



ORKNEY
ISLANDS COUNCIL

INTERNAL AUDIT

Orkney Integration Joint Board Integration Assurance (Update Report)

Audit Report

2016/17

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Distribution :
Chief Officer for Orkney Health and Care
Chief Finance Officer for Orkney Health and Care

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EXECUTIVE SUMMARY

- This report has been prepared for the use of the Orkney Integration Joint Board (OIJB), known as Orkney Health and Care or OHAC. The report shall also be made available to both the Council's and NHS Orkney's (NHSO) Internal Audit functions in accordance with the Orkney IJB Internal Audit Reporting Protocol.
- The purpose of the audit is to follow up the recommendations which were made in the Internal Audit report entitled "Integration Assurance (Interim Report)", May 2016.
- We have gained assurance that good progress has been made in addressing each of the recommendations made in the Interim Report of May 2016. Work has been carried out on all 11 recommendations, 10 of which have now been assessed as being suitably addressed.
- We have also observed good governance arrangements and scrutiny by the OIJB. The Chief Finance Officer has also implemented good management practices towards budgetary control and management of the partnership budget.
- The report updates 1 recommendation which requires completion and is set out in the table below. The priority headings assist management in assessing the significance of the issue raised.

Responsible officers will be required to update progress on the agreed action via the Council's Aspireview system.

Total	High	Medium
1	1	0

The assistance provided by officers contacted during the course of the audit is gratefully acknowledged.

INTRODUCTION

The Public Bodies (Joint Working) (Scotland) Act 2014 (“the Act”) put in place the statutory framework for the integration of health and social care services. It created statutory responsibilities to co-ordinate the delivery of health and adult social care services in an integrated way and to make the most efficient use of resources to better meet the needs of communities and improve on the prescribed national outcomes.

Orkney Health and Care, the local Integration Joint Board was legally established from 6 February 2016 and is responsible for the provision of child, young person, adult services and some of the acute care within Orkney.

An audit was carried out during 2015.16 of the financial and governance arrangements planned to support the OIJB. The interim report was issued in May 2016. The report contained a number of recommendations and provided an action plan to support the on-going work in establishing the finance and governance provisions.

AUDIT SCOPE

The purpose of the audit is to follow up the recommendations which were made in the Internal Audit report entitled “Integration Assurance (Interim Report)” issued May 2016, to obtain assurance that suitable progress has been made with establishing appropriate financial and governance arrangements.

Audit Findings

- 1.1 In accordance with the Audit Plan and Audit Brief, each of the recommendations which were made in the Internal Audit report entitled "Integration Assurance (Interim Report)", May 2016, have been reassessed in order to obtain assurance that satisfactory progress has been made with establishing appropriate financial and governance arrangements. For ease of reading the recommendations from the May 2016 Interim Report are shown in italics.
- 2.0 **Governance**
- 2.1 **Recommendation 1:** *"The information sharing protocol should be signed by all signatories remaining bodies."*
- 2.2 The information sharing protocol (ISP) has now been signed by 18 of the 21 parties including the OIC and NHSO.
- 2.3 The opinion of the Chief Officer for Orkney Health and Care is that there is not a significant risk to the OIJB itself from not having the remaining signatures as it does not generally hold sensitive or private information. However there may be a need for information to be shared between parties in order to best support patients or clients. The Chief Officer has therefore written to the remaining 3 parties advising that OHAC will share information where either the service user has given written permission to do so, or if there is a legal duty to disclose information. The letter also expressed the preference to have signed ISP's in place and offered support should the partner have any questions relating to its purpose.
- 2.4 The recommendation has therefore been suitably addressed.
- 2.5 **Recommendation 2:** *"A Chief Internal Auditor and Internal Auditors should be appointed by the OIJB at the June 2016 meeting."*
- 2.6 The OIJB appointed a Chief Internal Auditor and Internal Auditors at the June 2016 meeting for the remainder of the 2016.17 financial year.
- 2.7 At a meeting of the OIJB held on 10 March 2017 the board approved the reappointment of Orkney Islands Council's Chief Internal Auditor as the Chief Internal Auditor of the OIJB for the financial years 2017.18 and 2018.19. The audit requirements of the OIJB will continue to be accommodated from within the contingency resources of NHSO and OIC audit plans.
- 2.8 The recommendation has therefore been suitably addressed.
- 2.9 **Recommendation 3:** *"Role specifications and obligations of Members and Officers to the OIJB, including professionals, should be fully defined and agreed by the OIJB"*
- 2.10 A number of reports were presented to and agreed at the June 2016 meeting of the OIJB. These reports covered the senior structure of the OIJB, formal appointments of the Chief Officer and Chief Finance Officer, OIJB Committees and other Groups, OIJB Members Role Descriptor and OIJB Code of Conduct.
- 2.11 The recommendation has therefore been suitably addressed.
- 2.12 **Recommendation 4:** *"OIJB Members should continue to receive training and development opportunities to support them to understand their roles in the OIJB."*

- 2.13 Formal member training has included:
- 2.13.1 An internally facilitated session for voting members on readiness for integration utilizing an appropriate Scottish Government Framework.
 - 2.13.2 An externally facilitated general Board Development session for all members.
 - 2.13.3 Two workshops provided by Scott-Moncrieff to assist OIJB's Members in identifying the key risks of the OIJB.
- 2.14 The recommendation has therefore been suitably addressed during the year, and it is understood that training and development opportunities shall continue as an ongoing programme.
- 2.15 **Recommendation 5:** *"A workforce development strategy and plans should be produced in order to obtain efficient and joined up workforce planning."*
- 2.16 A high level workforce plan was approved by the OIJB at its meeting of 10 March 2017. The aim of the OIJB Workforce plan is to: provide a broad picture of the current workforce within the remit of OHAC, identify development and support measures required for this workforce to enable them to deliver integrated services and functions, and proposing an action plan ensuring alignment and support with the OIJB Strategic Commissioning Plan.
- 2.17 Further work on workforce planning will be taken forward following receipt of the National Health and Social Care Workforce Plan, due to be published in 2017.
- 2.18 The recommendation has therefore been suitably addressed.
- 3.0 **Finance Provisions**
- 3.1 **Recommendation 6:** *"The Chief Finance Officers of the Council and the OIJB should assess the potential level of VAT leakage as a result of the OIJB and maintain a watching brief on local and national discussions with HM Revenue and Customs (HMRC) to advise the OIJB and the Council accordingly."*
- 3.2 The Chief Finance Officer of the OIJB has recently been provided with a copy of a letter from HMRC to Ernst and Young accountants LLP dated 28th November 2016. This letter was shared with the OIJB board at its meeting of 10 March 2017. The letter confirms HMRC's decision in relation to the vat treatment of the exchange of staff between Health Boards and Local Authorities when under the direction of the OIJB. The letter was issued to clarify the appropriate treatment that the OIJB parties need to apply.
- 3.3 The recommendation has therefore received suitable consideration.
- 3.4 **Recommendation 7:** *"Due diligence assurance should be completed on the OIJB Budget as specified in the guidance for integration financial assurance issued by the Scottish Government and within the Integration scheme."*
- 3.5 Comprehensive due diligence of the OIJB budget has been performed by the Chief Finance Officer of the OIJB and presented to the board on 29th June 2016.
- 3.6 The recommendation has therefore been suitably addressed.
- 3.7 **Recommendation 8:** *"It should be considered whether the Orkney Health and Care Committee continue to have responsibility for policy and scrutiny of the delivery of service."*

- 3.8 The Council decided to continue with the OHAC Committee arrangements for a further 1 year while its future need is assessed and considered. The on-going need is receiving active consideration as part of the review of the Scheme of Administration being presented to the Council in September 2017.
- 3.9 This recommendation is therefore being suitably addressed.
- 3.10 **Recommendation 9a:** *“The OIJB should develop a strategic based focus on future budget spending.”*
- 3.11 Internal Audit met with the Chief Finance Officer in order to identify progress towards this recommendation. The activities detailed in 3.12 to 3.13 were identified and considered as to whether this objective is being addressed. These examples are not intended to provide a comprehensive list of all developments that the OIJB has implemented towards having a strategic based focus on future budget spending.
- 3.12 The Financial Framework of the OIJB has been reviewed and updated as part of the Refreshment to the Strategic Commissioning plan 2017 – 2019.
- 3.13 During our Internal Audit we have observed comprehensive monthly budgetary monitoring. Budget holders are fully involved in the process providing explanation of material over or underspend which are scrutinised by the Chief Finance Officer of the OIJB.
- 3.14 This recommendation is therefore being suitably addressed.
- 3.15 The Orkney Integration Scheme between NHSO and Orkney Islands Council requires [at 9.20] that where it is forecast that an overspend shall arise then the Chief Officer and Chief Finance Officer of the Board, in consultation with NHSO and Orkney Islands Council shall identify the cause of the forecast overspend and prepare a recovery plan setting out how they propose to address the forecast overspend and return to a breakeven position.
- 3.16 The Chief Finance Officer advised the OIJB at its meeting of 10 March 2017 the requirement to prepare a recovery plan as set out in 3.15.
- 3.17 It is recommended that the Chief Officer and Chief Finance Officer prepare such a recovery plan in accordance with the requirements of the Integration Scheme.
- Recommendation 1**
- 3.18 **Recommendation 9b:** *“Funding and financial risks should be identified and considered within the Risk register of the OIJB.”*
- 3.19 The risk register of March 2017 includes two risks of a funding and financial nature.
- 3.20 The recommendation has therefore been suitably addressed.
- 3.21 **Recommendation 10:** *“The Chief Finance Officer of the OIJB should develop and finalise how Best Value will be obtained and measured.”*

- 3.22 During the interview referred to in 3.11 the following processes were identified by the Chief Finance Officer as examples which demonstrate how best value is being addressed. These individual processes were not subject to detailed audit scrutiny and the examples given below are not set out as a comprehensive list of all processes where best value is, or could be, obtained and measured.
- 3.23 The OIJB has agreed an Audit Committee including its terms of reference and its constitution.
- 3.24 Revenue and expenditure budget monitoring reports are issued to board members in the form of monthly briefing notes. The board receives Quarterly reports that include, inter alia, forecasted year end outturn against budget.
- 3.25 On-going and Committee projects, together with available spend within the Integrated Care Fund is reported by the Chief Officer of the OIJB to the board on a regular basis.
- 3.26 Policy and operational proposals with financial implications are signed off by the finance function of the OIJB.
- 3.27 Procurement of the OIJB utilises framework agreements available to the parent organisations.
- 3.28 Tendering and appointments to contract frameworks for traditional social care services area are carried out on a formal evaluation, price / quality basis and signed by a senior officer within OHAC and the OIC's Procurement Manager.
- 3.29 During the Audit we observed the Chief Finance Officer to the IJB carrying out a detailed scrutiny of the cost elements of a supplier's tender, robustly challenging cost assumptions which were different to our own and which resulted in the supplier agreeing to a reduction in rate.
- 3.30 The OIJB is supported by the Change Programme of the OIC.
- 3.31 A consultant was engaged by the Council to carry out reviews on Home Care Service and Self Directed Support in order to benchmark these services performance against other providers of Care Service and to assist OHAC in reviewing its method of operation and implementing best practices in a structured manner.
- 3.32 This recommendation is therefore considered as being suitably addressed.
- 3.33 **Recommendation 11:** *“Financial metrics for the use of assessing whether integration has met its objectives should be developed together with a process of obtaining baseline data.”*
- 3.34 The Integrated Resources Advisory Group, provided by the Scottish Government has not, as yet, provided IJB's with guidance as to the Financial Metrics that should be used.
- 3.35 The OIJB however produces and distributes a number of reports as to the financial performance of the OIJB, for example Revenue and Expenditure budget monitoring as detailed in note 3.24 and directions funding reports.
- 3.36 Until further guidance is provided from the Scottish Government it is not possible to assess if the work being carried out by the OIJB with regards to Financial Metrics is in line with expectation.

- 3.37 It is anticipated it would take several years before there is baseline data which is suitable for benchmarking between the 31 Scottish Local IJBs.
- 3.38 However at present this recommendation is therefore considered as being suitably addressed.

	Recommendation	Responsible Officer	Management Comments	Agreed Completion Date
	Finance Provisions			
1	The Chief Officer and Chief Finance Officer of the OIJB should prepare a recovery plan in accordance with the requirements of the Orkney Integration Scheme. High Priority	Chief Finance Officer	It will be for the IJB to decide on what services will need to be decommissioned or restructured so as a recovery plan can be implemented.	31/03/18

Priority	Assessment
High	<ul style="list-style-type: none"> • Key control absent or inadequate; • Serious breach of regulations; • Significantly impairs overall system of internal control; • No progress made on implementing control; • Requires urgent management attention.
Medium	<ul style="list-style-type: none"> • Element of control is missing or only partial in nature; • Weakness does not impair overall reliability of the system; • Recommendation considered important in contributing towards improvement in internal controls; • Management action required within a reasonable timescale.
Low	<ul style="list-style-type: none"> • Control exists or on target to be implemented within timescales; • Minor weakness, does not compromise overall system control; • To be considered by management within a reasonable timescale

Note:

It should be recognised that where recommendations in the action plan are not implemented there may be an increased risk of a control failure. It should be noted however that it is the responsibility of management to determine the extent of the internal control system appropriate to their area of operation.