

ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	22 February 2018
REPORT TITLE	Internal Audit Report AC1724 – Aberdeen City Health and Social Care Partnership – Post Integration Review
REPORT NUMBER	IA/AC1724
LEAD OFFICER	David Hughes
AUTHOR	David Hughes

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to present the outcome of an audit that was included in the Aberdeen City Health and Social Care Partnership Internal Audit plan for 2016/17.

2. RECOMMENDATION

- 2.1 It is recommended that the Committee notes this report.

3. BACKGROUND / MAIN ISSUES

- 3.1 The Aberdeen City Health and Social Care Partnership Audit and Performance Systems Committee agreed on 11 August 2016 that outputs from audits relating to the Partnership would be reported, for information, to the Audit Risk and Scrutiny Committee.
- 3.2 The attached report relates to a Post Integration Review of the Partnership which was reported to the Audit and Performance Systems Committee on 21 November 2017.
- 3.3 That Committee resolved to request that the Chief Officer review the Service Response in relation to Internal Audit's recommendation at paragraph 2.1.11 of the Internal Audit report and advise the Committee of the outcome. The Audit, Risk and Scrutiny Committee will be advised of the outcome when a decision is taken.

4. FINANCIAL IMPLICATIONS

- 4.1 There are no direct financial implications arising from the recommendations of this report.

5. LEGAL IMPLICATIONS

5.1 There are no direct legal implications arising from the recommendations of this report.

6. MANAGEMENT OF RISK

6.1 The Internal Audit process considers risks involved in the areas subject to review. Any risk implications identified through the Internal Audit process are as detailed in the attached appendix.

7. IMPACT SECTION

7.1 **Economy** – The proposals in this report have no direct impact on the local economy.

7.2 **People** – There will be no differential impact, as a result of the proposals in this report, on people with protected characteristics. An equality impact assessment is not required because the reason for this report is for Committee to review, discuss and comment on the outcome of an internal audit. The proposals in this report will have no impact on improving the staff experience.

7.3 **Place** – The proposals in this report have no direct impact on the environment or how people friendly the place is.

7.4 **Technology** – The proposals in this report do not further advance technology for the improvement of public services and / or the City as a whole.

8. APPENDICES

8.1 Internal Audit report AC1724 – Aberdeen City Health and Social Care Partnership – Post Integration Review.

9. REPORT AUTHOR DETAILS

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Aberdeen City Health & Social Care Partnership
A caring partnership



Internal Audit Report

Aberdeen City Health & Social Care Partnership

Post Integration Review

Issued to:

Judith Proctor, Chief Officer
Alex Stephen, Chief Finance Officer
Sally Shaw, Head of Strategy and Transformation
Tom Cowan, Head of Operations
External Audit

EXECUTIVE SUMMARY

The objective of this audit was to provide assurance over whether integration objectives are on line to be achieved including: that there has been evaluation of actual risk and financial performance against pre-integration assumptions, performance on relevant integration milestones, lessons learned, and that the Partnership is on course to deliver the planned long term benefits.

A review of performance against the pre-integration assumptions will be included within the Partnership's annual performance report, which will be shared with the Partners.

Data to demonstrate delivery of some local and national outcomes is still being sourced internally and by the Scottish Government, and officers are developing both a benefits realisation framework and improvement plan. Performance is considered more regularly by the Integration Joint Board and the individual Partners at Chief Officer level, but is not considered to be required by Partners' Committees or Boards.

Appropriate governance arrangements are in place, however a scheme of delegation, protocol for Directions, service delivery and commissioning plans, and a change management process, are still under development. Dates have now been set for their delivery.

1. INTRODUCTION

- 1.1 Aberdeen City Health and Social Care Partnership formed in February 2016, following approval of its Integration Scheme. Publication of its Strategic Plan, and delegation of service delivery by its Partners: NHS Grampian and Aberdeen City Council, was completed to allow the Partnership to commence operations in April 2016.
- 1.2 The Partnership manages its strategy and operations via an Integration Joint Board (IJB), supported by Committees, an Executive Team, and officers within the Partners reporting to the Chief Officer. Resources and budgets have been delegated to the Partnership, which directs services from the Partners via official Directions in order to fulfil the requirements of its Strategic Plan.
- 1.3 The objective of this audit was to provide assurance over whether integration objectives are on line to be achieved including: that there has been evaluation of actual risk and financial performance against pre-integration assumptions, performance on relevant integration milestones, lessons learned, and that the Partnership is on course to deliver the planned long term benefits.
- 1.4 The factual accuracy of this report and action to be taken with regard to the recommendations made have been agreed with Judith Proctor, Chief Officer to the IJB.

2. FINDINGS AND RECOMMENDATIONS

2.1 Governance Arrangements

- 2.1.1 The IJB was established as a legal entity in its own right, created by Parliamentary Order which came into force on 6 February 2016. This followed setting of its Integration Scheme and agreement of its Strategic Commissioning Plan (Strategic Plan). These two key documents formed the basis of the Partnership and set out its vision for the future. The main focus up to 1 April 2016, when services were formally delegated by Aberdeen City Council and NHS Grampian, was on the production and approval of these documents, and preparing the Board to take ownership of the Plan.
- 2.1.2 Committee papers show the development of the IJB itself and the wider policy landscape. There are effective structures in place to monitor and report progress and lessons learned, and to report exceptions to the appropriate Committee or Board as relevant.
- 2.1.3 The IJB has appropriate governance arrangements in place to support its operations and delivery of its strategy, including the Integration Scheme and Strategic Plan, Financial Regulations and a Risk Management Strategy. These key documents are in place and are being developed and further reviewed as necessary.
- 2.1.4 A Scheme of Delegation has been drafted but the IJB is awaiting the conclusion of a review of Aberdeen City Council's governance arrangements in order to align it with Partners. Although this reduces the risk of having to revisit the Scheme pending conclusion of other changes, it means an element of the Partnership's governance arrangements is not yet in place.

Recommendation

The IJB should progress development of its Scheme of Delegation.

Service Response / Action

Agreed. Delegation from the IJB is set out in the Board Assurance and Escalation Framework and Standing Orders. Work still needs to be progressed to update the Council's scheme of delegation to reflect the Chief Officer's role as a proper officer of the Council. Revisions to the Council's scheme of delegation are still being worked through.

Implementation Date

December 2017

Responsible Officer

Chief Finance Officer

Grading

Significant within audited area

- 2.1.5 Service delivery and Commissioning plans have not yet been developed or costed, and reliance is largely being placed on Partners' existing service delivery mechanisms: service delivery largely continues in line with Partners' prior arrangements, though these have not been set out in specific plans for approval by either Partners or the IJB in 2016/17. Changes are being managed under transformation programmes, or would be subject to separate Directions.
- 2.1.6 A draft Commissioning Plan has been drafted and was agreed by the IJB in August as ready for consultation. It will come back to the IJB in December for sign off. Further delays in its production could affect the Partnership's ability to deliver the Strategic Plan. The Partnership has noted that delays in recruitment of the Head of Strategy and Transformation (now concluded), and in progressing consultancy work due to sickness absence, have impacted on development of the Plan.

Recommendation

The IJB should ensure service delivery and commissioning plans are developed and costed.

Service Response / Action

Agreed. A report was provided to the IJB in August 2017 with an implementation plan for consultation. This will be further developed for formal agreement in 2018.

Implementation Date

March 2018

Responsible Officer

Head of Strategy and Transformation

Grading

Significant within audited area

- 2.1.7 The Integration Scheme sets out that the IJB will, through the Chief Officer, have an appropriate role in the operational delivery of services by the Parties in the carrying out of integration functions. However it also states that NHS Grampian and the Council will be responsible for the operational delivery of delegated services in implementation of Directions of the IJB.
- 2.1.8 The Chief Officer is responsible for the operational management of delegated services, and is a member of the Partners' senior management teams. The Chief Officer is line managed by and reports to the Chief Executives of both NHS Grampian and Aberdeen City Council, and provides regular updates on operational and financial performance and progress towards achieving the Partnership's objectives. However, these are not regularly reported to the Partners' respective Boards or Committees. Therefore, except through the Chief Officer to their senior management teams, the Partners have limited oversight of operational delivery of delegated services. Officers have however highlighted that voting membership of the IJB comprises both Elected Members of the Council and Non-Executive (and 1 Executive) Directors of NHS Grampian and the make-up of the IJB's committees also reflects this in relation to operational and performance reporting.
- 2.1.9 The Council receives a quarterly report from its Chief Executive regarding the IJB's governance arrangements, which includes some financial information. However this does not currently demonstrate performance against the Partnership's strategic or operational objectives. These are, as required by the legislation however reported to the IJB and performance reports are publically available.
- 2.1.10 Although the Strategy is owned and controlled by the IJB, Partners will still need oversight of progress with transformation, in order to demonstrate that the planned outcomes for their investment in the Partnership are being realised. Officers consider that this is provided in the Annual report which is shared with Partner organisations as required by the legislation and via the regular public reporting undertaken through the IJB.
- 2.1.11 The Scottish Government's Guidance for Integration Financial Assurance recommended that Boards document their evaluation of actual risk and financial performance against pre-integration assumptions. Although no separate report was prepared to document this, Officers consider that this requirement was met through the 2017/18 budget setting process, during which the Board considered the risks and assumptions, and set out its plans for the following financial year. In addition the IJB was required to publish an Annual Performance Report within four months of the year end. However, these are annual exercises, and more regular reporting would provide additional assurance.

Recommendation

The IJB should ensure that operational and financial performance, and details of progress with achieving the Partnership's objectives are provided to partners regularly for reporting to a relevant Board or Committee.

Service Response / Action

Not Agreed. Partners have delegated activities to the IJB and place assurance on the IJB to monitor regular and in-year performance. Voting membership of the IJB comprises both Elected Members of ACC and Non-Executive and Executive Directors of NHS Grampian from whom assurance can be obtained, and the Chief Executives have line of sight for accountability. Annual reporting, and the reports presented by Aberdeen City Council's Chief Executive, is considered sufficient and appropriate in reducing the risk of multiple lines of reporting and oversight.

Internal Audit Comment

Service position noted

Grading

Important within audited area

- 2.1.12 A process for issuing directions has developed, and decisions made on these are transparent and appropriately evidenced. However, development of a protocol or procedure would provide more assurance over consistency of the approach to developing and issuing directions. A protocol is being drafted for agreement by the Partners' Chief Executives.

Recommendation

The IJB should agree a protocol or procedure for development and issue of Directions.

Service Response / Action

Agreed. A procedure has now been put in place.

Implementation Date

Implemented

Responsible Officer

Chief Finance Officer

Grading

Important within audited area

2.2 Risk Management

- 2.2.1 Risk management has been well integrated into the IJB's reporting arrangements, and Committee agendas. Each report presented to the Board and Committees identifies key risks and mitigations. The Audit and Performance Systems Committee (APSC) receives updates to the strategic and operational risk registers as a standing item at every meeting.

- 2.2.2 However, some risk areas may not be updated for each Committee cycle, which could impact on the assurance provided over mitigations. Recent changes to presentation of the strategic risk register show changes more clearly. However, whilst the operational register now includes 'last updated' dates, this is not always being completed, and some areas do not appear to have been recently reviewed.

Recommendation

The IJB should ensure risk registers are kept up to date.

Service Response / Action

Agreed. Audit & Performance Systems (APS) Committee considered a report which recommended the operational risk be reported to the Clinical & Care Governance Committee and that both risk registers will be reported quarterly, with the strategic risk register quarterly update being reported two times a year to the IJB and APS committee. The IJB received an update in August 2017.

<u>Implementation Date</u> Implemented	<u>Responsible Officer</u> Head of Strategy & Transformation	<u>Grading</u> Important within audited area
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- 2.2.3 The Risk Management Framework agreed in March 2016 has not been reviewed within 1 year as originally planned. The Partnership anticipates reviewing this in June 2017.

<u>Recommendation</u> The IJB should review its Risk Management Framework as planned.		
<u>Service Response / Action</u> Agreed. This was included in the review of the Board Assurance and Escalation Framework reported to APS Committee in June 2017. A further review is being undertaken by the Good Governance Institute		
<u>Implementation Date</u> March 2018	<u>Responsible Officer</u> Head of Strategy & Transformation	<u>Grading</u> Important within audited area

2.3 Financial Governance

- 2.3.1 The Integration Scheme sets out that in order to give assurance to the Parties that the delegated budgets are being used for their intended purposes, financial monitoring reports will be produced for the Parties in accordance with timetables to be agreed at the start of each financial year. The format of such reports was to be agreed by the Director of Finance of NHS Grampian and the Section 95 Officer of the Council, in conjunction with the Chief Finance Officer of the IJB.
- 2.3.2 Regular financial performance monitoring has developed and is well presented, including detail of anticipated variances in outturn, and mitigating actions being taken. The Partnership is also considering improvements to the monitoring format following the 2016/17 year end process. However, a budget monitoring protocol or procedure, agreed between the Chief Finance Officer and the Partners' Finance Teams would provide more assurance over consistency going forward.

<u>Recommendation</u> The CFO, in conjunction with the Partners' Finance Teams, should develop a budget monitoring procedure.		
<u>Service Response / Action</u> Agreed.		
<u>Implementation Date</u> December 2017	<u>Responsible Officer</u> Chief Finance Officer	<u>Grading</u> Important within audited area

- 2.3.3 Performance monitoring is still under development, within a defined Framework. There are currently only limited financial metrics – only the achievement of the IJB budget and associated savings.
- 2.3.4 Further financial measures could provide more assurance, however as there are separate reports to the APSC and IJB in respect of budget monitoring and transformation programme progress and expenditure it may not be necessary to provide these in the form of a performance indicator.

- 2.3.5 There appears to have been limited attempts so far to combine financial and non-financial performance. Doing so could better demonstrate the Partnership's achievement of Best Value, and the impact of its resource allocation decisions.

<u>Recommendation</u>		
The IJB should consider combining financial and operational performance indicators.		
<u>Service Response / Action</u>		
Agreed – consideration will be given to including financial performance indicators in the performance management framework. However, it needs to be established whether these would add any value to the performance management framework. It is anticipated that either APSC or the IJB will receive quarterly updates on the finances, risk and performance management at the same meeting.		
<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
December 2017	Chief Finance Officer/Head of Strategy and Transformation	Important within audited area

- 2.3.6 The 2017/18 budget has been set and a budget protocol agreed between the Partners and IJB.

- 2.3.7 There is no capital plan for the IJB at present: input is instead provided to the Partners' capital planning processes. The IJB needs to determine the asset requirements to support the Strategic Plan, and will need to identify and seek to incorporate any major changes to existing programmes at an early stage, as lead times for delivery could be significant.

<u>Recommendation</u>		
The IJB should develop an asset management strategy.		
<u>Service Response / Action</u>		
Agreed – an officer in the IJB is already working on this, however, resourcing issues means that the priority to date has been on the projects already approved.		
<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
June 2018	Chief Finance Officer	Significant within audited area

2.4 Transformation

- 2.4.1 Localities are key to supporting and delivering many of the planned changes to service delivery arrangements. A timetable for Locality Planning has only recently (March 2017) been developed and shared with the IJB (June 2017), as there had been delays in recruitment of Heads of Locality and other elements of the management structure. Locality Leadership Groups have been set up and engagement is ongoing with regard to the Localities, and the intention is for each to support the development of the Plans, which are anticipated to be in place by December 2017.

- 2.4.2 Locality budgets are also still to be developed. It will be difficult to demonstrate financial performance at a locality level until the budgets have been devolved. It is also a requirement to include the proportion of the budget spent on each locality in the annual performance report.

Recommendation

The IJB should set a timetable for development of its Locality Budgets.

Service Response / Action

Agreed.

Implementation Date

March 2018

Responsible Officer

Chief Finance Officer

Grading

Significant within audited area

- 2.4.3 For Transformation Programmes, a “Programme Management approach” is being taken, and the IJB receives regular updates. A new reporting style (Highlight Report) introduced in February 2017 improved the presentation of progress with the various programmes. It also more clearly links the programmes with the relevant elements of the Strategic Plan.
- 2.4.4 The report recognised that much of the programme is at the ‘define’ (or design) stage, rather than implementation, and this is slower than desired due to gaps in programme management capacity which Officers have attributed to the length of time recruitment processes take across partner organisations. Work is still ongoing to progress recruitment to fill these posts, many of which were originally identified and agreed in April 2016. This includes Heads of Locality posts, which impacts on locality planning and budgeting, as well as Programme Management posts.
- 2.4.5 Some elements of the programmes are still to be defined in detail, or have end dates specified. Others show end dates towards the end of the current Strategic Plan, suggesting outcomes and benefits may take some time to achieve. In some cases only short term milestones have been listed and future actions have not yet been timetabled.
- 2.4.6 Whilst there is an understandable desire to co-produce the outcomes, and wait for posts to be filled before progressing further elements of the programmes, and these new posts are required to provide sufficient capacity to facilitate the level of engagement required, it will take time to engage and plan with the relevant communities. It is important that the programme is updated to provide assurance over progress with meeting the ambitions set out in the Strategic Plan, within the period for which it was set.
- 2.4.7 Progress with the development of a Framework for Performance, Governance and Improvement was reported to the IJB in January 2017. Thereafter, summary performance data has been provided, including performance against a number of key areas, including a baseline or national benchmark where available. Although indicators have been identified to demonstrate achievement of Local and National Outcomes, in many cases reports indicate there is currently no data to support them. The Scottish Government has instigated a review of national indicators, and officers are working to determine whether all of the identified local indicators remain relevant, or if further data can be obtained. Forecasts and thresholds have still to be developed.
- 2.4.8 In order to determine whether benefits have been achieved from the transformational programmes, there needs to be a way of identifying the planned and actual impact on outcomes. Success criteria need to be defined in advance in order to demonstrate that resources are being planned and used effectively.
- 2.4.9 Officers are working on benefits planning and realisation. This includes a move to a new business case approach which requires anticipated benefits for each project to be clearly articulated at the outset, so that their achievement can be measured thereafter, and decisions made going forward. Changes to the internal review and reporting structure for programmes have also been implemented.

- 2.4.10 Progress will be measured using the suite of performance indicators. However, once this is in place it is still likely to be difficult to isolate the impact of individual changes. This could make it difficult to measure success and to inform future investment and disinvestment decisions.

<u>Recommendation</u>		
The IJB should conclude its work on the Benefits Realisation Framework to ensure it can monitor progress and benefits realised against plans and forecasts for each programme.		
<u>Service Response / Action</u>		
Agreed.		
<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
March 2018	Lead Transformation Manager	Significant within audited area

- 2.4.11 Transformational plans have been costed, however the costings are subject to variation. Changes are being approved via formal reports to the Board. Progress has been constrained by a shortage of capacity, particularly at programme and senior management levels. The Board has been advised that recruitment is ongoing, and the Service stated that recruitment to Programme Manager posts was ongoing in the first week of July 2017. In the meantime there is potential slippage, resulting in a potential underspend against transformation programmes. In contrast, two of the programmes which have not spent all of the funding allocated to them in the first year have been assigned additional budget.

- 2.4.12 There is a risk that the scope of programmes, and associated spending, may develop to use the available budget, rather than to fulfil the original remit. It is however recognised that it is difficult to scope and budget for these transformational change programmes.

<u>Recommendation</u>		
The IJB should ensure transformation programme budgets are adequately controlled.		
<u>Service Response / Action</u>		
Agreed.		
Initial assumptions were based on less information than is now available. As a result of ongoing iterative improvement processes, including revisions to initial assumptions as new information becomes available, financial allocations to programmes have changed to more accurately reflect the scope of the projects.		
A change management process is being developed which will support this, and will be included in regular performance reports.		
<u>Implementation Date</u>	<u>Responsible Officer</u>	<u>Grading</u>
March 2018	Lead Transformation Manager	Important within audited area

AUDITORS: D Hughes
C Harvey

Appendix 1 – Grading of Recommendations

GRADE	DEFINITION
Major at a Corporate Level	The absence of, or failure to comply with, an appropriate internal control which could result in, for example, a material financial loss, or loss of reputation, to the Council.
Major at a Service Level	<p>The absence of, or failure to comply with, an appropriate internal control which could result in, for example, a material financial loss to the Service/area audited.</p> <p>Financial Regulations have been consistently breached.</p>
Significant within audited area	<p>Addressing this issue will enhance internal controls.</p> <p>An element of control is missing or only partial in nature.</p> <p>The existence of the weakness identified has an impact on a system's adequacy and effectiveness.</p> <p>Financial Regulations have been breached.</p>
Important within audited area	Although the element of internal control is satisfactory, a control weakness was identified, the existence of the weakness, taken independently or with other findings does not impair the overall system of internal control.