Internal Audit

Labs ReNew Programme Follow-up

November 2018

Internal Audit Assurance assessment:

Objective One	Objective Two	Objective Three
Moderate Assurance	Moderate Assurance	Significant Assurance

Timetable

Date closing meeting held: 3 August 2018

Date draft report issued: 5 October 2018

Date management comments received: 5 November 2018

Date Final report issued: 7 November 2018

Date presented to Audit and Risk Committee: 26 November 2018

Contents

1. Introduction

1.1 In May 2014, Internal Audit completed a review of the Laboratory Services ReNew Programme to evaluate the adequacy and effectiveness of internal controls for managing the Programme.

1.2 The audit focused on five key risks:

- The programme framework does not support effective delivery.
- Risks are not identified and adequately addressed.
- Targets and frameworks are not achieved.
- Project benefits are not realised.
- Reporting is not accurate, complete or timely.

1.3 While all projects and the Programme as a whole were subject to adequate controls around progress reporting and recording lessons learned, work was required to develop a Benefits Realisation Strategy and Quality Assurance Process, in line with the Programme's Governance Framework Report.

1.4 Since the review was carried out, a number of new projects have been identified and assigned to the ReNew Programme. Currently, there are 26 projects considered part of the Programme, 14 of which were reported as complete in October 2017, with the remaining 12 at various stages of progression.

1.5 With longer term plans for NHS Lothian Laboratory Services to move into a regional distributed services model, it is expected that some projects will be developed into a shared services model with other Scottish Health Boards

Scope

1.6 The audit will review the progress made in implementing the audit recommendations from our 2014 review. We will also carry out a high level review of a sample of projects to confirm that an appropriate control framework is in place to progress the projects and that the project boards are satisfied with the delivery of the expected outcomes. We will also consider the oversight in place to ensure that projects are not duplicated. Our review will not include an independent assessment of the outcomes themselves.

Acknowledgements

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

2. Executive Summary

Summary of Findings

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

No.	Control Objectives	Assurance Level	Number of findings			
			Critical	High	Medium	Low
1	The Labs ReNew Programme Director has put in place a plan to close off/action all recommendations for the 2014 review.	Moderate Assurance	-	-	1	-
2	New projects added since 2014 have been suitably planned to achieve the expected outcomes.	Moderate Assurance	-	-	1	-
3	Projects are being delivered to achieve the expected outcomes.	Significant Assurance	-	-	-	2
TOTAL			**-**	**-**	**2**	**2**

Conclusion

2.2 The Laboratory Services ReNew Programme continues to progress adequately, with an effective framework of control overseen by the Programme Manager, Laboratory Medicine management staff and the Laboratories ReNew Programme Board (LRPB). Since 2014, the programme has seen a number of projects achieve their objectives, with additional projects subject to clear assessment and formal approval by the LRPB.

2.3 However further work is necessary around benefits realisation and, with the regionalisation of laboratory services likely to develop further over the coming months, the LRPB should review the Programme's objectives against what will be required under the regionalisation model.

Main Findings

Recommendations from the 2014 Internal Audit review

2.4 The review recommended that a Benefits Realisation Strategy and Quality Assurance Process were developed in line with the Programme's Governance Framework. The Programme's Benefits Realisation Strategy was approved by the LRPB in 2014.

2.5 Quality Assurance, as described in the Programme's Governance Framework, refers to the quality of the Laboratory Medicine ReNew Programme, including how plans are being composed, and project delivery monitored. Communication, risk management and benefits realisation also fall under the title of quality assurance. There is sufficient evidence in place to demonstrate that the Programme is being progressed to a reasonable standard of quality. External quality assurance has also been provided by reviews carried out by Internal Audit.

2.6 However, we identified one issue from the review of previous recommendations:

Medium Rating

- Project benefits are not being formally assessed against the Benefits Realisation Strategy criteria. (Finding 1)

2.7 Generally, new projects are supported by Business Cases and/or Project Initiation Documents, which are approved by the LRPB. No new projects are started without LRPB sign-off. It is through the objectives in the Business Cases and PIDs that the LRPB monitors the ongoing viability of each project.

2.8 Stakeholder mapping exercises are being carried out prior to new projects starting. All groups and individuals identified from these exercises are being engaged with and appointed to project boards where necessary.

2.9 A storyboard is in place and operates as a high level plan for each of the projects within the Programme. The Storyboard is reviewed and updated by the Programme Manager and Director of Diagnostics, Theatres and Critical Care, who chairs the LRPB. The Storyboard records interdependencies between projects and major milestones associated with each.

2.10 All risks associated with the Programme are recorded by the Programme Manager in a consolidated risk register, which is circulate to LRPB members prior to each meeting.

2.11 We identified three issues / improvement opportunities during this review:

Medium Rating

- The Laboratories ReNew Programme should be formally reviewed and developed where appropriate under a regional laboratory services model. (Finding 2)

Low Rating

- The Programme Manager should only report to the LRPB and other stakeholders those projects that are currently live. (Finding 3)
- Lessons learned from projects are not being considered for relevance to other projects. (Finding 4)

3. Management Action Plan

Finding 1	
Control objective 1: The Labs ReNew Programme Director has put in place a plan to close off/action all recommendations for the 2014 review. **Associated risk of not achieving the control objective: Projects do not deliver expected benefits.**	**Medium**

Background:

Part of the Laboratories ReNew Governance Framework emphasises the importance of a properly supported benefits realisation strategy. The Framework also states that for benefits realisation to be effective it should be seen as a workstream in itself, running for the duration of the Programme and involving the Programme Board, Finance, Laboratories and Employee relations.

According also to the framework, and supported by the overarching PRINCE2 project management methodology, a Benefits realisation Strategy is required to demonstrate through comparison between projects and business cases the effectiveness of the Programme.

It was noted from the previous internal audit review in 2014 that no Benefits Realisation Strategy had been developed at that time. Although by October of 2014 the Labs ReNew Programme Board (LRPB) had approved a Strategy which supports the previous commitment in the Governance Framework.

The Labs ReNew Programme Benefits Realisation Strategy assigned potential benefits into 3 broad categories:

- Quantifiable Cash Releasing Benefits;
- Quantifiable Non-cash Releasing Benefits, and
- Non-quantifiable Benefits.

The Strategy states that the responsibility for reporting and tracking of benefits sits with the individual project Boards, with support from the programme Board. And that there will be monthly tracking and quarterly review sessions.

Finding

While the Strategy clearly communicates the processes that are to be followed for effective benefits realisation, this model has not yet been fully established. With further work required by the LRPB to execute the benefits realisation process and review the output from this.

It is also noted that the Programme Board has not been presented with a formal finance report capturing the financial benefits within the programme since 2013. Furthermore, the programme's Consolidated Risk Register has listed projects where the support or input from Finance is outstanding, specifically LR02, LR17 and LR19. The Programme Manager has

also included a live risk under the Programme itself, advising that Finance support needs to be adequately resourced and support delivery of the anticipated £4.1m recurring savings. Without adequate assessment of the individual project benefits, there is a risk that the Programme Manage will be unable to report effectively to the LRPB whether projects, and the programme as a whole, have achieved the expected benefits, or whether further action is necessary.	
Recommendation The Programme Manager should be adequately supported by the LRPB, Finance and Laboratory Medicine in conducting a comprehensive review of the benefits achieved by the Programme's Projects. Assessment criteria should adhere to that recorded in the Programme's Benefits Realisation Strategy.	
Management Response Management acknowledge the finding and accept the recorded risk. The Finance Business Partner is a member of the Labs Renew Board and works with the Management Accounting team and Laboratory Medicine in monitoring the benefits. The financial benefits derived from the projects are monitored via the regular budget holder meetings. Once the savings have been realised they are reported via the Sustainability & Value reports for Labs. Management Action Continue to monitor benefits from the active projects and report through the Labs ReNew and Sustainability & Value Board ensuring that they meet the assessment criteria.	
Responsibility: Not applicable.	Target date: Not applicable.

Finding 2	
Control objective 2: New projects added since 2014 have been suitably planned to achieve the expected outcomes. **Associated risk of not achieving the control objective: The Laboratories ReNew Programme is unable to deliver projects under the regional laboratory services model.**	**Medium**

Background

Since the internal audit review in 2014, the Labs ReNew Programme has been expanded from the original 12 projects to 26, 16 of which are now considered by the LRPB to be 'complete'.

One project, Speech Recognition, is being reported to the LRPB as not yet a live ReNew Project. The remaining nine projects are at various stages of completion.

The Labs ReNew Programme commenced at the start of the 2011/12 financial year, initially as a 4-year programme to deliver a number of projects designed to improve efficiency, identify cash savings and modernise the laboratories function.

Finding

While it is noted that the Programme Manager has implemented an effective framework of control to identify and approve new projects, with sufficient oversight from the LRPB. Delays to some of the projects, in addition to the identification of additional projects, has pushed the expected completion of the programme beyond the 2015 target, the Programme has evolved over time without formal review by the LRPB to agree its future direction and purpose, including a realistic end date.

Furthermore, the Scottish Healthcare Science National Delivery Plan 2015-20 has identified the development and delivery of sustainable services as a means of maximising the contribution of healthcare science. To achieve this, the most appropriate setting for service delivery is likely to be regional, on a population rather that geographical boundary basis.

A Regional Laboratory Medicine Strategy is being developed between NHS Fife, NHS Lothian and NHS Borders to set out the direction of travel for a regional laboratory services model, intended to reduce costs through economies of scale, improve sustainability and make the best use of available space.

Any shift to this regional model will have an effect on some of the projects within the Programme, which will require review and update to reflect this. There is also likely to be additional projects that will need to be developed under the broader regional model.

Recommendation

The Programme Manager, along with the LRPB and representatives from Laboratory

Medicine should undertake a formal review of the Programme to identify those projects that are likely to develop into a wider regional project. Agreement should be reached between Laboratories management and the Programme Board over how and when to 'close' the Labs ReNew Programme, while maintaining an appropriate control framework to facilitate any future projects not applicable under the ReNew Programme. Projects with potential regional relevance should be subject to a revised governance framework that includes the geographical relevance of the project and the wider stakeholder group.	
Management Response We agree that the programme needs a formal review in line with the objectives set out for the East Region Laboratory Medicine Operational Board and adherence of programmes to the Shared Services Laboratory Blueprint. Management Action Management shall review the objectives of the ReNew programme in line with the Laboratory Blueprint.	
Responsibility: Service Manager for Laboratory Medicine	Target date: 1 February 2019

Finding 3	
Control objective 3: Projects are being delivered to achieve the expected outcomes. **Associated risk of not achieving the control objective: The LRPB is presented with information that is no longer relevant.**	**Low**

Background

A storyboard has been created by the Programme Manager as a high level plan for each of the projects within the Programme. The Storyboard is updated quarterly with information including the project status and any risks or issues identified. Once updated, it is shared with the Programme's main stakeholders LRPB. The Storyboard also records interdependencies between projects and major milestone associated with each.

Consolidated Highlight Reports, presented at each meeting of the LRPB are used to monitor project and Programme status. Also, the Programme Manager updates quarterly communications posters, which are circulated to staff with Laboratories and placed on departmental notice boards.

Finding

All projects identified as part of the ReNew Programme are listed in the Highlight Report, including those that have ended and are considered closed. The communications posters also record the projects that have come to an end.

While there is no significant risk to the inclusion of closed projects in the two reporting methods, the inclusion of these projects in reporting and monitoring information is unnecessary and an inefficient use of time. To support the effective review of the Programme's status, only relevant information should be provided.

Recommendation

The Programme Manager should update the Consolidated highlight report and communication posters, recording only those projects that are currently live.

Management Response

Agreed that a final stage highlight report and communication report should be completed.

Management Action

Work with the programme manager to deliver a live communication report.

Responsibility:	Target date:
Service Manager for Laboratory Medicine	1 February 2019

Programme Manager	

Finding 4	
Control objective 3: Projects are being delivered to achieve the expected outcomes. **Associated risk of not achieving the control objective: Lessons learned from projects are not being considered for relevance to other projects.**	**Low**
Background A Consolidated Lessons Learned report is provided to the LRPB as part of the Board papers. This is in line with the Programme's Governance Framework and list all projects within the programme that have encountered difficulties or issues affecting their progress or effectiveness. Finding While the report records the lessons learned, remedial action and the people responsible indentifying and addressing the issue, it does not include information to advise the LRPB how any lessons learned are being considered against other projects where similar issues are likely to occur. Including those within Laboratories but out with the remit of the Labs ReNew Programme, or operating elsewhere in NHS Lothian.	
Recommendation The Programme Manager should update the Consolidated Lessons Learned Report to include information where issues identified from one project have been considered elsewhere, with appropriate steps taken to avoid reoccurrence of the issues.	
Management Response Agreed that lessons learned from the consolidated lessons learned report should be compiled and cross referenced. These lessons should be passed onto the ELMO group. Management Action Managed to work with programme manager to update and communicate lessons learned report.	
Responsibility: Service Manager for Laboratory Medicine Programme Manager	Target date: 1 February 2019

Appendix 1 - Definition of Ratings

Findings and management actions ratings

Finding Ratings	Definition
Critical	A fundamental failure or absence in the design or operating effectiveness of controls, which requires immediate attention
High	A key control failure has been identified which could be either due to a failure in the design or operating effectiveness. There are no compensating controls in place, and management should aim to implement controls within a calendar month of the review.
Medium	A control failure has been identified which could be either due to a failure in the design or operating effectiveness. Other controls in place partially mitigate the risk to the organisation, however management should look to implement controls to fully cover the risk identified.
Low	Minor non-compliance has been identified with the operating effectiveness of a control, however the design of the control is effective

Report ratings and overall assurance provided

Report Ratings	Definition	When Internal Audit will award this level
No assurance	The Board cannot take any assurance from the audit findings. There remains a significant amount of residual risk.	The controls are not adequately designed and / or operating effectively and immediate management action is required as there remains a significant amount of residual risk(for instance one Critical finding or a number of High findings)
Limited assurance	The Board can take some assurance from the systems of control in place to achieve the control objective, but there remains a significant amount of residual risk which requires action to be taken.	This may be used when: • There are known material weaknesses in key control areas. • It is known that there will have to be changes that are relevant to the control objective (e.g. due to a change in the law) and the impact has not been assessed and planned for. The controls are deficient in some aspects and require management action (for instance one 'high' finding and a number of other lower rated findings)
Moderate assurance	The Board can take reasonable assurance that controls upon which the organisation relies to achieve the control objective are in the main suitably designed and effectively applied. There remains a moderate amount of residual risk.	In most respects the "purpose" is being achieved. There are some areas where further action is required, and the residual risk is greater than "insignificant". The controls are largely effective and in most respects achieve their purpose with a limited number of findings which require management action (for instance a mix of 'medium' findings and 'low' findings)
Significant assurance	The Board can take reasonable assurance that the system(s) of control achieves or will achieve the control objective. There may be an insignificant amount of residual risk or none at all.	There is little evidence of system failure and the system appears to be robust and sustainable. The controls adequately mitigate the risk, or weaknesses are only minor (for instance a low number of findings which are all rated as 'low' or no findings)