

Argyll & Bute Health & Social Care Partnership

Internal Audit Report

November 2022

FINAL

Directions

Audit Opinion: Substantial

	High	Medium	Low	VFM
Number of Findings	0	3	0	0

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1. Executive Summary

Introduction

1. As part of the 2022/23 internal audit plan, approved by the Audit & Risk Committee in April 2022, we have undertaken an audit of Argyll & Bute Health & Social Care Partnership (HSCP) system of internal control and governance in relation to Directions.
2. The audit was conducted in accordance with the Public Sector Internal Audit Standards (PSIAS) with our conclusions based on discussions with Health & Social Care Partnership officers and the information available at the time the fieldwork was performed. The findings outlined in this report are only those which have come to our attention during the course of our normal audit work and are not necessarily all the issues which may exist. Appendix 1 to this report includes agreed actions to strengthen internal control however it is the responsibility of management to determine the extent of the internal control system appropriate to the HSCP.
3. The contents of this report have been agreed with the appropriate Health & Social Care Partnership officers to confirm factual accuracy and appreciation is due for the cooperation and assistance received from all officers over the course of the audit.

Background

4. The Public Bodies (Joint Working) (Scotland) Act 2014 (The Act) provided the legal frame work for the Integration of Health and Social care in Scotland. This means that Argyll and Bute Council and NHS Highland delegate certain functions to the Argyll and Bute Integration Joint Board (IJB). In order to secure the performance of these functions, the IJB must give a direction to either the Council or NHS Highland to carry out these functions in terms of sections 26 and 27 of the Act.
5. Section 29 of the Act places a duty on Integration Authorities to develop a strategic plan, also known as a strategic commissioning plan, for integrated functions and budgets under their control. The legislation sets out what functions and budgets must be delegated and those that may be delegated.
6. Each Integration Authority must set out how they will plan and deliver services for their area over the medium term using integrated budgets under their control. Stakeholders must be fully engaged in the preparation, publication and review of the strategic commissioning plan in order to establish a meaningful co-production approach to enable Integration Authorities to deliver the national outcomes for health and wellbeing, and achieve the core aims of integration.
7. A full list of the functions and associated directions issued to Argyll and Bute Council and NHS Highland was appended to a report submitted to the IJB 28 September 2016. This report also stated that these functions must be performed in accordance with all legal and regulatory requirements and payments must be specified. The appendix noted that the Direction will be for the period from 1st April 2016 with no end date, however, it is also noted that this Direction may vary and further Directions to either replace or expand on this Direction may be issued.
8. The Scheme of Integration listing these functions was revised and subsequently approved by Scottish government in March 2021. This scheme states that the annual direction from the IJB to the Council and NHS Highland will take the form of a letter from the Chief Officer referring to the arrangements for delivery set out in the Strategic Plan and will include information on:

- The delegated functions(s) that are being directed
- The outcomes and activity levels to be delivered for those delegated functions
- The amount and method of determining the payment to carry out the delegated functions.

Once issued, these can be amended or varied by a subsequent direction by the IJB.

9. The IJB issued 3 directions in 2020-21 and one each in the following 2 years at the time of budget setting. It is considered that formal directions are not required for the majority of actions to take place due to the good working relationships in place between the HSCP, NHS and the Council.

Scope

10. The scope of the audit was to provide assurance over the arrangements for Directions Setting including compliance with the January 2020 statutory guidance as outlined in the Terms of Reference agreed with the Chief Officer on 14 November 2022.

Risks

11. The risks considered throughout the audit were:
 - **SRR01: Financial Sustainability**
 - **SRR02: Delivery of Strategic Objectives**
 - **SRR05: Partnership Working**
 - **SRR16: Support Services**
 - **Audit Risk 1: Failure to comply with statutory guidance**

Audit Opinion

12. We provide an overall audit opinion for all the audits we conduct. This is based on our judgement on the level of assurance which we can take over the established internal controls, governance and management of risk as evidenced by our audit work. Full details of the five possible categories of audit opinion is provided in Appendix 2 to this report.
13. Our overall audit opinion for this audit is that we can take a substantial level of assurance. This means that internal control, governance and the management of risk is sound. However, there are minor areas of weakness which put some system objectives at risk and specific elements of residual risk that are slightly above an acceptable level and need to be addressed within a reasonable timescale.

Recommendations

14. We have highlighted three medium priority recommendations where we believe there is scope to strengthen the control and governance environment. These are summarised below:
 - A Directions Policy should be prepared and submitted to the IJB Committee for approval and subsequent implementation.
 - A process should be put in place to monitor progress in implementing directions and this information should be used to update the Directions Log. A unique reference number field should also be added to the Log.

- Performance reports submitted to IJB Committee meetings should include a summary of directions issued and the progress made towards implementing the content of those directions.

15. Full details of the audit findings, recommendations and management responses can be found in Section 3 of this report and in the action plan at Appendix 1.

2. Objectives and Summary Assessment

16. Exhibit 1 sets out the control objectives identified during the planning phase of the audit and our assessment against each objective.

Exhibit 1 – Summary Assessment of Control Objectives

	Control Objective	Link to Risk	Assessment	Summary Conclusion
1	A Strategic Commissioning Plan has been prepared in accordance with Scottish Government Guidance.	All Risks	Substantial	A Strategic Commissioning Plan and other planning documents have been prepared in accordance with Scottish government Guidance, however, a Directions Policy has not yet been prepared and submitted to the IJB committee for approval and subsequent implementation.
2	Directions are aligned to the Strategic Commissioning Plan setting out how each integrated function is to be exercised and the associated budget	All Risks	Substantial	Directions issued are clearly aligned to the Strategic Commissioning Plan covering all functions of the IJB and the allocated financial resources. Reports submitted to the IJB committee contain a directions section and was completed in all relevant instances. Directions issued by Argyll and Bute IJB are consistent with those issued by two other IJBs albeit in a different format.
3	Directions are issued to the appropriate authority when required, are logged and followed up to ensure they are carried out in pursuit of the purpose intended.	SRR01	Reasonable	Directions are promptly issued at the same time as the associated report is approved at the IJB Committee. A directions log has been prepared and maintained, however, it does not contain a unique reference for each direction nor a field to record the current status/progress in implementing the content of the direction. There was no evidence within the IJB Committee papers to suggest that the content of the directions issued May and November 2020 had been fully implemented.

17. Further details of our conclusions against each control objective can be found in Section 3 of this report.

3. Detailed Findings

A Strategic Commissioning Plan has been prepared in accordance with Scottish Government Guidance

18. The IJB has in place a [Joint Strategic Plan 2022-25](#), a [Joint Strategic Commissioning Strategy 2022-25](#) and a revised [Scheme of Integration 2021](#). These are comprehensive documents that are consistent with the aims of integration, they clearly list all of the functions that have been delegated to the IJB and the underlying legislation. There is also clear linkage to key priorities and commissioning intentions as well as addressing both local and national outcomes and objectives.
19. The Strategic Commissioning Strategy contains a detailed explanation of what commissioning is, who the strategy is for, governance arrangements, models used and how outcomes are monitored. There are also links to several national plans and strategies as well as those prepared at a local level.
20. The stages of the commissioning cycle are analysed using various data sets including population statistics, indicators of health and wellbeing, and activity and spend profiles by service and locality.
21. Appropriate engagement has taken place and feedback received has been collated and considered in the preparation of the Strategic Commissioning Strategy. Additional consultation has taken place in accordance with the budget setting process.
22. The mechanism to action the content of the Strategic Commissioning Strategy is through the use of binding Directions from the IJB to one or both of the health board and local authority.
23. Scottish Government guidance states that a Directions Policy should be prepared, this requirement was raised in a report submitted to the IJB committee in November 2020 but as yet a Directions Policy has not yet been prepared.

Action Plan 1

Directions are aligned to the Strategic Commissioning Plan setting out how each integrated function is to be exercised and the associated budget

24. There were five directions issued over the last three years, three in respect of annual budget allocations, one for HR resourcing and one for information governance.
25. As part of the budget setting process of the IJB, a direction is issued to both the Council and NHS Highland referring to each of the functions as set out within the IJB Scheme of Integration and the underlying legislative requirements. Two additional directions were issued in 2020 in respect of HR resourcing and information governance, these directions were included within the respective reports containing the full details.
26. The annual directions in respect of the budget proposals are generic, contain the high level budget allocation and refer to the content of the more detailed budget report submitted to the same committee in March each year that includes an appendix showing the budget allocation to each function. The budget is based on the mid-range scenario as outlined in previous planning documents and had been in development since October the previous year with the Finance and Policy committee and IJB kept informed of progress through a number of Budget Outlook reports, proposed savings and consultation results.

27. The HR resourcing direction does not include the budget allocation, however this is included within the content of the main body of the report. The information governance direction does not include budget allocations as they are not required, this direction is instructing the implementation of a new policy to manage information as part of normal working practices and should be complied with utilising existing budget allocations.
28. All five directions are linked to the service planning and design phase of strategic commissioning and appear to meet all clinical and care governance requirements and standards to ensure patient safety and public protection as well as ensure staff and financial governance.
29. The directions issued were in writing and identified either the Council or NHS Highland as the recipient. The directions clearly drew upon the content of the associated reports submitted to the same IJB committee meetings which contained sufficient detail to allow the functions to be performed and achieve the desired outcome.
30. The directions attached to the budget reports presented to the March IJB committee meetings each year are written in a standard template format. These directions clearly state that the functions delegated to the IJB should be carried out by the Council and NHS Highland as specified in the scheme of integration with the full details of the functions to be carried out embedded within the relevant legislation attached to each function.
31. Both of the additional directions issued in 2020 were clearly written as a paragraph of text within the directions section of the report containing the specific details.
32. The budgets allocated to the functions are carefully monitored via the budget monitoring process, human resources via workforce planning and establishment reviews and functions activity via quarterly performance reports.
33. Directions are submitted to the IJB committee as draft and become formal directions once approved. There are four voting members each from the Council and NHS Highland and representatives also attend from various service areas, the independent sector and the general public on the IJB committee. The directions are considered to have been issued to appropriate senior executives upon approval by the IJB committee and no further action mandate is prepared.
34. Ninety reports have been submitted to the IJB committee since March 2021, the reports were reviewed to assess if a direction should have been issued in accordance with their content. Directions were found to have been issued as a result of the annual budget process in March each year and were not considered to be required in connection with the remaining 88.
35. All reports reviewed contained a designated section for directions that allowed the author to complete a tick box indicating whether they considered a direction was required and if so whether this was for the Council, NHS Highland or both. All but two directions sections within the reports were found to have been appropriately completed. The two that were incorrectly completed indicated that a direction was required for the Council in respect of the annual review of charges for services provided. A direction was not required for each of these as the fees and charges are reviewed as part of the annual budget process and therefore included within the generic annual budget directions.
36. The content of directions submitted to four other IJBs was reviewed and compared to those issued by Argyll and Bute IJB. The results are as follows:

- Glasgow City IJB – an annual directions report is prepared which lists all directions issued in the previous 12 month period. The most recent report was issued in June 2022 and listed a total of 31 directions. Each direction has a unique reference number, one being consistent with the budget setting process and the remainder relating to adjustments to funding and delivery of services.
- CNES IJB – budget directions to the Council, NHS and Alcohol and Drugs Partnership are submitted to an IJB meeting following the budget approval meeting. Each function is detailed separately within the direction and includes details of the operational delivery arrangements, the underlying legislation for each function, the budget resource allocated, linkage to the Strategic plan and any additional notes.
- Borders IJB – Formal directions were submitted to the IJB committee from March 2022 following agreement of a directions Policy at the December 2021 committee. The directions included one to implement the agreed budget by both the Council and NHS in line with the content of the separate report submitted to the same committee. The remaining directions referred to the development of plans and a business case.
- Dumfries & Galloway IJB – an annual directions report is prepared with the full directions log appended. All directions issued for the year 2021-22 were in May 2021 in relation to annual budget allocations. Each function is listed as a separate direction with unique reference number along with the detail and the desired outcomes.

37. Argyll and Bute IJB direction setting is therefore consistent with those submitted by CNES and Dumfries and Galloway IJBs albeit in varying formats.

Directions are issued to the appropriate authority when required, are logged and followed up to ensure they are carried out in pursuit of the purpose intended.

38. Draft directions are submitted to the IJB committee meeting along with the associated report. Once approved by the committee, they are considered to have been issued to the Council, NHS Highland or both at that time, there is no time-lag involved.

39. A directions log is appropriately maintained on an Excel spreadsheet and includes the following fields to record information:

- report title – refers to the function concerned
- the date of issue – IJB committee meeting date
- Decision – notes whether the Council, NHS Highland or both are to receive the directions and also contains the resources allocated or refers the reader to the relevant IJB meeting agenda item containing the resource information to carry out the direction
- Comments – indicates current status of the direction or any issues raised
- Author/Contact & Presented by – identifies the report author and the officer presenting the report to the IJB committee

The log does not contain a field to record a unique reference number as suggested within the 2020 Scottish Government Guidance.

Action Plan 2

40. The Directions log is monitored by the Business Improvement Manager, HSCP, however the progress in implementing the content of directions issued is not currently reported to the IJB committee.

Action Plan 3

41. The Directions log indicates that all directions issued have been completed, however, there is no comment in respect of the May 2020 direction regarding HR Resourcing to confirm that the temporary posts funded had been terminated.

Action Plan 2

42. The information governance policy attached to the November 2020 direction requests that annual assurance is provided to the IJB regarding arrangements in place at both the Council and NHS Highland. There was no evidence that this has been provided within the IJB Committee documents reviewed.

Action Plan 2

43. The direction issued in respect of the 2022-23 annual budget has also been recorded as complete, however this budget year is still in progress.

Action Plan 2

Appendix 1 – Action Plan

	No	Finding	Risk	Agreed Action	Responsibility / Due Date
Medium	1	<p>Directions Policy Finding: A Directions Policy has not been prepared in accordance with Scottish Government Guidance.</p> <p>Recommendation: A Directions Policy should be prepared and submitted to the IJB Committee for approval and subsequent implementation.</p>	It may be unclear when a direction is required to be issued.	A Directions Policy will be prepared and submitted to the IJB Committee	Business Improvement Manager 31 March 2023
Medium	2	<p>Directions Log Finding: There is no field within the directions log to provide a unique reference for each direction issued.</p> <p>Finding: the direction issued in respect of the 2022-23 annual budget has been noted as complete, however, the budget year is still in progress.</p> <p>Finding: There was no evidence that the temporary posts funded as a result of the direction had been terminated upon conclusion of the 23 month agreed period.</p> <p>Finding: There was no evidence within the IJB committee papers that assurance had been provided regarding information governance arrangements within the Council or NHS Highland.</p> <p>Recommendation: A process should be put in place to monitor progress in implementing directions and this information should be used to update the Directions Log. A unique reference number field should also be added to the Log.</p>	<p>Directions may not comply with Scottish Government guidance.</p> <p>The directions log may provide an inaccurate reflection of progress made.</p>	A process will be put in place to monitor progress in implementing directions and this information will be used to update the Directions Log. A field will also be added to the Directions Log to assign a unique reference number to each direction.	Business Improvement Manager 31 March 2023

	No	Finding	Risk	Agreed Action	Responsibility / Due Date
Medium	3	<p>Performance Management</p> <p>Finding: Progress in implementation of directions is not currently reported to the IJB committee.</p> <p>Recommendation: Performance reports submitted to IJB Committee meetings should include a summary of directions issued and the progress made towards implementing the content of those directions.</p>	The IJB may not be compliant with Scottish Government Guidance and committee members may not be aware of the progress being made in progressing directions.	Performance reports will include a summary of directions issued and the progress made towards implementing the content of those directions.	<p>Business Improvement Manager</p> <p>31 March 2023</p>

In order to assist management in using our reports a system of grading audit findings has been adopted to allow the significance of findings to be ascertained. The definitions of each classification are as follows:

Grading	Definition
High	A major observation on high level controls and other important internal controls or a significant matter relating to the critical success of the objectives of the system. The weakness may therefore give rise to loss or error.
Medium	Observations on less significant internal controls and/or improvements to the efficiency and effectiveness of controls which will assist in meeting the objectives of the system. The weakness is not necessarily substantial however the risk of error would be significantly reduced if corrective action was taken.
Low	Minor recommendations to improve the efficiency and effectiveness of controls or an isolated issue subsequently corrected. The weakness does not appear to significantly affect the ability of the system to meet its objectives.
VFM	An observation which does not highlight an issue relating to internal controls but represents a possible opportunity for the HSCP to achieve better value for money (VFM).

Appendix 2 – Audit Opinion

Level of Assurance	Definition
High	Internal control, governance and the management of risk are at a high standard. Only marginal elements of residual risk have been identified with these either being accepted or dealt with. A sound system of control designed to achieve the system objectives is in place and being applied consistently.
Substantial	Internal control, governance and the management of risk is sound. However, there are minor areas of weakness which put some system objectives at risk and specific elements of residual risk that are slightly above an acceptable level and need to be addressed within a reasonable timescale.
Reasonable	Internal control, governance and the management of risk are broadly reliable. However, whilst not displaying a general trend, there are areas of concern which have been identified where elements of residual risk or weakness may put some of the system objectives at risk.
Limited	Internal control, governance and the management of risk are displaying a general trend of unacceptable residual risk above an acceptable level and placing system objectives are at risk. Weakness must be addressed with a reasonable timescale with management allocating appropriate resources to the issues raised.
No Assurance	Internal control, governance and the management of risk is poor. Significant residual risk and/or significant non-compliance with basic controls exists leaving the system open to error, loss or abuse. Residual risk must be addressed immediately with management allocating appropriate resources to the issues.