

# Internal Audit



## Midlothian IJB – Transformational Funding

May 2018

### Internal Audit Assurance assessment:

Objective One	Objective Two	Objective Three	Objective Four	Objective Five
Significant Assurance	Limited Assurance	Significant Assurance	Limited Assurance	Significant Assurance

### Timetable

Date closing meeting held: 17 April 2018

Date draft report issued: 17 May 2018

Date management comments received: 25 May 2018

Date Final report issued: 29 May 2018

This report has been prepared for internal use as part of NHS Lothian's and Midlothian Integration Joint Board's internal audit service. No part of this report should be made available, quoted or copied to any external party without Internal Audit's prior consent.

## **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. Through the Integration Scheme, Midlothian Council and NHS Lothian set up the independent Midlothian Integration Joint Board (MIJB) which is responsible for directing, and planning for, the provision of delegated functions within Midlothian.

The MIJB receives funding from Midlothian Council, NHS Lothian, and indirectly from the Scottish Government. Part of that is transformational funding, which is designed to support the redesign of primary care services within Midlothian.

This audit will review how the MIJB has ensured that all transformational funding has been received, and that it has been effectively utilised to support the redesign of primary care services within Midlothian.

### **Scope**

The objective of the audit was to evaluate the adequacy and effectiveness of the key internal controls in place for the management of transformational funding.

### **Acknowledgements**

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

## Executive Summary

### Summary of Findings

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 IJB has assured itself that transformational funding has been accurately calculated and received.	Significant Assurance	-	-	-	-
2	A detailed plan is in place which has been approved by the IJB Board, and which details both how transformational funding will be spent and project timescales.	Limited Assurance	-	1	-	-
3	The transformational funding is ring-fenced and only spent on the purposes intended.	Significant Assurance	-	-	-	-
4	There is effective reporting of progress against the plan to the IJB Board, which includes budgetary statements and KPIs.	Limited Assurance	-	1	-	-
5	Where funding will not be spent in year plans are in place to understand why, and that the funding will be carried forward into future year, ring-fenced for the specific purposes.	Significant Assurance	-	-	-	-
<b>TOTAL</b>			-	<b>2</b>	-	-

## **Conclusion**

The area under review comprised 5 control objectives, of which 3 received Significant Assurance, and 2 Limited Assurance.

Project proposals were created for all transformational funding during the period 2016-18. However, not all project plans were provided to the IJB Board, and there was no regular reporting to the IJB Board on project progress throughout the year.

## **Main Findings**

Transformational funding was received by the IJB from two sources during the period 2016-18: the Scottish Government, and NHS Lothian. Project proposals were created for both of these funding sources, and the funding was received in full by the IJB except for part of the Scottish Government funding which was used by NHS Lothian as a whole for joint health and social care projects.

We have identified 2 key findings for improvement during the review:

- project plans set out what work will be performed, expected outcomes, expected expenditure, and deadlines. A project plan for the Scottish Government funding was created and then provided to the IJB Board in April 2016. However, the Chief Officer and the Strategic Programme Manager stated that the project plan for the NHS Lothian funding was not provided to the IJB Board due to its relatively low financial value (£200k during 2017-18)
- no reporting on the progress made by the two transformational funding projects was provided to the IJB Board during the year. In addition, there was no budgetary reporting. The Chief Officer and the Strategic Programme Manager both stated that there was no reporting due to the relatively low financial value of the two projects.

Further details of these 2 key findings are set out in the Management Action Plan.

## Management Action Plan

<p><b>Control objective 2.1: A detailed plan is in place which has been approved by the IJB Board, and which details both how transformational funding will be spent and project timescales.</b></p> <p><b>Associated risk of not achieving the control objective: No formal project plan for the funding provided by NHS Lothian was provided to the IJB Board.</b></p>	<p><b>High</b></p>
<p><u>Observation and risk</u></p> <p>Transformational funding was received by the IJB from two sources during the period 2016-18: the Scottish Government (SG), and NHS Lothian. The SG funding covered the period 2016-18, with the IJB receiving £118k for each of the two years, and this used for cluster working, and the wellbeing service; the funding for phlebotomy, and advanced nurse practitioners was top-sliced and used by NHS Lothian as a whole. The funding of £200k from NHS Lothian during 2017-18 was used for various purposes including physiotherapy, and management consultancy work with GPs.</p> <p>Project plans set out what work will be performed, expected outcomes, expected expenditure, and deadlines. A project plan for the SG funding was created and then provided to the IJB Board in April 2016. The project plan for the NHS Lothian funding was created by the Midlothian's Strategic Programme Manager, Chief Officer, and Clinical Director and provided to NHS Lothian's Primary Care Investment &amp; Redesign Board in May 2017. However, the Chief Officer and the Strategic Programme Manager stated that the project plan for the NHS Lothian funding was not provided to the IJB Board due to its relatively low financial value.</p> <p>If project plans are not created and then provided to the IJB Board for approval then there is an increased risk that work is performed which does not help to achieve IJB strategic aims, and it is not performed on time and within budget.</p>	
<p><u>Recommendation</u></p> <p>All transformational funding plans should be provided to the IJB for approval prior to the commencement of any work.</p> <p>In addition, the IJB should decide what information on project work it should receive. In particular, it should decide the financial thresholds above which project plans and progress reporting should be provided.</p>	
<p><u>Management Response</u></p> <p>Whilst acknowledging the discussion about the value of the transformation funds, it's not purely a matter of not reporting because the value is small, this is more a matter of policy and a recognition that the IJB is a Board and not an organisation per se. The main questions to be answered are whether the IJB is aware of this investment and does this investment fit into the IJB's agreed strategy. Given that the Primary Care Strategic Programme and the Primary</p>	

Care Investment Fund was presented and approved by the IJB in April 2016, then these 2 issues have been addressed. The IJB is not an operational Board of Management and the approach is to report at a relatively high level and that the IJB concentrates on forward planning and delivering transformational change then this detailed work should only be reported to the IJB if it has not delivered its planned outcomes.

The Management Action

The results of the internal audit will be presented to the IJB Audit & Risk Committee on 20 June in order to discuss and agree any proposed actions in relation the recommendations relating to processes for future transformational funding and approval processes.

Responsibility:

David King, Chief Finance Officer

Target date:

20 June 2018

<p><b>Control objective 4.1: There is effective reporting of progress against the plan to the IJB Board, which includes budgetary statements and KPIs.</b></p> <p><b>Associated risk of not achieving the control objective: There was no reporting to committee for transformational funding projects.</b></p>	<p><b>High</b></p>
<p><u>Observation and risk</u></p> <p>Project progress, including budgetary statements, should be provided to the IJB Board on a regular basis to enable it to determine if project objectives will be achieved on time and within budget.</p> <p>However, no reporting on the progress made by the two transformational funding projects was provided to the IJB Board. In addition, there was no budgetary reporting. The Chief Officer and the Strategic Programme Manager both stated that there was no reporting due to the relatively low financial value of the two projects. However, work performed was discussed at the pan-Lothian Primary Care Investment &amp; Redesign Board.</p> <p>If the IJB Board is not kept informed of project progress and expenditure then there is an increased risk that projects do not achieve objectives, become overspent, and are not completed on time.</p>	
<p><u>Recommendation</u></p> <p>The IJB Board should be provided with regular reports on project progress, including budgetary statements.</p> <p>In addition, as stated at Issue 2.1, the IJB should decide what information on project work it should receive. In particular, it should decide the financial thresholds above which project plans and progress reporting should be provided.</p>	
<p><u>Management Response</u></p> <p>The IJB is not an operational Board of Management and the approved approach is to report at a relatively high level and that the IJB concentrates on planning forward and delivering transformational change then this detailed work should only be reported to the IJB if it has not delivered its planned outcomes.</p> <p><u>The Management Action</u></p> <p>The results of the internal audit will be presented to the IJB Audit &amp; Risk Committee on 20 June in order to discuss and agree any proposed actions in relation the recommendations relating to processes for future transformational funding and approval processes.</p>	

Responsibility:

David King – Chief Finance Officer

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## Appendix 1 - Definition of Ratings

### Findings and management actions ratings

Finding Ratings	Definition
<b>Critical</b>	A fundamental failure or absence in the design or operating effectiveness of controls, which requires immediate attention
<b>High</b>	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.
<b>Medium</b>	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.
<b>Low</b>	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
<b>No assurance</b>	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)
<b>Limited assurance</b>	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.	<p>This may be used when:</p> <ul style="list-style-type: none"> <li>• There are known material weaknesses in key control areas.</li> <li>• 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.</li> </ul> <p>The controls are deficient in some aspects and require management action (for instance one 'high' finding and a number of other lower rated findings)</p>

<p><b>Moderate assurance</b></p>	<p>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.</p>	<p>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”.</p> <p>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)</p>
<p><b>Significant assurance</b></p>	<p>The Board can take reasonable assurance that the system(s) of control achieves or will achieve the control objective.</p> <p>There may be an insignificant amount of residual risk or none at all.</p>	<p>There is little evidence of system failure and the system appears to be robust and sustainable.</p> <p>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)</p>