

Internal Audit Annual Assurance Report 2020/21 for Midlothian Health and Social Care Integration Joint Board

1 Introduction

1.1 The Public Sector Internal Audit Standards (PSIAS) (2017) requires that:

“The chief audit executive [MIJB’s Chief Internal Auditor] must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.

The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation’s framework of governance, risk management and control.

The annual report must incorporate:

- the opinion;
- a summary of the work that supports the opinion; and
- a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme.”

2 Opinion on the Governance, Risk Management and Internal Control

2.1 My opinion is that the Midlothian Health and Social Care Integration Joint Board’s governance arrangements, risk management and systems of internal control are operating satisfactorily. Improvements made by Management during the year have been hindered by the effects of dealing with the significant ongoing challenges presented by the Covid-19 pandemic.

2.2 The MIJB operates under good public sector practice governance arrangements through its Board and Committee meetings that support scrutiny and transparency of decisions made. There is good compliance by the MIJB of the requirements of the Public Bodies (Scotland) Act 2014 and the guidance through its Directions to Partners (NHS Lothian and Midlothian Council) for the delivery of the services. The vision, strategic objectives and outcomes are reflected in the MIJB Strategic Plan 2019-2022. Work has commenced on the development of a Strategic Plan for 2022-2025. The MIJB is making continued progress towards delivering integrated Health and Social Care services but has more to do, in common with other IJBs.

2.3 The MIJB’s Local Code of Corporate Governance complies with the CIPFA/SOLACE ‘Delivering Good Governance in Local Government Framework’ (2016) in all significant aspects. Management have undertaken a review and assessment of the Local Code, and the updated Local Code has recently been approved by the MIJB. This will ensure it continues to be relevant and complete by reflecting the appropriate framework for effective governance of the MIJB’s business, including its role as the strategic commissioning body i.e. setting out when responsibility lies with the Board or where reliance is placed on the arrangements in place at its Partners. Governance arrangements in place are generally sound. The Management self-assessment and Internal Audit high level review of the Local Code has identified aspects of governance arrangements where some improvement is required. It is expected that these will be reflected in the Annual Governance Statement.

- 2.4 A Risk Management strategy, reporting regime and risk register highlighting the MIJB strategic risks, mitigating controls, residual risk and accompanying actions have been regularly reviewed, updated and reported during the year to the Board and its Audit and Risk Committee, the latter to fulfil its oversight role to monitor the IJB's risk management arrangements.
- 2.5 Midlothian IJB has developed a Financial Strategy covering the period 2019-2022. The Strategy recognises very significant financial challenges in future years. A rolling medium term financial plan is in place for the period 2020/21 to 2024/25, which reflects these financial challenges. Management and the Board are fully aware that significant action has to be taken to bring future budgets into balance and achieve financial sustainability over the medium-term. The budget monitoring process is sound in that the Board receives a financial report on a quarterly basis by consolidating financial data held within Midlothian Council's and NHS Lothian's financial systems. Information is provided at a very high level reflecting the strategic governance role of the Board.
- 2.6 A one year interim Workforce Plan for 2021/22 has been completed, following the template and guidance issued by Scottish Government, and was submitted to Scottish Government in April 2021 for review. The Midlothian Health and Social Care Partnership has workforce plans in place for most delegated services. These plans require further development.
- 2.7 Performance monitoring arrangements have been developed to monitor the performance of Health and Social Care services in Midlothian though these are the delivery Partners own performance measures. The indicators reported to the Board will provide a sense of progress in some areas although they will not provide the full picture of whether integration is being achieved. Improvement is ongoing to align the performance measures in the MIJB's Performance Management Framework to key priorities and outcomes of the Strategic Plan.
- 2.8 Further improvements in governance, risk management and internal control will be made by Management through the full implementation of previous Internal Audit recommendations. Internal Audit will continue to follow-up on their implementation and present progress reports.

3 Scope of the Internal Audit Annual Plan 2020/21

- 3.1 We summarise below the work we have undertaken to obtain assurances over the arrangements in place for each area considered and our conclusions on the effectiveness and appropriateness of these arrangements.

Local Code of Corporate Governance

- 3.2 In considering the delivery of integrated services we confirmed the MIJB's Corporate Governance arrangements with the IJB Chief Officer and Integration Manager and we carried out a high level review of the Local Code of Corporate Governance to assess compliance with the requirements of the seven core principles set out in the 2016 CIPFA/SOLACE Framework and identified where some improvement is required:
- clarity of roles and responsibilities including arrangements for the operation of Standing Orders;
 - behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law;
 - ensuring openness and comprehensive stakeholder engagement;
 - defining outcomes in terms of sustainable economic, social, and environmental benefits;
 - determining the interventions necessary to optimise the achievement of the intended outcomes;
 - developing the entity's capacity, including the capability of its leadership and the individuals within it; and
 - implementing good practices in transparency, reporting, and audit to deliver effective accountability.

Strategic Planning and Directions

- 3.4 In considering the delivery of integrated services we attended the MIJB meetings to observe planning, approval, monitoring and review activity of Midlothian Health and Social Care Partnership business and performance. We also assessed arrangements in place to deliver services to meet the needs of service users and the strategic priorities for health and social care integration set out in the Strategic Plan.

Risk Management

- 3.7 We carried out an assessment of processes for managing and monitoring risks to determine the effectiveness of arrangements for managing the effect of uncertainty on the strategic objectives of the MIJB.

Financial Management

- 3.5 We carried out an assessment of processes associated with the financial planning of the resources delegated to the partnership and the monitoring and reporting of financial activities in a transparent manner in accordance with best accounting practice.

Workforce Development

- 3.3 We assessed progress made with the development of workforce plans within the Midlothian Health and Social Care Partnership to deliver services to meet service users' needs as set out in the Strategic Plan.

Performance Management

- 3.6 We carried out audit work to determine the effectiveness of performance management arrangements to demonstrate continuous improvement and deliver a high quality of service for users. This included consideration of whether there is appropriate alignment of performance measures in the MIJB's Performance Management Framework to key priorities and outcomes of the Strategic Plan 2019 – 2022 and the evidence of improvement of health and wellbeing within Midlothian through integrating health and social care services. Review and evaluate the data and processes to produce the annual performance report required by the Scottish Government.

Annual Audit Work

- 3.8 Furthermore Midlothian Council's Internal Audit resources were also deployed in undertaking the following Annual Audit work for the MIJB during the year:
- **Recommendations Follow-Up Review** (Undertake two reviews. Refer to Section 5 below).
 - **Administration of Audit Scotland Reports** (Monitor publication of Audit Scotland reports and co-ordinate submission by Management of relevant Audit Scotland Reports to the MIJB Audit and Risk Committee / Board).
 - **Audit Committee Self- Assessment** (Provide assistance to Chair in undertaking a self-assessment of the MIJB Audit and Risk Committee against the CIPFA best practice guidance).
 - **Attendance at Boards / Committee** (Prepare for and attend MIJB Board / Audit and Risk Committee meetings).
 - **Planning for 2021/22** (Renew risk assessment, develop and consult on coverage within the MIJB Internal Audit Annual Plan 2021/22).
- 3.9 For assurance purposes the MIJB Audit and Risk Committee was made aware of reports by other bodies that relate to the business of the MIJB including those by the Partners' Internal Auditors, Audit Scotland and other national scrutiny and audit bodies.

4 Summary Findings and Conclusions arising from Delivery of the Internal Audit Annual Plan 2020/21

4.1 Local Code of Corporate Governance

Governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision making, and transparent reporting of financial and performance information.

- 4.1.1 The Integration Joint Board is a legal entity in its own right and as a public body it should operate under public sector good practice governance arrangements which are proportionate to its transactions and responsibilities.
- 4.1.2 A Local Code of Corporate Governance and Standing Orders have been approved by the Board. These documents encapsulate the public sector good practice principles and by following them the Board demonstrates sound governance arrangements.
- 4.1.3 The IJB Chief Officer and Integration Manager have undertaken a review and assessment of the MIJB Local Code of Corporate Governance, facilitated by Internal Audit. The updated Local Code was endorsed by the MIJB Audit and Risk Committee on 4 March 2021 prior to its approval by the MIJB Board on 8 April 2021.
- 4.1.4 We conducted a high level review of the MIJB's updated Local Code of Corporate Governance and consider that the Governance arrangements are generally sound, although there is some scope for improvement in compliance with some parts of the CIPFA/SOLACE Framework. It is expected that these will be reflected in the Annual Governance Statement.
- 4.1.5 We have made no recommendations in respect of the corporate governance arrangements of the Integration Joint Board in this report.

Conclusion: Governance arrangements in place are generally sound. The Management self-assessment and Internal Audit high level review of the Local Code of Corporate Governance has identified aspects of governance arrangements where some improvement is required. It is expected that these will be reflected in the Annual Governance Statement.

4.2 Internal Control and Governance – Strategic Planning and Directions

Delivering integrated services which are effective and efficient requires an agreed formal statement of the MIJB's vision and intended outcomes and plans as well as exercising strategic leadership to deliver those outcomes.

- 4.2.1 Our attendance at virtual Board meetings and review of the Minutes of meetings which we did not attend continues to indicate that strong strategic leadership is in place and that the Health and Social Care partners are working together in a constructive way.
- 4.2.2 During the year, development began on a new vision and values for the Strategic Plan 2022-2025. Community engagement will continue to be at the heart of developing the new Strategic Plan in line with good practice.
- 4.2.3 In our 2018/19 report we noted that linkages within the Strategic Plan to the national outcomes set out by Scottish Government were not particularly clear, making it difficult to relate local objectives to national objectives. We recommended that: *Linkages within the Strategic Plan should clearly relate local objectives to national objectives. Linkages between Directions and the Delivery Plan should be established.*

It was agreed that linkages would be incorporated within the Annual Delivery Plan 2020/21, other detailed action plans, and Directions, as appropriate, to articulate the Strategic Plan. No annual Delivery Plan was produced for 2020/21, as this has been replaced by the Update to Strategic Plan 2020/21; linkages remain unclear. The current intention for future years is that the Strategic Plan 2022-2025 will be linked to both Directions and detailed Action Plans.

- 4.2.4 We also recommended in 2018/19 the following: *The Annual Delivery Plan should contain more detail regarding action to be taken in terms of what is to be done as well as how, by when and by whom it is to be achieved. How outcomes are to be measured should also be defined.* Annual Delivery Plans have been replaced by one year updates to the Strategic Plan. When producing Action Plans due regard will need to be given to implement the above recommendation.
- 4.2.5 Legislation requires that the specification of what action the delivery partners are required to undertake are set out in formal instructions, referred to as Directions. We reviewed the Directions issued by the MIJB for 2020/21 and noted that: Whilst high level and not prescriptive nevertheless they follow the Good Practice Note on Directions issued by the Scottish Government in terms of their form and content and do seek to provide as much clarity as possible about the changes which need to take place in the design and delivery of services; There are no clear linkages to relevant National Health and Wellbeing Outcomes or other MIJB Plans. It is not clear whether the Directions cover all aspects of the Strategic Plan; Directions are not consistently supported by project plans which are more prescriptive in nature and contain the detail necessary to achieve the required outcome; Outcomes in all instances are not properly specified in quantifiable terms.
- 4.2.6 In common with other Integration Joint Boards, an incremental approach to service change is being taken. A significant challenge that the MIJB still faces is the lack of a masterplan which describes what a successfully integrated service should look like. The absence of a masterplan could lead to the development of services that do not fit together as well as they otherwise might have done.
- 4.2.7 Action required by Management is clearly identified, understood and ongoing, including the full implementation of Internal Audit recommendations from previous years.

Conclusion: The MIJB is demonstrating strategic leadership by developing and clearly communicating its purpose and vision and its intended outcomes for service users. The vision, strategic objectives and outcomes are reflected in the Strategic Plan 2019-2022. The MIJB is making continued progress towards delivering integrated Health and Social Care services but has considerably more to do.

4.3 Risk Management

Risk management is a process of identifying potential risks to the achievement of objectives in advance, analysing them and taking precautionary steps in order to mitigate those risks, thus managing the effect of uncertainty on objectives.

- 4.3.1 Risk management is an important and integral part of good governance and a system of internal controls. It is crucial that risks to the achievement of outcomes are identified and managed.
- 4.3.2 The MIJB has an approved Risk Management Policy in place which sets out the risk management framework and process, roles and responsibilities, as well as monitoring arrangements.

- 4.3.3 Risk management is an integral part of all activities and must be considered in all aspects of decision making. The standard template for decision-making reports to the MIJB and its Committees includes a section on implications covering risk. When taking a longer-term view with regard to decision making, risks associated with the potential conflicts between the MIJB's intended outcomes and short-term to medium term financial constraints are not particularly well expressed.
- 4.3.4 The MIJB needs to gain assurance on risks associated with delivering services through the partners. Midlothian has recognised that the risks facing the MIJB are those which relates to the MIJB's own business. Operational risks facing the partners are the concern of the partners except and until a partner risk becomes so significant that it would impact upon the MIJB's Strategic Plan. Implicitly this is recognised in the Risk Management Policy in that the partners should regularly bring the relevant risks to the attention of the MIJB.
- 4.3.5 The MIJB maintains a risk register which is reviewed regularly by the relevant risk owners, scrutinised by the MIJB Audit and Risk Committee at its quarterly meetings and reported every quarter to the Board to ensure that MIJB is kept informed of its key risks and the actions undertaken to manage these risks. The risk register is comprehensive and responsibilities for managing individual Risks are clearly allocated.
- 4.3.6 We have made no recommendations in respect of risk management arrangements in this report.

Conclusion: Effective risk management processes are in place.

4.4 Financial Management

A strong system of financial management is essential for the successful implementation of policies and the achievement of intended outcomes, as it will enforce financial discipline, strategic allocation of resources, efficient service delivery, and accountability.

- 4.4.1 Midlothian IJB has developed a Financial Strategy covering the period 2019-2022. The Strategy recognises very significant financial challenges and that a shift in approach is required using an anticipatory approach rooted in prevention rather than treatment. A rolling medium term financial plan presently covering the period 2020/21 to 2024/25 confirms the financial challenges set out in the Strategy and, based upon the assumptions made, indicates a progressively worsening financial position beyond the end of the Strategy; but does not set out in any detail how the budget will be brought back into balance, though the Board are aware that significant action has to be taken.
- 4.4.2 The IJB allocates an annual budget back to partners. The Health and Social Care Partnership operational budget management includes realigning budgets where required to capture the financial consequences of MIJB Directions or service reconfiguration with the intention of having an annual budget that supports the outcomes set out in the MIJB's Strategic Plan.
- 4.4.3 The MIJB prepares its financial statement and budget monitoring reports by consolidating financial data held within Midlothian Council's and NHS Lothian's financial systems. In the case of the Council, extraction of data is relatively straight forward as Adult Social Care expenditure is all delegated expenditure and financial transactions are held within well-defined cost centres. NHS Lothian reports along medical directorate lines which makes the extraction more difficult, although this difficulty is overcome effectively by the use of mapping tables. NHS Lothian serves four different Integration Joint Boards and, in some service areas, costs are apportioned across the MIJBs. Work is still ongoing to move towards allocating costs based on actual activity of each IJB.

- 4.4.4 The Board receives a financial report each quarter. Information is provided at a very high level with single figures provided for Health (Core, Hosted and Set Aside) and Social Care, reflecting the strategic governance role of the Board. A high level commentary is also provided.
- 4.4.5 It was not clear how the financial management procedures provide assurance that services delivered represent value for money and that resources are being used efficiently and effectively as specified in National Outcome 9. This view is supported by our work on Corporate Governance. The annual self-assessment against the updated MIJB Local Code has concluded: Value for money arrangements within the IJB require further development. In the meantime, reliance will be placed on the value for money arrangements within the partner organisations.
- 4.4.6 We have made no recommendations in respect of financial management processes in this report.

Conclusion: Medium term financial planning arrangements are in place which recognises the very significant financial challenges. The Board are aware that significant action has to be taken to bring future budgets into balance and achieve financial sustainability. The budgetary monitoring process is sound. The Board receives a financial report on a quarterly basis by consolidating financial data held within Midlothian Council's and NHS Lothian's financial systems.

4.5 Workforce Development

Workforce planning is concerned with ensuring that an organisation has the right people, with the right skills, in the right place, at the right time to support the delivery of objectives.

- 4.5.1 The Scottish Government introduced a new submission timescale and delayed the publication of the 3 year workforce plans, originally outlined in the revised workforce planning guidance published in December 2019. A one year interim Workforce Plan for 2021/22 has been completed, following the template and guidance issued by Scottish Government, and was submitted to Scottish Government in April 2021. The plan reflects the strategic direction of Midlothian Health and Social Care partnership and the current strengths, opportunities and challenges. This indicates some progress with the implementation of Internal Audit recommendations from the prior year.
- 4.5.2 Integration authorities are now requested to ensure that a 3 year Workforce Plan is developed by 31 March 2022 which will cover the period 1 April 2022 to 31 March 2025. During 2021/22, the Workforce Plan will need to be reviewed and monitored on a regular basis to ensure that it is aligned to the updated MIJB Strategic Plan for 2022 - 2025 and recognises the impact of the pandemic. The Midlothian Health and Social Care Partnership has workforce plans in place for most delegated services but needs to progress these plans and the template on which they are based to ensure a consistent standard with full analysis of skills gaps and strategies for filling those gaps. Action required by Management is clearly identified, understood and ongoing, including the full implementation of Internal Audit recommendations from the prior year.

Conclusion: A one year interim Workforce Plan for 2021/22 has been completed, following the template and guidance issued by Scottish Government, and was submitted to Scottish Government in April 2021. The Midlothian Health and Social Care Partnership has workforce plans in place for most delegated services. These plans require further development. A 3 year Workforce Plan for 2022 - 2025 needs to be developed that it is aligned to the updated MIJB Strategic Plan.

4.6 Performance Management

Performance management is concerned with developing and maintaining a strategic and integrated approach to improving the effectiveness of the organisation in delivering a high quality of service for users which represents value for money.

- 4.6.1 The MIJB needs to ensure that it has an effective performance management system that facilitates effective and efficient delivery of planned services within the overarching objective of an integration health and social care system.
- 4.6.2 The MIJB has a clear a vision and has set out strategic objectives and outcomes in the Strategic Plan. KPIs have not been established for all objectives and outcomes. This is particularly the case for the local context; there is not full alignment of performance measures to key priorities and outcomes of the Strategic Plan. The indicators in use will provide an indication of progress in some areas although they will not provide the full picture of whether integration is being achieved. We acknowledge however that this is characteristic of IJBs generally across the whole of Scotland.
- 4.6.3 We previously recommended: *KPIs should be stated for all objectives within the IJBs' key plans (2017/18). For each of these plans, the Chief Officer should ensure that all key actions are phrased as SMART objectives (2017/18). Performance measures in the MIJB's Performance Management Framework should be more appropriately aligned to key priorities and outcomes of its Strategic Plan (2018/19).* These are all ongoing as part of the development of a robust performance framework.
- 4.6.4 Work is ongoing, though progress has been hampered during the past year, with developing a robust performance framework within which performance and outcomes will be measured and reported. The OutNav system is being developed for this purpose. Whilst OutNav can offer clear benefits particularly in terms of "telling the story" through the use of both qualitative and quantitative information it represents a risk as it has not been previously deployed in a partnership setting. The development of the performance management framework will require clarification from the Board of what information it wishes to see. Relevant KPIs will have to be agreed and decisions taken about how best to capture necessary data and how to present it. This has not yet been agreed, although we understand that IJB members will be provided with training sessions on informational needs to facilitate this.
- 4.6.5 Performance reporting to the Board remains focussed on identified Ministerial priority areas and the nine National Health and Wellbeing Outcomes indicators. The National Health and Wellbeing Outcomes are high-level statements of what health and social care partners should be attempting to achieve through integration and ultimately through the pursuit of quality improvement across health and social care. These outcomes are health based and give little insight into performance in respect of social care. Performance Reports presented to the Board for monitoring and control of achievement are referred to as Local Improvement Goals, with national comparators.
- 4.6.6 The Board usually receives performance information on a quarterly basis although this has been disrupted to some extent by the Covid-19 pandemic response.

- 4.6.7 The Board also receive a half yearly report on progress with delivering the annual Directions that sets out estimated percentage of progress rather than target outcomes and is of limited use as targets and/or delivery deadlines have not been assigned to approximately one third of the Directions.
- 4.6.8 The MIJB within its Directions does not have adequate arrangements in place for ascertaining the quality of integrated services and whether those services represent value for money. Reliance is placed on service quality reviews which are undertaken by the Partners and independent assurance gained from external inspection bodies. Coverage is therefore not as comprehensive as it should be.
- 4.6.9 The MIJB publishes an annual performance report as required by legislation which outlines progress against national Health and Wellbeing outcomes. The latest published report for 2019/20 strikes a balance between providing the right amount of information to satisfy transparency demands and enhance public scrutiny while not being too onerous to provide and for users to understand. Information contained in the annual performance report is provided by ISD based on data submitted by the partners. The report does not contain information concerning National Outcome 8 (*People who work in health and social care services feel engaged with the work they do and are supported to continuously improve the information, support, care and treatment they provide*) and National Outcome 9 (*Resources are used effectively and efficiently in the provision of health and social care services*).
- 4.6.10 Every two years the Scottish Government asks over 100,000 people what they think of health and social care services. The last survey was in 2019/20. The MIJB, in common with other IJBs, have been provided with incomplete data, some of which may require revision due to changes in methodology.
- 4.6.11 Work has been ongoing for a number of years to produce a fully costed service model. This work is not yet complete and has been further delayed by the Covid19 response. Without full costing and available benchmarking data, no conclusions can be drawn over whether integrated services represent value for money. We are not aware of any other IJB that has successfully developed a fully costed service model.
- 4.6.12 The IJB is presently unable to improve resource use through appropriate application of techniques such as benchmarking and other options in order to determine how resources are allocated so that outcomes are achieved effectively and efficiently. Reliance is placed on the arrangements within the partner organisations with very little information flowing back to the IJB.
- 4.6.13 We have made no further recommendations in respect of performance management in this report. Action required by Management is clearly identified, understood and ongoing, including the full implementation of Internal Audit recommendations from previous years.

Conclusion: The development of the Performance Management Framework is ongoing and requires more work in order to be an effective mechanism to monitor delivery of integrated services.

5 Recommendations Follow-Up Reviews

- 5.1 The Internal Audit Follow-up of Completed Recommendations Report, arising from the first follow-up review, was presented to the MIJB Audit and Risk Committee on 03 September 2020. This showed good progress with the completion of recommendations with evidence of improved internal controls and governance, and reduced risk; and it was noted that some previously longstanding actions from prior years' Internal Audit reviews had been completed.
- 5.2 The second review of progress by Management in implementing Internal Audit actions by the expected date was presented in the Internal Audit Recommendations Progress Report to the MIJB Audit and Risk Committee on 03 December 2020. This indicated that there was a delay with the implementation of some of the Audit Recommendations due to the significant impact of Covid-19 response. Revised due dates for the completion of all eight remaining Internal Audit actions were agreed taking account of the further work required by Management to implement these in full.

6 Recommendations and actions arising from Internal Audit Annual Plan 2020/21 Delivery

- 6.1 No further recommendations are made in this report. The MIJB Audit and Risk Committee and Officers are aware of the improvements that are required to further enhance governance and reduce risk, including the commitment to the full implementation of Internal Audit recommendations from previous years as mentioned in sections 4 and 5.

7 Public Sector Internal Audit Standards (PSIAS)

- 7.1 The 2020/21 self-assessment of practices against the professional standards PSIAS (2017) has indicated that Midlothian Council's Internal Audit function 'Fully Conforms' with the requirements within the 13 Assessment Areas of the Definition of Internal Auditing, the Code of Ethics, the Attribute Standards and the Performance Standards.

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27 May 2021

