high level information provided to the IJB. Appropriate medium term financial planning arrangements are not yet fully developed.

Transformation and Change - Directions

Delivering integrated services which are effective and efficient.

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 success of integration arrangements is dependent upon effective joint working between the IJB, Scottish Borders Council and NHS Borders, and it is essential that organisations work together to plan transformation and savings. The planned redesign of Health and Social Care is described in the Strategic Plan 2018-21. Work is underway to formulate joint transformation between NHS Borders (Turnaround Programme) and Scottish Borders Council (Fit for 2024) in order to deliver the Strategic Plan. The Strategic Plan is articulated through the Strategic Implementation Plan (SIP) which sets out how services will be planned and delivered using the integrated budgets to achieve the strategic objectives. The SIP for 2019-24, and areas of work to be undertaken within that time period, was approved by the IJB on 25 September 2019. The plan sets out the key actions for the year but does not assign responsibilities or timescales. The SIP differs in timeframe to the Strategic Plan which is from 2018-21.

Legislation requires that the action the delivery partners are required to undertake are set out in formal instructions from the integration authority. These instructions are referred to as Directions.

The clarity to be achieved through Directions is important to ensure how health and care services are to be provided including major service redesign objectives. In February 2016 Scottish Government issued a “Good Practice Note” about the application of Directions, which states that Directions; should be in writing; should set out a clear framework for operational delivery of the functions that have been delegated; and must include detailed information on the financial resources that are available for carrying out the functions that are the subject of the Directions. The legislation does not set out fixed timescales for directions which allows flexibility to ensure that delivery of integrated health and social care functions is consistent with the SIP and takes account of any changes in local circumstances.

We reviewed the Directions issued by the IJB for 2019-20 and whilst they are high level and not prescriptive they follow the Good Practice Note on Directions in terms of form and content. Through the review of IJB agendas, minutes and reports, it is not always clear what are the Directions issued by the IJB to the partners. Required outcomes are not always set out in quantifiable terms. Directions issued at the start of the year should be subsequently revised during the year in response to any developments.

We have made a recommendation in respect of the application and reporting of Directions in this report. Refer to Section 5 (*Recommendation 2*).

Conclusion

The IJB is demonstrating strategic leadership by developing and clearly communicating the authority’s purpose, vision and intended outcomes for service users. Progress has been made towards delivering integrated Health and Social Care services but there is still a long way to go. Clarity and transparency of Directions to partners is important to set out the provision of integrated health and care services including major service redesign.

Transformation and Change - Workforce Planning

Delivering a high quality of integrated services for users.

Integration of Health and Social Care services requires responsive and appropriate workforce planning, while respecting governance structures and responsibilities in place within different sectors. The IJB Workforce Strategy 2017-19, which is focused on aligning integrated service provision to the key strategic plan areas, has, as its summary aim, to provide a workforce capable to deliver the strategic aims of the Workforce Plan. At a local level, the Partnership is building on existing common working practices to put in place robust arrangements with the aim of providing better, more integrated adult health and social care services. The Workforce Strategy is specifically targeted at the priorities of the Partnership which complement respective employer commitments made to their own staff.

NHS Borders has a framework to support the development of workforce plans at service, Board and regional level, whilst Scottish Borders Council currently produces people plans for each department. Although the two organisations currently use differing methodologies the principle and approach are similar. Workforce planning leads from NHS Borders and Scottish Borders Council are working together to ensure future workforce planning for the Partnership becomes a seamless, joint process. Progress to date includes things such as a joint assessment of HR policies and key similarities or differences identified; joint recruitment process is in place; and a pilot has taken place to consider the best approach to workforce planning.

This workforce plan sets out the Partnership's commitment to identifying, creating and putting in place a workforce that will be able to support the delivery of the Strategic plan and the Scottish Government 2020 Vision for Health and Social Care. The plan also lays out commitment to the development of leaders and the personal development of staff in order to implement a new culture of collaborative, integrated partnership working.

Whilst we recognise a workforce plan is in place and workforce planning is an ongoing process, we would suggest that the IJB's current Workforce Strategy 2017-2019 should be reviewed and updated to reflect any changes, progress made and future plans and also incorporates guidance from the Scottish Government's report 'An Integrated Health and Social Care Workforce Plan for Scotland' published December 2019.

We have made a recommendation in respect of workforce planning. Refer to Section 5 (*Recommendation 3*).

Conclusion

Workforce planning is an ongoing process and should be reviewed and revised regularly to ensure it is up to date in respect of delivery partner plans and commitments, IJB priorities within its Strategic Plan, and Scottish Government guidance.

Performance Management Framework

Performance management is concerned with developing and maintaining 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.

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.

Robust, comprehensive performance reporting enables better management of services, demonstrates best value and satisfies statutory obligations to stakeholders. Delivery Partners have performance monitoring and reporting controls of their own in operation.

The Integration Performance Group (IPG) developed the revised and updated IJB's Performance Management Framework (PMF) for 2018-21 in line with the Strategic Plan. This was presented to the Strategic Planning Group (SPG) in June 2019, and subsequently approved by the IJB. A set of high level Key Performance Indicators (KPI) have been established which are aligned under the three strategic objectives in the Strategic Plan. The IPG will continue to review, refine and develop the indicators and ensure that any new indicators for reporting are robust and that any proposed changes are discussed at the IJB. Monitoring performance through KPIs is also vital in determining whether desired outcomes are being achieved.

This PMF supports the IJB to assess the effectiveness of the Health & Social Care Partnership in working towards the achievement of the strategic objectives in the Strategic Plan. This will help the partnership make informed decisions on future priorities by using performance information to identify and drive improvement work, and build a culture of continuous improvement. The IPG works with the IJB Leadership Group on an ongoing basis to ensure high quality performance information is developed and used appropriately. Performance Reports are presented to the IJB on a quarterly basis thus enabling improved mechanisms to monitor service delivery and provide assurance to the IJB that the necessary reporting and scrutiny is in place through the partnership. However, it is not clear from the performance reports who is the responsible owner for any mitigating actions to address performance off target. There is also a legislative requirement for the IJB to publish an Annual Performance Report by 31 July each year (delayed for 2019/20 due to the impact of COVID-19).

Conclusion

A Performance Management Framework has been refined during the year in line with the Strategic Plan to support the IJB to assess the effectiveness in achieving strategic objectives. Clear and regular performance updates ensure that the IJB fulfils its requirements regarding monitoring and measuring the effectiveness of the arrangements for the carrying out of the integration functions.

Follow up of 2018/19 Recommendations

There were two recommendations in the 2018/19 Internal Audit Annual Assurance Report, one of which is still outstanding (permanent CFO) and we have reiterated this in the action plan in section 5 (*Recommendation 1*). The second recommendation regarding the regular review of IJB strategic risks at IJB meetings has been implemented.

5 Action Plan

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

High – 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.

Medium – 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.

Low – 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 – Chief Financial Officer

Medium

The Chief Financial Officer role is being fulfilled on an interim basis by a secondee until August 2020. Steps are required to recruit to the IJB CFO role on a permanent basis.

Responsible Owner: Chief Officer
Completion Date: December 2020

2 Transformation and Change - Directions

Medium

An annual report setting out the Directions that the IJB has made to partner organisations would ensure that clarity and transparency can be demonstrated and aligned to performance and financial reporting.

Responsible Owner: Chief Officer
Completion Date: Directions will be issued as required

3 Transformation and Change – Workforce Planning

Medium

The IJB's Workforce Strategy 2017-2019 should be reviewed and updated to reflect any changes, progress made and future plans, and incorporate guidance from the Scottish Government report on integrated workforce planning (published December 2019).

Responsible Owner: Chief Officer
Completion Date: December 2020

6 Public Sector Internal Audit Standards (PSIAS)

The 2019/20 self-assessment of practices against the professional standards PSIAS (2017) has indicated that Scottish Borders Council's Internal Audit function conforms with the requirements within the 13 Assessment Areas of the Definition of Internal Auditing, the Code of Ethics, the Attribute Standards and the Performance Standards. This includes the production of this report to communicate the results of its audit work during the year for the Scottish Borders Health and Social Care Integration Joint Board.

7 Significant Incident March 2020

The significant incident in late March 2020 associated with the Covid-19 pandemic emergency response and the Scottish Borders Health and Social Care Partnership's strategic role therein tested how well the risk management framework is operating. There were examples of innovations, new business processes and solutions, and new technology being embraced in order to deliver services to the community. This was achieved using new ways of decision-making, amended governance arrangements, leadership and implementation including virtual meetings, conference calls, and systems remote access. It will be important for the IJB, at the appropriate time, to highlight any lessons learned and apply these in practice.