

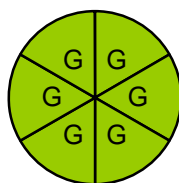
Internal Audit



Health & Social Care Integration

May 2015

Report Assessment



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Contents

Page 1	Introduction
Page 2	Executive Summary
Page 5	Management Action Plan
Page 12	Appendix 1: Definition of ratings
Page 13	Appendix 2: "Preparation for creation of integrated joint boards" risks

Introduction

The Public Bodies (Joint Working) Scotland Act 2014 aims to provide better connected and co-ordinated services for adults through the integration of health and social care services currently provided by local authorities and health boards. NHS Lothian has worked closely with the City of Edinburgh Council, Midlothian Council, East Lothian Council and West Lothian Council to establish four Integration Joint Boards (IJBs), which will be responsible for directing the provision of integration functions. Each IJB will be formally established on 27 June 2015, apart from West Lothian IJB. West Lothian IJB is expected to be established during 2015.

The Scottish Government has issued guidance on the integration process to be followed, including “Guidance for integration financial assurance”. This document states that an assurance process should be followed which would allow the IJB and the delegating health board (and local authority) to identify the resources to be delegated and the risks associated with the integration functions. It also recommends that local authority and health board internal auditors should report to their respective audit and risk committees on the assurance process used within their respective bodies.

The timing of this piece of work for the health board should be commensurate with the 2014/15 annual accounts process, to allow the findings to be reflected in the governance statement, which forms part of the annual report and accounts.

Scope

This review assessed NHS Lothian’s processes surrounding the establishment of IJBs and the integration of health and social care. This included consideration of how NHS Lothian’s governance, risk management, project management and budgeting processes were applied to the development of the IJBs.

The timing of the development and approval of the four integration schemes means that detailed financial assurance work has not yet been completed for all four IJBs. The audit at this stage therefore focused on high level arrangements for process for establishing the IJBs.

The control objectives for the audit are set out in the Summary of Findings, along with our assessment of the controls in place to meet each objective.

Acknowledgements

We would like to thank all staff consulted during this review, for their assistance and cooperation.

Executive Summary

Conclusion

The IJB implementation process is progressing well. However, we have identified a number of areas where there is scope for improvement. In particular, the application of risk management arrangements could be strengthened.

Summary of Findings

The table below summarises our assessment of the adequacy and effectiveness of the controls in place to meet each of the objectives agreed for this audit. Definitions of the ratings applied to each action are set out in Appendix 1.

No.	Control Objective	Control objective assessment	Number of actions by action rating			
			Critical	Significant	Important	Minor
1	Agreed governance arrangements are in place to manage the implementation of IJBs, which take account of additional requirements of joint decision-making.	Green	-	-	-	1
2	Proportionate and realistic plans for establishing IJBs are in place with appropriate project management in place.	Green	-	-	2	-
3	Project plans are broken down into appropriate work streams with relevant milestones and include approved timescales that are subject to regular review and monitoring.	Green	-	-	-	-
4	Potential obstacles to successful implementation of the IJBs have been captured in risk registers that are subject to regular review and monitoring.	Green	-	-	2	-
5	There is clarity over the functions for which the IJBs will be responsible, and NHS Lothian's potential IJB allocation budget is aligned to those functions, if it is required in 2015/16.	Green	-	-	-	-
6	The NHS Lothian budget for	Green	-	-	-	-

No.	Control Objective	Control objective assessment	Number of actions by action rating			
			Critical	Significant	Important	Minor
	2015/16 has been prepared using a methodology and assumptions consistent with previous years and is subject to robust challenge.					

Control Objective Ratings

Action Ratings	Definition
Red	Fundamental absence or failure of controls requiring immediate attention (60 points and above)
Amber	Control objective not achieved - controls in place are inadequate or ineffective (21 – 59 points)
Green	Control objective achieved – no major weaknesses in controls but may be scope for improvement (20 points or less)

Main findings

The IJB implementation process is progressing well. Integration schemes for all four IJBs were submitted in draft form to the Scottish Government before the 31 March 2015 deadline. Final integration schemes for each IJB area, apart from West Lothian, have been agreed with Scottish Government. The West Lothian integration scheme is expected to be finalised during June 2015. Each IJB will be formally established on 27 June 2015, apart from West Lothian IJB. West Lothian IJB is expected to be established during August 2015.

Each IJB must approve its strategic plan before the functions it will be responsible for can be delegated to it. The strategic plan must set a “start date”, when the functions will be delegated to the IJB. All four IJBs are currently working to a start date of 1 April 2016.

Project plans are in place for NHS Lothian, Edinburgh IJB, Midlothian IJB, and East Lothian IJB. However, West Lothian does not have a formal IJB project plan in place. We were informed that the West Lothian implementation was undertaken by the Oversight Group, which is made up of managers and officers from both the Council and NHS Lothian, and progress was regularly reported to the CHCP Board, and therefore it did not feel that a formal project plan was required.

Formal implementation working groups have been established for NHS Lothian and each IJB area. The working groups meet on a regular basis and include representation from both NHS

Lothian and the relevant council. Progress with implementation of the IJBs is discussed, including any key issues and actions are agreed to address these.

The Scottish Government recently published Guidance for Integration Financial Assurance (IRAG). The IRAG guidance highlights that it is important that newly established IJBs are provided with assurance that their resources are adequate. This work should be undertaken by the shadow Chief Officer and shadow Chief Finance Officer.

The integration schemes submitted to Scottish Government set out the integration functions that will be delegated to each IJB, as well as the financial processes for working out initial payments to the IJBs and subsequent payments (including set-asides).

The budget for NHS Lothian for 2015/16 was developed using the same principles as in 2014/15. In addition, a paper showing the changes in budget for key areas (including CHPs, Unscheduled Care, and Scheduled Care) was presented to the Finance & Resources Committee in May 2015. The paper set out the challenges facing NHS Lothian in order to deliver the budget, and highlighted key assumptions within the budget, such as the requirement to achieve the £30m LRP. The paper also noted that the LRP was not achieved in 2014/15.

Although the payments and set-aside amounts for each IJB have not yet been determined, NHS Lothian has set indicative budgets for those functions identified within the integration schemes, and discussions have started on the methods for allocating budgets across the four IJBs.

Once NHSL has completed the financial assurance work required by the IRAG guidance, internal audit will complete a further review of the process and report on our findings to the Audit & Risk Committee. We have therefore not undertaken any review of management's detailed financial analysis work as part of this review.

We have identified four important points and one minor point where further action is required. Further details are set out in the Management Action Plan.

Management Action Plan

Control objective 1: Agreed governance arrangements are in place to manage the implementation of IJBs, which take account of additional requirements of joint decision-making.	
1.1: Minutes of the Pan-Lothian Group	Minor
<p>Observation and Risk</p> <p>The Pan-Lothian Leadership Group coordinates and oversees the IJB implementation process for the organisation as a whole. It meets approximately every two months and is attended by directors and senior managers, including general managers from the CH(C)Ps.</p> <p>However, the minutes for the Pan-Lothian Leadership Group were not maintained after August 2014. We were informed that this was due to the original responsible officer changing roles.</p> <p>There is a risk that evidence of key decisions made has not been retained. There is also a risk that actions agreed at previous meetings cannot be effectively followed up to ensure they have been implemented as agreed.</p>	
<p>Recommendation</p> <p>Minutes should be recorded and disseminated for each meeting of the Pan-Lothian Leadership Group.</p>	
<p>Management Response</p> <p>This will be undertaken by the Director of Strategic Planning within NHS Lothian, who chairs this group.</p> <p>Management Action</p> <p>This action is already being progressed. Version control is put on each updated version of the project plan and names are allocated against actions. The updated plan is then disseminated to a wide range of stakeholders including Joint Directors.</p>	
<p>Responsibility: Director of Strategic Planning, Performance Reporting & Information</p>	<p>Target date: Complete</p>

Control objective 2: Proportionate and realistic plans for establishing IJBs are in place with appropriate project management in place.	
2.1: Overall implementation plan does not contain all key information	Important
<p>Observation and Risk</p> <p>The overall NHS Lothian project plan (“Project Plan To Establish An Integration Joint Board And The Associated Systems And Working Practices”) does not contain implementation dates and named staff for all actions. This is because the project plan was only recently developed and some actions have still to be assigned dates and owners. However, we did gain assurance that the actions have been relayed to staff.</p> <p>If the project plan does not contain all key information, there is a risk that key tasks are not performed on time.</p>	
<p>Recommendation</p> <p>The overall NHS Lothian project plan should include implementation dates and named staff for all actions.</p>	
<p>Management Response and Action</p> <p>Agreed. The gaps in the project plan will be addressed.</p>	
<p>Responsibility: Director of Strategic Planning, Performance Reporting & Information</p>	<p>Target date: 30 June 2015</p>

2.2: West Lothian did not have an implementation project plan in place	Important
<p>Observation and Risk</p> <p>Formal documented implementation project plans were in place for NHS Lothian, Midlothian, East Lothian, and Edinburgh. However, West Lothian did not have an individual IJB implementation project plan in place. We were informed that the project lead for this area considered that informal, but comprehensive, liaison with all key officers from the CHCP, Council, and from NHS Lothian, would ensure that the project implementation would be effective. In addition, we were also informed that the main plan produced for NHS Lothian has been used to guide the process for each IJB.</p> <p>Without individual integration project plans there is a risk that key tasks are not performed.</p>	
<p>Recommendation</p> <p>An individual implementation project plan should be created for West Lothian. This will allow for more detailed planning and more focussed progress reporting.</p>	
<p>Management Response</p> <p>West Lothian had an Oversight Group in place, made up of Council and NHS Lothian managers and officers. The Oversight Group met every two weeks and took the lead on undertaking the key actions required for implementation. Progress on key stages was regularly reported to the CHCP Board, which met on a monthly basis. Going forward, progress will be reported to the Shadow IJB Board and then the full IJB Board once it is established. We therefore did not feel that a formal project plan was required.</p> <p>Management Action</p> <p>No further action required.</p>	
Responsibility: N/A	Target date: N/A

Control objective 3: Project plans are broken down into appropriate work streams with relevant milestones and include approved timescales that are subject to regular review and monitoring.

We identified no significant issues in relation to this control objective.

We have reported at MAP 2.2 that West Lothian did not have a formal, documented implementation project plan in place for integration implementation.

However, project plans are in place for NHS Lothian, Edinburgh, Midlothian, and East Lothian. The project plans for NHS Lothian and Edinburgh IJB were formally approved by the Corporate Management Team (CMT) in April 2015 and the Edinburgh Integration Leadership Group in October 2014 respectively.

In addition, regular updates on progress were reported to the groups that were managing or overseeing the integration process, such as an implementation working group or the relevant Shadow Board. This included discussion of issues and how these will be resolved, including actions assigned to relevant action owners and timescales being agreed.

Control objective 4: Potential obstacles to successful implementation of the IJBs have been captured in risk registers that are subject to regular review and monitoring.

4.1: Datix is not being actively used as part of the ongoing management of risks

Important

Observation and Risk

NHS Lothian’s risk management policy requires that risks are documented in Datix, together with mitigating action plans and responsible members of staff. In addition, the risks should be reviewed regularly to determine if actions taken to control them are sufficient to bring the risk in line with risk appetite. The Risk Register Operational Procedure (the Procedure) requires that “High” risks should be reviewed every three months and “Medium” risks every six months.

The risks on Datix relating to the integration process for East Lothian, Midlothian, and West Lothian had not been reviewed in accordance with the Procedure. In particular, one of the risks on Datix had not been reviewed since October 2013.

We also noted that a number of risks relating to health and social care integration had been set out in the Director of Finance’s paper “Preparation for creation of integrated joint boards”, which was presented to the NHSL Finance & Resources Committee in May 2015 (see Appendix 2 for details of the risks). While this paper was produced shortly before our audit fieldwork, the risks had not been recorded in Datix.

There is a risk that risk registers on Datix are out-of-date and incomplete. This may impact on NHS Lothian’s ability to utilise Datix to inform its governance and assurance arrangements.

Recommendation

The integration risk register entries on Datix should be reviewed on a regular basis by the relevant risk owners and risk handlers.

An exercise should be completed across NHS Lothian to identify the integration risks specific to particular services, along with the proposed mitigating actions, and record them on Datix. This should include updating Datix for the risk entries stated in the paper “Preparation for creation of integrated joint boards” (and as per Appendix 2). The output of the exercise should be reported to the Risk Management Steering Group.

Management Response

Agree. Work has started with Edinburgh and will shortly start with Midlothian, which will contribute to this. It is included in the Risk Management team’s Improvement Plan at a high level.

Management Action

The [Associate Director for Quality Improvement & Safety](#) will ask the Risk Management Steering Group to request that the Joint management teams undertake this work and feed

Internal Audit
Health & Social Care Integration

back to the RMSG. It is these joint management teams that will manage and or escalate these risks to the IJBS.

Responsibility: [Associate Director for Quality Improvement & Safety](#)

Target date: August 2015

<p>4.2: Risks relating to the process for implementation of IJBs have not been regularly reported to the implementation working groups.</p>	<p>Important</p>
<p>Observation and Risk</p> <p>Our review of risk management arrangements in relation to the implementation of IJBs noted that Datix includes risks from the relevant CHP risk register relating to the integration process for NHS Lothian, East Lothian, Midlothian, and West Lothian. However, there were no such risks recorded for Edinburgh integration process.</p> <p>We also noted that the integration risks that are recorded on Datix have not been formally reported to the implementation working groups for East Lothian, Midlothian, and West Lothian. As these working groups include those members of staff with the most detailed understanding of the requirements of the integration process within NHS Lothian.</p> <p>If risks associated with the management of the implementation process are not formally captured, monitored and reported to those groups taking the lead on implementation of the integration project plans, there is an increased likelihood that actions to prevent the risks occurring will not be identified and implemented.</p>	
<p>Recommendation</p> <p>Each implementation working group (or equivalent) should receive regular reports on the risks associated with the successful completion of the IJB implementation project plans, and the actions taken by management to mitigate those risks.</p>	
<p>Management Response and Action</p> <p>Agreed. Following the completion of the exercise at 4.1, implementation groups will review the risks identified to consider whether they include risks that may affect successful completion of the implementation plans.</p>	
<p>Responsibility: Director of Strategic Planning, Performance Reporting & Information</p>	<p>Target date: One month following completion of risk exercise at 4.1</p>

Control objective 5: There is clarity over the functions for which the IJBs will be responsible, and NHS Lothian's potential IJB allocation budget is aligned to those functions, if it is required in 2015/16.

We identified no significant issues in relation to this control objective.

The integration schemes which have been submitted to Scottish Government set out the integration functions that each IJB will deliver. Each of the schemes was submitted in draft form by the deadline of 31 March 2015, after review by NHS Lothian and the relevant council. This review included an assessment of conformance with IRAG by NHS Lothian staff, and consideration of comments obtained from the Scottish Government on the draft integration schemes.

Although the payments and set-aside amounts for each IJB have not yet been determined, NHS Lothian has set indicative budgets for those functions identified within the integration schemes, and discussions have started on the methods for allocating budgets across the four IJBs.

Control objective 6: The NHS Lothian budget for 2015/16 has been prepared using a methodology and assumptions consistent with previous years and is subject to robust challenge.

We identified no significant issues in relation to this control objective.

The budget for NHS Lothian for 2015/16 was developed using the same principles as in 2014/15.

In addition, a paper showing the change in budget for key areas, e.g. the CHPs, Unscheduled Care, and Scheduled Care, was presented to the NHSL Finance & Resources Committee in May 2015. The paper provided set out the pre-audit 2014/15 out-turn figures, noting that the LRP target for 2014/15 was not achieved. The paper also set out the 2015/16 financial plan, as approved by NHSL Board on 1 April, commenting on the key assumptions incorporated in the plan, including the requirement to achieve the £30m LRP in 2015/16.

The Scottish Government recently published Guidance for Integration Financial Assurance (IRAG). The IRAG guidance highlights that it is important that newly established IJBs are provided with assurance that their resources are adequate. This work should be undertaken by the shadow Chief Officer and shadow Chief Finance Officer. We were informed that this work will be undertaken and complete by the time the IJBs become operational and we will complete further audit work on that assurance process once it is complete. We have therefore not undertaken a review of management's detailed financial analysis work as part of this review.

Appendix 1 - Definition of Ratings

Management Action Ratings

Action Ratings	Definition
Critical	The issue has a material effect upon the wider organisation – 60 points
Significant	The issue is material for the subject under review – 20 points
Important	The issue is relevant for the subject under review – 10 points
Minor	This issue is a housekeeping point for the subject under review – 5 points

Control Objective Ratings

Action Ratings	Definition
Red	Fundamental absence or failure of controls requiring immediate attention (60 points and above)
Amber	Control objective not achieved - controls in place are inadequate or ineffective (21 – 59 points)
Green	Control objective achieved – no major weaknesses in controls but may be scope for improvement (20 points or less)

Appendix 2 – “Preparation for creation of integrated joint boards” risks

The Director of Finance’s paper “Preparation for creation of integrated joint boards”, which was presented to the Finance and Resources Committee in May 2015, identified the following risks in relation to integration:

- Understanding of budgets by the IJB – There is a risk that the IJBs do not fully understand the budget that have been allocated to them – in that the relationships between the inputs and capacity in financial terms and the outputs in activity terms are not clearly or sufficiently defined and delineated – and that the risks around the budgets are not fully quantified, because of the current indicative nature of projected future resources available to the partnerships.
- Flexibility to manage resources by the health board - The Health Board, having committed 60% of its direct healthcare resource to the IJBs in the form of resource allocations, has less flexibility in order to manage its residual managed services’ financial pressures, or in meeting additional in year financial demands from delegated functions. This is implicit in the arrangements by which the NHS Board met its obligation to break even in 2014/15; based on an analysis of its preliminary financial out-turn.
- IJB Strategic Planning - The impact of the IJB’s Strategic Plans (Including their Financial Plans) will impact on the Financial Planning processes (and outcomes) of the Board. The impact of the IJB’s Directions for those functions delegated to the IJBs on the operational financial management of the Board’s services.
- Risks arising from the IJB Financial Model - The Council and Health Board budgets having been agreed for 2015/16, the financial resources that support the functions to be delegated to the IJB require to be extracted from within the overall budget. Other than the elements relating to the statutorily required chief of social work and criminal justice, the Council budgets are well defined and these will simply directly allocated to the IJB. However within the Health system there are four major issues to be resolved, including:
 - Agreement to budgets at a cost-centre level for mapping onto designated services - functions have been delegated to the IJB but NHS Lothian budgetary system is based on services which do not necessarily (at the lowest operational level) map onto the level at which the operational budgets are held
 - Agreement of the ‘shares’ of the pan-Lothian acute delegated and hosted services attributable to each IJB
 - A clear understanding of the position around funding sources within the operational budgets. For example within Health, Budgets virtually all the budgets are supported by income from the Scottish Government, however the Council is required to charge for some of its services and this means that the budgets above are shown net of that income

Internal Audit
Health & Social Care Integration

- The budget allocated to the IJBs will not include significant elements of facilities, property or corporate services. The IJB should consider how it can fully understand its use of these resources in the absence of such being held within the delegated budget.
- Operational risks that will be identified during Due Diligence – The IJBs will wish to assure themselves that a due diligence process has taken place in regard to the financial resources allocated to it. The Scottish Government has published further guidance – Guidance for Integration Financial Assurance – and this recommends that the IJB should ‘obtain assurance that its resources are adequate to allow it to carry out its functions and to assess the risks associated with this.’ In 2015/16, this work will be an examination of the budget set by the Council and the Health Board and how those budgets have been translated into the budgets allocated to the IJB. There will be risks that are specific to the Council and Health elements of these resources and those where the risks are borne by both.