



Jill Stacey
Chief Officer Audit & Risk, Scottish Borders Council
Chief Internal Auditor, Scottish Borders Health and Social
Care Integration Joint Board



**SBC Internal
Audit Team**

**Auditors: Jill Stacey
Sue Holmes
Chris Hurt**

Internal Audit Annual Assurance Report 2021/22

to

**SBIJB Chief Officer
and Directors of Finance NHS Borders and Scottish Borders Council**

for

Scottish Borders Health and Social Care Integration Joint Board

14 June 2022

1 Introduction

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

“The chief audit executive (SBIJB’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. Improvements made by Management during the year have been limited by the effect of the ongoing Covid-19 pandemic response; however lessons learned from this have been noted by the new Chief Officer.

The SBIJB generally operates under good public sector practice governance arrangements including the Scheme of Integration, Local Code of Corporate Governance, and Standing Orders, as well as through Board and Committee meetings that support scrutiny and transparency of decisions made.

The Strategic Risk Register is regularly reviewed by the Chief Officer and reported during the year to the Board and the SBIJB Audit Committee who fulfil their oversight role to monitor the SBIJB’s risk management arrangements. Knowledge of the strategic risks faced by the SBIJB and associated mitigations also enables Board members to be more informed when making business decisions.

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

The SBIJB continues to demonstrate strategic leadership and progress the development of the Strategic Commissioning Plan for 2023-26. Progress has been made towards delivering integrated Health and Social Care services. Further work is required in order that outcomes and success can be measured.

Legislation requires that the action the delivery partners are required to undertake are set out in formal instructions (Directions) from the integration authority. A summary of Directions and Decisions made by the SBIJB during 2020/21 was published in the Annual Performance Report issued September 2021. A new Directions policy and procedure was approved by the Board on 15 December 2021 which outlines the future approach to ensure that clarity and transparency can be demonstrated and aligned to performance and financial reporting, based on best practice guidance and national expectations for issuing of directions. Directions have been issued by the SBIJB since 2 March 2022.

A new strategic commissioning process will ensure the SBIJB commission in the right way, with good co-production at the core of how the SBIJB commissions in line with the steer provided by the Strategic Planning Group (SPG). This will also support planning work over the next few years, including the joint needs assessment, public engagement and the development of the National Care Service.

A Future Strategy Group (FSG) has been developed to support the SPG in undertaking the 'analyse and plan' commissioning segments of the strategic commissioning cycle. The SPG will use this information to develop Directions as required which will be issued by the SBIJB. As the FSG reports into the SPG this will ensure that the SBIJB key partners and communities have oversight and input into all strategic commissioning plans and all Directions before they are considered by the SBIJB.

Improvements in governance and internal control will be made by Management through the full implementation of Internal Audit recommendations. The Chief Officer and SBIJB Audit Committee are aware of the improvements that are required to further enhance governance and reduce risk, including the commitment to the full implementation of Internal Audit recommendations from the previous year. Recommendations arising from this 2021/22 review 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 2021/22

Our plan for 2021/22 covered: the operation of corporate governance and risk management arrangements; review of financial management arrangements; contracts and commissioning arrangements; 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 and risk management arrangements in place to ensure they are operating as described

Financial Management

- assess the arrangements for the management of financial resources delegated to the IJB

Contracts and Commissioning

- assess the governance arrangements in place to meet the needs of service users and alignment with the SBIJB strategic plan priorities

Follow up of previous Internal Audit recommendations

- follow-up of progress on areas of improvement recommended in 2020/21 audit assurance work

Audit planning

- renew risk assessment, develop and consult on coverage within the SBIJB Internal Audit Annual Plan 2022/23

Audit Committee Self-Assessment

- provide assistance to the Chair in undertaking a self-assessment of the SBIJB Audit Committee against the CIPFA Best Practice Guidance

4 Summary Findings and Conclusions arising from Internal Audit Annual Plan 2021/22 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 SBIJB generally operates under good public sector practice governance arrangements supported by the SBIJB'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 SBIJB'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. A high level review of the Local Code of Corporate Governance was carried out during 2021/22. Following this review we have made two recommendations. Refer to Section 5 (*Recommendations 1 and 2*).

Effective leadership is essential to the SBIJB in delivering its strategic objectives. Following the retirement of H&SC Chief Officer in October 2021 a new Chief Officer Health & Social Care was formally appointed by the SBIJB on 15 December 2021. The Chief Financial Officer (CFO) post has continued to be fulfilled jointly by the NHS Borders and Scottish Borders Council Directors of Finance during 2021/22; however, following a recruitment process a new CFO will commence on 1 August 2022.

The governance structure was amended during the year to focus on the commissioning by the SBIJB, and to facilitate a partnership approach to the delivery of health and social care services by NHS Borders and Scottish Borders Council to implement the commissioning strategy. The Terms of Reference of SBIJB Committees have been reviewed to ensure that the Board and Committees are able to continue to effectively function in line with duties outlined in the Public Bodies (Joint Working) (Scotland) Act 2014.

During the year the SBIJB commenced a review of the Scheme of Integration which, following consultation, was concluded on 31 March 2022 and has been submitted to the Scottish Government.

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

The SBIJB 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. Details of internal audit reports by Partners' Internal Audit providers to their respective Audit Committees and a summary of the assurances contained therein was provided to the SBIJB Audit Committee in December 2021, and further details are included as an Appendix to this report.

Risk Management

Risk management is a process of identifying potential risks to the achievement of objectives in advance, analysing them and taking precautionary steps in order to mitigate those risks, thus managing the effect of uncertainty on objectives. Compliance with the principles of good governance requires the IJB to adopt a coherent approach to the management of risks that it faces in the achievement of its strategic objectives.

A Risk Management Policy and refreshed Risk Management Strategy were approved by the IJB on 19 August 2020, following their endorsement by the IJB Audit Committee on 9 March 2020.

As an important and integral part of good governance and system of internal controls it is crucial that risks to the achievement of outcomes are identified and managed and must be considered in all aspects of decision making. The standard template for decision-making reports to the IJB and its Committees includes a section on implications covering risk. When taking a longer-term view with regard to decision making, risks associated with the potential conflicts between the IJB's intended outcomes and short-term to medium term financial constraints are not particularly well expressed.

The IJB Chief Officer, on a quarterly basis, carries out a review of the IJB Strategic Risk Register, which sets out the strategic risks associated with the achievement of objectives and priorities within the IJB Strategic Commissioning Plan. In future these reviews will be undertaken with support from the SBC Corporate Risk Officer.

In addition six monthly risk reviews are presented to the Board in June and December each year. The continued disruption caused by Covid-19 has meant that the first formal report of 2021 was presented to the Board in September 2021, delayed from June 2021, with the second report being presented in December 2021, as intended.

The six monthly risk review reports and the IJB Strategic Risk Register are intended to provide the Board with assurance that the strategic risks associated with the achievement of objectives and priorities within the IJB Strategic Commissioning Plan are being effectively managed and monitored.

Reliance continues to be placed on the risk management arrangements within the Partner organisations in respect of the operational delivery of commissioned services although any of these risks that significantly impact on the delivery of the IJB Strategic Commissioning Plan will be escalated to the IJB Chief Officer for consideration.

We have made no recommendations in respect of risk management arrangements in this report.

Conclusion

The SBIJB generally operates under good public sector practice governance arrangements including the Scheme of Integration, Local Code of Corporate Governance, and Standing Orders. Risk Management arrangements are established and are effective and regular review by the Chief Officer and reporting to the SBIJB of the Strategic Risk Register is carried out.

Financial Management

Financial management 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, as it will enforce financial discipline, strategic allocation of resources, efficient service delivery, and accountability.

A Joint Financial Plan 2020-2023 was approved by the Board on 24 March 2020 which with hindsight has proved to be unrealistic, mainly due to the unforeseen effects of the Covid-19 pandemic.

The Board also approved the budget allocations from NHS Borders and Scottish Borders Council for 2021/22 which it allocates back to partners. Operational budget management includes realigning budgets where required to capture the financial consequences of Directions or service reconfiguration with the intention of having an annual budget that supports the outcomes set out in the Strategic Commissioning Plan.

Budget allocations from NHS Borders and Scottish Borders Council for 2022/23 have not been agreed and a budget has not been set. It is anticipated that this will be agreed at the SBIJB Board meeting in June 2022.

Central to integration and transformation is the successful delivery of identified transformation and efficiency projects. Both partners have ambitious savings programmes to deliver therefore monitoring and reporting of progress against the targets will ensure any areas of concern can be highlighted early and mitigating actions identified to ensure realisation of savings. The delivery of recurring savings is an area of concern, as for 2021/22 savings delivered are anticipated to be significantly less than anticipated.

The SBIJB 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 on a quarterly basis. Information is provided at very high level, reflecting the strategic governance role of the Board.

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 partners.

Appropriate medium term financial planning arrangements beyond 2023 are not yet finalised reflecting the delay in producing the Strategic Commissioning Plan and agreement of the partner's budget allocations for 2022/23. Discussions will take place with the new Chief Financial Officer after 1 August 2022 once in post to ensure that this will be progressed.

We have made no recommendations in respect of financial management processes in this report.

Conclusion

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

Contracts and Commissioning

Contracts and Commissioning is concerned with delivering the priorities identified in the Strategic Commissioning Plan (SCP).

The H&SCP is responsible for planning and commissioning integrated services and overseeing their delivery. The SBIJB, as strategic commissioner of health and social care services, gives Directions to NHS Borders and Scottish Borders Council for delivery of services in line with the SCP.

There is a statutory responsibility to review the efficacy in delivery of the strategic plan every 3 years. The SCP was due to be renewed and refreshed from April 2021, but given the uncertainties regarding the Covid-19 pandemic, and in line with Government guidance and legislation, it was deferred by agreement with the Strategic Planning Group (SPG). At the SBIJB meeting 17 February 2021, the Board approved the continuation of the SCP until April 2022. Following this, advice from the Scottish Government indicated that from a policy perspective it was reasonable to go beyond the planned April 2022 date for completion of a revised SCP to allow for comprehensive consultation to take place with stakeholders. The SBIJB endorsed the approach of undertaking a comprehensive Joint Needs Assessment to inform the SCP that will be concluded by the end of 2022/23 to support the development of a SCP for 2023-26.

The SCP 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, through 10 priority workstreams. The Strategic Implementation Plan Oversight Board (SIP Board) has been re-launched and its focus is on the process of building back the oversight of all workstreams to ensure they are delivering against their objectives as set by the SIP and the SBIJB. A recent review of the delivery against the SIP by the IJB Audit Committee and the SIP Board, recommended that the SBIJB should focus its commissioning activities over 2022/23 on the outstanding areas that have not been delivered from the SCP.

The December 2021 meeting of the SBIJB approved changes in reporting lines within the senior management team, to support the strengthening of the strategic commissioning function of the Board. The focus is on resource and capacity to deliver and to provide a coherent governance and managerial/project oversight of the four functions driving the partnership: Resource Management and Control; Operational Management and Direction; Strategy and Commissioning; Professional and Clinical Governance. These changes will support the SBIJB in fulfilling its function as a strategic commissioning body and provide greater managerial capacity in both quality and compliance with policy.

The SBIJB also approved the development of a Future Strategy Group (FSG) on 15 December 2021 to enable the co-ordination and development of a strategy to report into the SPG. Their remit is to analyse and plan for commissioning as part of the strategic commissioning process, and to review the effectiveness of the commissioning plan. The FSG will not replicate the work of the SPG, but will develop the detail for the SPG to scrutinise and steer.

The new Directions Policy and Procedure will ensure consultation through the SPG on new Directions before they are considered by the SBIJB. Appropriate use of the Directions Policy and Procedure should reduce the level of risk to the SBIJB, NHS Borders and Scottish Borders Council. Five Directions have been issued by the SBIJB to 31 March 2022. The IJB Audit Committee has agreed to take on the role of monitoring and reviewing implementation of Directions to provide assurance to the SBIJB that Directions are being delivered, and escalate any key delivery issues to the SBIJB. The IJB Audit Committee will also maintain independent oversight of progress against the SCP and provide assurance to the SBIJB thereon. Changes to the IJB Audit Committee's terms of reference were subsequently approved by the SBIJB.

Conclusion

The SBIJB continues to demonstrate strategic leadership and progress the development of the Strategic Commissioning Plan for 2023-26. Progress has been made towards delivering integrated Health and Social Care services. Further work is required in order that outcomes and success can be measured.

Follow up of 2020/21 Recommendations

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 2021/22

Agreed action owner and timescale

1 Corporate Governance – Communications/Consultation	Medium	
The Communications Strategy requires review (last reviewed 2018) to ensure that it remains relevant in the current environment.	Responsible Owner: Chief Officer	Completion Date: 31 December 2022
2 Corporate Governance – Decision making	Low	
Report templates used for decision making should include specific sections for consultation and sustainability to demonstrate that these areas have been adequately considered.	Responsible Owner: Board Secretary	Completion Date: 31 September 2022

6 Public Sector Internal Audit Standards (PSIAS)

The 2020/21 External Quality Assessment and 2021/22 Self-Assessment of practices against the professional standards PSIAS (2017) have both 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.