

Internal Audit Report 2018/2019

Health and Social Care Integration Governance Structures (incl. hosted services)

March 2019

Final

NHS Grampian

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2 This report has been prepared by PwC in accordance with our engagement contract dated 1 August 2017.

4 Internal audit work was performed in accordance with PwC's Internal Audit methodology which is aligned to the Public Sector Internal Auditing Standards. As a result, our work and deliverables are not designed or intended to comply with the International Auditing and Assurance Standards Board (IAASB), **8** International Framework for Assurance Engagements (IFAE) and International Standard on Assurance Engagements (ISAE) 3000.

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Distribution List

For action	Chief Officer, Aberdeenshire IJB
	Chief Officer, Aberdeen City IJB
	Chief Officer, Moray IJB
	Director of Planning/Deputy Chief Executive, NHS Grampian
For information	Audit Committee

1. Executive summary

Report classification	Trend	Total number of findings					
		Critical	High	Medium	Low	Advisory	
Low Risk	N/A – No prior year reviews for comparison	Control design	-	-	1	-	-
		Operating effectiveness	-	-	-	1	-
		Total	-	-	1	1	-

Summary of findings

The scope of our review was to assess the design and operating effectiveness of the key controls within the Health and Social Care Integration governance structures. Our review focused on:

- How each of the three Integration Joint Board (IJBs) link to the Board’s governance arrangements
- The flow of information between the IJBs and the Board
- Consideration of the links between the Board and each of the three IJBs

Our view is that the current arrangements for Health and Social Care Integration governance structures are generally well designed and operating effectively.

In summary we have identified one ‘medium’ risk and one ‘low’ risk finding in relation to control improvement opportunities and these result in this report being classified as ‘low’ risk.

The medium risk finding is as follows:

- There is no formally established communication structures between the IJBs for the discussion of issues related to hosted services. There are weekly informal discussion but these meetings are not documented.

The full details of the above finding, the low rating finding and the agreed actions, can be found in **Section 3**.

Management comment

The next meeting of the NEPSG is on 15 April and the main topic for discussion is the establishment of a framework to review the performance of the hosted services. It is regarded as a high priority of all of the organisations i.e. councils, IJBs and NHS Grampian. The main problem has been getting a meeting organised as it is important that all of the senior stakeholders are present to agree the way forward. Confident that we will have that on 15 April.

Director of Planning & Deputy Chief Executive, NHS Grampian

2. *Background and scope*

Background

The Public Bodies (Joint Working) (Scotland) Act 2014 provided a framework for the effective integration of adult health and social care services. Its policy ambition was to:

- Improve the quality and consistency of services for patients, carers, service users and their families;
- Provide seamless, joined-up quality health and social care services in order to care for people in their own homes or a homely setting where it is safe to do so; and
- Ensure resources are used effectively and efficiently to deliver services that meet the increasing number of people with longer term and often complex needs, many of whom are older.

To realise this ambition NHS Grampian Health Board entered into Health and Social Care Integration Scheme Agreements with:

- Aberdeen City Council
- Aberdeenshire Council
- Moray Council

Three Integration Joint Boards (IJBs) were established through the Body Corporate model by which NHS Grampian and the three Local Authorities delegate a range of functions and resource to the IJBs who are responsible for the planning of integrated arrangements and onward service delivery.

Accountability and Responsibility

The IJB receives payment from NHS Grampian and the Council, and have:

- Responsibility for planning health and care services
- Full power to decide how to use resources and deliver delegated services to improve quality and people's outcomes

The IJB is jointly accountable to Council and NHS board through its voting membership and reporting to the public. In return, the NHS board and Council are accountable to the IJB for the delivery of services as directed. The IJB is also accountable for overseeing the delivery of services

Reporting framework

In summary there are four lines of reporting involving the IJBs as follows:

- 1) Annual reporting from the IJB to the Council and the NHS board as agreed via the sharing of the IJB Annual Performance Report the main report required to account for IJB Performance demonstrating to the public the achievements to date.

2) Quarterly performance reporting from Chief Officer of each IJB to the Council members.

- For Moray the CO and key personnel would address performance through elected member briefings that are held regularly throughout the year. There is not a performance report that goes formally to council committees, the annual performance report goes as noted previously to full council.
- For Aberdeen City service updates are to be provided on the council website quarterly commencing October 2019 following decision by Council.
- For Aberdeenshire there is a system of sharing reports with elected members through the Area Committee Structure with Officers in attendance and also through the policy committee called the Communities Committee.

3) Quarterly performance reporting from Chief Officer of each IJB to the NHS board members. Quarterly performance is monitored through the quarterly performance meetings with the NHS CEO and the Council CEO. A report that collates key items noted in the IJB Board Meetings is presented to the NHSG Board meeting each time and may include performance information or may not depending on what has been noted as key items for noting from the minute.

4) Ad hoc performance reporting from Chief Officer of each IJB to IJB members.

- In Moray the programme of IJB voting member briefings in place, there's the CO update report that goes to the IJB, also IJB development sessions can to an extent to discuss performance as well as ad-hoc meeting with the Chair and Vice-Chair.
- In Aberdeen quarterly meetings between the IJB Chair and Vice Chair, the Chief executive of NHSG and ACC and the Chief Officer meet to review performance.

In addition monthly joint meetings are held with the Chief Executives of NHSG and ACC and the Chief Officer

In Aberdeenshire there are regular meetings with the two CEOs, ad-hoc briefings on emergent issues and the formal performance review meetings with the two CEOs.

NB: The production of the IJB performance reports was reviewed by Internal Audit during 2017/18 and is therefore considered as out of scope for this review.

The Annual report produced and approved by each IJB is shared with NHS Grampian and the Council giving both the opportunity to assess whether the IJB has performed effectively both operationally and financially. NHS Grampian and the Council cannot request changes to the current year's Annual Report but can provide input into next year's planning and strategic direction.

There is limited need for joint decision making across the IJBs and NHS Grampian as each entity has its own governance framework and there is representation on the IJBs from both the Health Board and the relevant Council. The exception is services that are shared across IJBs known as 'hosted services' where there is a need to formalise the joint decision making and governance frameworks. This has been discussed by the IJB Chief Officers and it has been agreed that this year each IJB CO will produce a report on hosted services and this will be taken to the IJB. This will improve transparency and provide each IJB with more information on the services hosted by the other IJBs. These reports will include forward looking elements so that each IJB can comment on the strategy etc., of the others prior to sign-off. See also Finding 1 on Page 8 of this report as the management reporting/MI regime that needs to be put in place should feed into the proposed system of annual reporting on hosted services.

Hosted Services

Some integration services may be hosted by one IJB on behalf of the other integration authorities. The IJBs collectively consider and agree these hosting arrangements.

Shown below are the services currently hosted across the Partnership areas of the IJBs:

Service	Current Host
Sexual Health Services	Aberdeen City
Woodend Assessment of the Elderly (including Links Unit at City Hospital)	Aberdeen City
Woodend Rehabilitation Services (including Stroke Rehab, Neuro Rehab, Horizons, Craig Court and MARS)	Aberdeen City
Marie Curie Nursing	Aberdeenshire
Heart Failure Service	Aberdeenshire
Continence Service	Aberdeenshire
Diabetes MCN (including Retinal Screening)	Aberdeenshire
Chronic Oedema Service	Aberdeenshire
HMP Grampian	Aberdeenshire
Police Forensic Examiners	Aberdeenshire
Primary Care Contracts	Moray
GMED (Out of Hours Service)	Moray

A North East Partnership Steering Group (NEPSG) was established in 2014 to provide a forum for the emerging Integration Joint Boards and NHS Grampian to consider issues of joint interest in relation to the implementation of the Public Bodies Act (2014). A key function of the NEPSG is to discuss issues related to hosted services but formal arrangements for such discussions have not yet been established – see Finding 1 on Page 8 of this report.

Scope and limitations of scope

Our audit approach:

1. Obtain an understanding of the key controls through discussions with key personnel, review of systems documentation and walkthrough tests.
2. Evaluate the design of the controls in place to address the key risks.

3. Identify the key risks of each process.
4. Test the operating effectiveness of the key controls.

The scope of our review is outlined above and will be undertaken on a sample basis.

Internal control, no matter how well designed and operated, can provide only reasonable and not absolute assurance regarding achievement of an organisation's objectives. The likelihood of achievement is affected by limitations inherent in all internal control systems. These include the possibility of poor judgment in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

Our agreed Terms of Reference are set out at **Appendix 2**.

3. Detailed current year findings

3.01 North East Partnership Steering Group

<i>Finding</i>		
<p>A North East Partnership Steering Group (NEPSG) was established in 2014 to provide a forum for the emerging Integration Joint Boards , the Councils and NHS Grampian to consider issues of joint interest in relation to the implementation of the Public Bodies Act (2014). The initial membership of the NEPSG included the chairs and vice chairs of NHS Grampian and the shadow Integration Joint Boards for Aberdeen City, Aberdeenshire and Moray, together with the Chief Executives and senior officers in support.</p> <p>The agenda for the meetings of the NEPSG centres on the review of the Integration Schemes for each of the IJBs and the delegation of by NHS Grampian that required to be “hosted” by one of the IJBs.</p> <p>A Commission for the review of the NEPSG reported in August 2018 that the NEPSG has not, to date, undertaken any formal performance management of the hosted services although NEPSG meetings and discussions have identified and agreed the need to establish a subgroup of the NEPSG involving the IJB Chairs/vice chairs and appropriate senior officers with responsibility for reviewing and reporting on the performance of hosted services</p> <p>At the time of our review this sub-group and its oversight and reporting processes has still to be established.</p>		
<i>Implications</i>		
<ul style="list-style-type: none"> The lack of a formal oversight and reporting framework for IJBs hosted services may lead to unidentified inefficiencies or quality issues in the delivery of hosted services. 		
<i>Action plan</i>		
<i>Finding rating</i>	<i>Agreed action</i>	<i>Responsible person / title</i>
Medium	All relevant parties will reach agreement on forming a formal management reporting framework for IJB hosted services.	NHS Grampian Chief Executive NHS Grampian Deputy Chief Executive Chief Officer of Aberdeenshire IJB Chief Officer of Aberdeen City IJB

Chief Officer of Moray IJB

Target date:

31 December 2019

Reference number:

NHS Grampian HSCG 3.01

3.02 Aberdeenshire IJB recognition of hosted services risks

<i>Finding</i>		
Aberdeen City identifies risks related to hosted services at a strategic level on its strategic risk register. Moray has identified risks related to hosted services on its operational risk register.		
NHS Grampian recognises Aberdeenshire IJB related risks on its strategic risk register as Aberdeenshire is the only IJB that made a loss in the past financial year.		
Aberdeenshire IJB does not record any hosted services risks at either a strategic or operational level within its risk register		
<i>Implications</i>		
Risks related to hosted services may not be identified, properly understood or effectively managed.		
<i>Action plan</i>		
<i>Finding rating</i>	<i>Agreed action</i>	<i>Responsible person / title</i>
Low	2.1 Aberdeenshire IJB should consider whether there are any risks related to hosted services that should be recorded in its strategic or operational risk registers with a view to ensuring a proper understanding and treatment of such risks.	2.1 Chief Officer of Aberdeenshire IJB 2.2 Chief Officer of Moray IJB
	2.2 Moray IJB will review the impact of hosted arrangements in the context of the strategic risk register ensuring that in line with the wider discussion on hosting arrangements a more formal framework is in place around assurance and performance monitoring. August 2018 target for wider discussion, immediate effect Strategic Risk Register.	<i>Target date:</i> 2.1 31 May 2019 2.2 31 August 2019
		<i>Reference number:</i> NHS Grampian HSCG 3.02

Appendix 1. Basis of our classifications

Individual finding ratings

<i>Finding rating</i>	<i>Assessment rationale</i>
<i>Critical</i>	<p>A finding that could have a:</p> <ul style="list-style-type: none"> • Critical impact on operational performance; or • Critical monetary or financial statement impact; or • Critical breach in laws and regulations that could result in material fines or consequences; or • Critical impact on the reputation or brand of the organisation which could threaten its future viability.
<i>High</i>	<p>A finding that could have a:</p> <ul style="list-style-type: none"> • Significant impact on operational performance; or • Significant monetary or financial statement impact; or • Significant breach in laws and regulations resulting in significant fines and consequences; or • Significant impact on the reputation or brand of the organisation.
<i>Medium</i>	<p>A finding that could have a:</p> <ul style="list-style-type: none"> • Moderate impact on operational performance; or • Moderate monetary or financial statement impact; or • Moderate breach in laws and regulations resulting in fines and consequences; or • Moderate impact on the reputation or brand of the organisation.
<i>Low</i>	<p>A finding that could have a:</p> <ul style="list-style-type: none"> • Minor impact on the organisation's operational performance; or • Minor monetary or financial statement impact; or • Minor breach in laws and regulations with limited consequences; or • Minor impact on the reputation of the organisation.
<i>Advisory</i>	A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.

Report classifications

The report classification is determined by allocating points to each of the findings included in the report

Findings rating	Points
Critical	40 points per finding
High	10 points per finding
Medium	3 points per finding
Low	1 point per finding

Report classification	Points
Low risk	6 points or less
Medium risk	7– 15 points
High risk	16– 39 points
Critical risk	40 points and over

Appendix 2. Terms of Reference

Background and audit objectives

The public Bodies (Joint Working) (Scotland) Act put in place:

- Nationally agreed outcomes, which will apply across health and social care, and for which NHS Boards and Local Authorities will be held jointly accountable.
- A requirement on NHS Board and Local Authorities to integrate health and social care budgets.
- A requirement on Partnerships to strengthen the role of clinicians and care professionals, along with the third and independent sectors, in the planning and delivery of services.

NHS Grampian has three separate Health and Social Care Partnerships with Aberdeen City, Aberdeenshire and Moray.

Integrated Joint Boards are responsible for the strategic direction of the partnerships and are jointly accountable to Ministers, Local Authorities, NHS Board Chairs and the public for delivering the nationally agreed outcomes.

Each IJB will be required to publish an annual performance report, which will set out how they are improving the National Health and Wellbeing Outcomes. Following consultation with NHS Scotland and COSLA, the Scottish Government published a core suit of integration indicators in March 2015.

The Health and Social Care Partnerships may host services on behalf of the NHS Grampian, the local council and on a rotational basis, on behalf other IJBs. The arrangements if hosted services are outlined in Strategic Commissioning Plans of each respective IJBs.

The overall objective of this review is to consider how each of the three integrated Joint Boards (IJBs) link to the Board's governance arrangements and the flow of information between the IJBs and the Board. We will consider the links between the Board and each of the three IJBs.

Scope

We will review the design and operating effectiveness of key controls in place as at 31 October 2018. The sub-processes and related control objectives included in this review are:

Sub-Process	Objectives
Roles and Responsibilities	<ul style="list-style-type: none"> • Links between NHS Grampian and the three IJBs have been considered and reporting lines have been established. • Responsibilities of the key officers within NHS Grampian in respect of the IJBs have been agreed and documented. • Communications lines have been established for where services are hosted by an IJB on behalf of the other IJBs.
Risk Assessment and Assurance Reporting	<ul style="list-style-type: none"> • NHS Grampian has considered the risks facing the Board as a result of the establishment of the IJBs and mitigating controls are in place. • NHS Grampian has identified and agreed key areas where it requires assurance from the IJBs, e.g.: budget monitoring, key services and workforce decisions. • NHS Grampian receives regular performance/ status reports from the IJBs on agreed areas that are discussed at Board level. • Where any areas of concern are identified these are fed back to the IJBs with relevant assurance sought. • Risk assessments for IJB hosted services are prepared and approved. • Plans are in place to mitigate the risks identified in relation to hosted services and there is regular report of the status and adequacy of such plans.

Audit approach

Our audit approach is as follows:

- Obtain an understanding of the key controls through discussions with key personnel, review of systems documentation and walkthrough tests.
- Evaluate the design of the controls in place to address the key risks.
- Identify the key risks of each process.
- Test the operating effectiveness of the key controls.

Appendix 3. Limitations and responsibilities

Limitations of scope

The scope of our review is outlined above and will be undertaken on a sample basis.

Internal control systems, no matter how well designed and operated, can provide only reasonable and not absolute assurance regarding achievement of an organisation's objectives. The likelihood of achievement is affected by limitations inherent in all internal control systems. These include the possibility of poor judgment in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

NB: This review does not include performance reporting by the IJBs against the National Outcomes as this was the subject of an Internal Audit review in 2017/18.

Future periods

Our assessment of controls is for the period specified only. Historic evaluation of effectiveness is not relevant to future periods due to the risk that:

- the design of controls may become inadequate because of changes in operating environment, law, regulation or other; or
- the degree of compliance with policies and procedures may deteriorate.

Responsibilities of management and internal auditors

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

We endeavour to plan our work so that we have a reasonable expectation of detecting significant control weaknesses and, if detected, we shall carry out additional work directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected.

Accordingly, our examinations as internal auditors should not be relied upon solely to disclose fraud, defalcations or other irregularities which may exist.



In the event that, pursuant to a request which NHS Grampian has received under the Freedom of Information (Scotland) Act 2002 or the Environmental Information Regulations 2004 (as the same may be amended or re-enacted from time to time) or any subordinate legislation made thereunder (collectively, the “Legislation”), NHS Grampian is required to disclose any information contained in this document, it will notify PwC promptly and will consult with PwC prior to disclosing such document. NHS Grampian agrees to pay due regard to any representations which PwC may make in connection with such disclosure and to apply any relevant exemptions which may exist under the Legislation to such report. If, following consultation with PwC, NHS Grampian discloses any this document or any part thereof, it shall ensure that any disclaimer which PwC has included or may subsequently wish to include in the information is reproduced in full in any copies disclosed.

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