

East Lothian Integration Joint Board



REPORT TO: East Lothian Integration Joint Board – Audit and Risk Committee

MEETING DATE: 6 December 2016

BY: Chief Finance Officer

SUBJECT: Audit reports from other bodies of interest to the IJB

1 PURPOSE

- 1.1 This report highlights audit reports from both the partner bodies (East Lothian Council and NHS Lothian) and Audit Scotland of areas of interest to the IJB audit and risk committee.

2 RECOMMENDATIONS

The Committee is asked to:-

- 2.1 Note the contents of this report.
- 2.2 Consider if any actions arising from this report should be brought to the attention of the IJB.

3 BACKGROUND

- 3.1 The remit of the IJB's Audit and Risk Committee (attached for reference) is to provide scrutiny for the business of the IJB. However, all of the operational aspects of the IJB's functions are delivered by either NHS Lothian or East Lothian Council. Each of these bodies has its own audit committee and this Committee would not wish to undertake scrutiny of these scrutiny committees as well as scrutiny of the IJB's business. That said, this Committee does need to be aware of any issues that have been raised by the partner's audit committees that might impact on the IJB's own business.
- 3.2 The Integration Scheme lays out, in terms of governance, that a mechanism will be put in place to ensure that any issues raised to the various committees of governance (including Audit and Risk) that may

impact on the business of the IJB will be brought to the attention of the IJB's Audit and Risk Committee.

3.3 A meeting of the various audit committee chairs took place between NHS Lothian and the IJBs and it was agreed that the NHSiL audit reports would be made available to all the IJBs.

3.4 Audit Scotland also publish a range of reports some of which relate to matters which relate to the business of the IJB and these reports also require to be brought to this Committee's attention.

3.5 Rather than attach the whole of the appropriate audit report as appendices to this report, the executive summary is appended and if members require to have sight of the whole reports then they can contact the CFO who will provide these.

3.6 Reports:

3.6.1 Audit Scotland

- How Councils Work – Roles and Relationships in Councils: are you still getting it right. Important reference to the IJBs – see Appendix 2.
- NHS in Scotland: 2016. Summary of the overall performance and challenges for the NHS in 2016. – See Appendix 2.
- Social Work in Scotland. Review of the pressure in the social work system in Scotland – see Appendix 2.

3.6.2 NHS Lothian

There are three audits from 2015/16

- IJB Financial Assurance which has been discussed as part of the overall financial assurance
- Strategic Planning – which recognises the changing role with the creation of the IJBs – See Appendix 3.
- IJB Performance Management – which recognises that this remains an issue for the IJBs – see Appendix 3.

There are no specifically IJB relevant audits to date in 2016/17.

4 POLICY IMPLICATIONS

4.1 There are no further policy implications arising from this document.

5 EQUALITIES IMPLICATIONS

- 5.1 Any changes to workforce arrangements will be subject to equality impact assessments.

6 RESOURCE IMPLICATIONS

- 6.1 There are no resources implications arising from this report.

7 BACKGROUND PAPERS

- 7.1 Referenced in the Appendices below.

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Appendices

- 1. Role and remit of the IJB's Audit and Risk Committee**
- 2. Summary of Scottish Audit Reports**
- 3. Summary of NHSiL Audit Reports**

Role and remit of the Audit and Risk Committee – extract from paper to the IJB of 29 October 2015.

GOVERNANCE, RISK AND CONTROL

1. To review the IJB's corporate governance arrangements against the good governance framework and consider annual governance reports and assurances.
2. To review the Annual Governance Statement prior to approval and consider whether it properly reflects the risk environment and supporting assurances, taking into account internal audit's opinion on the overall adequacy and effectiveness of the IJB framework of governance, risk management and control.
3. To consider the IJB arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
4. To consider the IJB framework of assurance and ensure that it adequately addresses the risk and priorities of the IJB.
5. To monitor the effective development and operation of risk management in the IJB.
6. To monitor progress in addressing risk-related issues reported to the committee.
7. To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.

INTERNAL AUDIT

8. To approve the internal audit charter.
9. To review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations.
10. To approve the risk-based internal audit plan, including internal audit's resources requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.
11. To approve significant interim changes to the risk-based internal audit plan and resource requirements.
12. To make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitation.

13. To consider reports from the head of internal audit on internal audit's performance during the year, including the performance of external providers of internal audit services. These will include:

a) Updates on the work of internal audit including key findings, issues of concern and action in hand as a result of internal audit work.

b) Regular reports on the results of the Quality Assurance and Improvement Programme.

c) Reports on instances where the internal audit function does not conform to the Public Sector Internal Audit Standards and Local Government Application Note, considering whether the non-conformance is significant enough that it must be included in the Annual Governance Statement.

14. To consider the head of internal audit's annual report:

a) The statement of the level of conformance with the Public Sector Internal Audit Standards and Local Government Application Note and the results of Assurance and Improvement Programme that supports the statement – these will indicate the reliability of the conclusions of internal audit.

b) The opinion on the overall adequacy and effectiveness of the IJBI's framework of governance, risk management and control together with the summary of the work supporting the opinion - these will assist the committee in reviewing the Annual Governance Statement.

15. To consider summaries of specific internal audit reports as requested.

16. To receive reports outlining the action taken where the head of internal audit has concluded that management has accepted a level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed actions.

17. To contribute to the Quality Assurance and Improvement Programme and in particular, to the external quality assessment of internal audit that takes place at least once every five years.

18. To consider a report on the effectiveness of internal audit to support the Annual Governance Statement.

19. To support the development of effective communication with the head of internal audit.

EXTERNAL AUDIT

20. To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.

21. To consider specific reports as agreed with the external auditor.

22. To comment on the scope and depth of external audit work and to ensure it gives value for money.

23. To commission work from internal and external audit.

24. To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.

FINANCIAL REPORTING

25. To review the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the IJBI.

26. To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

ACCOUNTABILITY ARRANGEMENTS

27. To report to those charged with governance on the committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks; financial reporting arrangements, and internal and external audit functions.

28. To report to the IJB on a regular basis on the committee's performance in relation to the terms of reference and the effectiveness of the committee in meeting its purpose.

Summary of Scottish Audit Reports

How Councils Work

13. Councillors and council officers are working in an increasingly complex and challenging environment. Councils face continued financial constraints along with demand pressures in areas such as older peoples' care. Councils are having to rethink many of the ways in which they have done things in the past. This has implications for councillors and officers, and how they work together to lead change and improve services. Some of the major changes in the local government environment are summarised below:

- Continuing resource constraints, against a backdrop of increasing demand and rising public expectations about the quality of public services.
- The integration of health and social care, which is fundamentally changing the governance arrangements for this significant area of public service delivery.

NHS Scotland: 2016

Summary

NHS boards are facing an extremely challenging financial position.

Key messages

1. Over the last decade, there have been improvements in the way health services are delivered and reductions in the time that patients need to wait for hospital inpatient treatment. There have also been improvements in overall health, life expectancy, patient safety and survival rates for a number of conditions, such as heart disease. At the same time, demands on health and social care services have been increasing because of demographic changes. People are living longer with multiple long-term conditions and increasingly complex needs.
2. NHS funding is not keeping pace with increasing demand and the needs of an ageing population. NHS boards are facing an extremely challenging financial position and many had to use short-term measures to break even. NHS boards are facing increasing costs each year, for example drug costs increased by ten per cent, allowing for inflation, between 2012/13 and 2014/15. NHS boards will need to make unprecedented levels of savings in 2016/17 and there is a risk that some will not be able to achieve financial balance.
3. Despite the significant financial challenges facing NHS boards, there have

been improvements in some areas, for example in reducing the overall number of bed days from delayed discharges. However, boards are struggling to meet the majority of key national standards and the balance of care, in terms of spending, is still not changing. It is difficult balancing the demand for hospital care, alongside providing more care in the community. Boards need to ensure they maintain high-quality hospitals, while investing in more community-based facilities.

4. The NHS workforce is ageing and difficulties continue in recruiting and retaining staff in some geographical and specialty areas. Workforce planning is lacking for new models of care to deliver more community-based services. There is uncertainty about what these models will look like and the numbers and skills of the workforce required. NHS boards' spending on temporary staff is increasing and this is putting pressure on budgets.
5. The NHS is going through a period of major reform. A number of wide-ranging strategies propose significant change, including the National Clinical Strategy, integration of health and social care services and a new GP contract. These need to be underpinned by a clear plan for change. Some progress is being made in developing new models of care, but this has yet to translate to widespread change in local areas and major health inequalities remain.

Recommendations

The Scottish Government should:

- provide a clear written plan for implementing the 2020 Vision and National Clinical Strategy, including:
 - ≠ immediate and longer-term priorities, including a public health strategy to help NHS boards focus on preventing ill health and tackle health inequalities
 - ≠ support for new ways of working and learning at a national level
 - ≠ long-term funding plans for implementing the policies
 - ≠ a workforce plan outlining the workforce required, and how it will be developed
 - ≠ ongoing discussion with the public about the way services will be provided in the future to manage expectations (paragraphs 88-92)
- set measures of success by which progress in delivering its national strategies can be monitored, including its overall aim to shift from hospital to more community-based care. These should link with the review of national targets and align with the outcomes and indicators for health and social care integration (paragraph 69)
- consider providing NHS boards with more financial flexibility, such as three-year rolling budgets rather than annual financial targets, to allow

better longer-term planning (paragraphs 13-19).

The Scottish Government, in partnership with NHS boards and integration authorities, should:

- model the cost of implementing its National Clinical Strategy and how this will be funded, including the capital investment required (paragraph 93)
- share good practice about health and social care integration, including effective governance arrangements, budget-setting, and strategic and workforce planning (paragraphs 81-85)
- in line with the national policy on realistic medicine:
 - ≠ work to reduce over-investigation and variation in treatment
 - ≠ ensure patients are involved in making decisions and receive better information about potential treatments (paragraph 87).

NHS boards, in partnership with integration authorities, should:

- take ownership of changing and improving services in their local area, working with all relevant partner organisations (paragraph 96)
- develop long-term workforce plans (more than five years) to address problems with recruitment, retention and succession planning and to ensure high quality of care (paragraphs 94-95)
- work with the public about the need for change in how they access, use and receive services and to take more responsibility for looking after their own health and managing their long-term conditions (paragraph 33)

Social Work in Scotland

Key messages

1. Current approaches to delivering social work services will not be sustainable in the long term. There are risks that reducing costs further could affect the quality of services. Councils and Integration Joint Boards (IJBs) need to work with the Scottish Government, which sets the overall strategy for social work across Scotland, to make fundamental decisions about how they provide services in the future. They need to work more closely with service providers, people who use social work services and carers to commission services in a way that makes best use of the resources and expertise available locally. They also need to build

communities' capacity to better support vulnerable local people to live independently in their own homes and communities.

2. Councils' social work departments are facing significant challenges because of a combination of financial pressures caused by a real-terms reduction in overall council spending, demographic change, and the cost of implementing new legislation and policies. If councils and IJBs continue to provide services in the same way, we have estimated that these changes require councils' social work spending to increase by between £510 and £667 million by 2020 (16–21 per cent increase).
3. The integration of health and social care has made governance arrangements more complex, but regardless of integration, councils retain statutory responsibilities in relation to social work services. Elected members have important leadership and scrutiny roles in councils. It is essential that elected members assure themselves that service quality is maintained and that risks are managed effectively. Elected members have a key role to play in a wider conversation with the public about service priorities and managing people's expectations of social work and social care services that councils can afford to provide in the future. The Scottish Government also has an important role to play in setting the overall context of the debate.
4. With integration and other changes over recent years, the key role of the chief social work officer (CSWO) has become more complex and challenging. Councils need to ensure that CSWOs have the status and capacity to enable them to fulfil their statutory responsibilities effectively.

Key recommendations

Social work strategy and service planning

Councils and IJBs should:

- instigate a frank and wide-ranging debate with their communities about the long-term future for social work and social care in their area to meet statutory responsibilities, given the funding available and the future challenges ([paragraph 111](#))
- work with the Scottish Government, their representative organisation (COSLA or the Scottish Local Government Partnership (SLGP)), Social Work Scotland and other stakeholders to review how to provide social work services for the future and future funding arrangements ([paragraphs 35–41](#))
- develop long-term strategies for the services funded by social work by:

- carrying out a detailed analysis of demographic change and the contribution preventative approaches can make to reduce demand for services ([paragraph 52](#))
- developing long-term financial and workforce plans ([paragraph 81](#))
- working with people who use services, carers and service providers to design and provide services around the needs of individuals ([paragraphs 69–72](#))
- working more closely with local communities to build their capacity so they can better support local people who may be at risk of needing to use services ([paragraph 112](#))
- considering examples of innovative practice from across Scotland and beyond ([paragraphs 54, 67–68](#))
- working with the NHS and Scottish Government to review how to better synchronise partners' budget-setting arrangements to support these strategies ([paragraph 36](#)).

Governance and scrutiny arrangements

Councils and IJBs should:

- ensure that the governance and scrutiny of social work services are appropriate and comprehensive across the whole of social work services, and review these arrangements regularly as partnerships develop and services change ([paragraphs 87–93](#))
- improve accountability by having processes in place to:
 - measure the outcomes of services, for example in criminal justice services, and their success rates in supporting individuals' efforts to desist from offending through their social inclusion
 - monitor the efficiency and effectiveness of services
 - allow elected members to assure themselves that the quality of social work services is being maintained and that councils are managing risks effectively
 - measure people's satisfaction with those services
 - report the findings to elected members and [the IJB](#) ([paragraph 90](#),

Councils should:

- demonstrate clear access for, and reporting to, the council by the CSWO, in line with guidance ([paragraphs 104–106](#))
- ensure the CSWO has sufficient time and authority enable them to fulfil the role effectively ([paragraphs 102–107](#))
- ensure that CSWO annual reports provide an annual summary of the performance of the social work service, highlighting achievements and weaker areas of service delivery, setting out the council's response and plans to improve weaker areas and that these are actively scrutinised by elected members ([paragraphs 108–110](#)).

Workforce

Councils should:

- work with their representative organisation (COSLA or the SLGP), the Scottish Government and private and third sector employers to put in place a coordinated approach to resolve workforce issues in social care ([paragraphs 21–23](#))
- as part of their contract monitoring arrangements, ensure that providers who use zero hours contracts allow staff to accept or turn down work without being penalised ([paragraph 24](#)).

Service efficiency and effectiveness

Councils and IJBs should:

- when planning an initiative, include evaluation criteria and extend or halt initiatives depending on the success of new approaches in improving outcomes and value for money ([paragraphs 53–53](#))
- work with COSLA to review the eligibility framework to ensure that it is still fit for purpose in the light of recent policy and legislative changes ([paragraphs 46–47](#))

Councils should:

- benchmark their services against those provided by other councils and providers within the UK and overseas to encourage innovation and improve services ([paragraphs 54, 67–68](#)).

Summary of NHS Lothian Audit Report

Strategic Planning

Conclusion

The Strategic Plan was developed in line with the Scottish Government's 2020 Vision and the development process included appropriate stakeholder engagement. However, we identified that there has been no review to determine whether the Strategic Plan remains achievable in light of the current challenging financial position; there has been no assessment of whether the ongoing work to develop Strategic Plans for the IJBs and the Acute Hospitals Plan will encompass all aims and outcomes within the Strategic Plan; and progress towards completion of the actions in the Strategic Plan is not reported to the Board on a regular basis.

IJB Performance Management

Conclusion

The development of performance indicators and the decisions and methods of providing the information from NHS Lothian to the four IJBs continues to be a work in progress. The dataset will be formed of acute, social care, primary care and community care indicators; however, further work is required to define primary and community indicators. In addition supplementary indicators may be required by the IJBs once they have finalised their Strategic Plans. Action plans have not been created to record the additional work required to define the remaining indicators, obtain data or to record actions required to develop systems to be able to extract and report the data as required. Where indicators have been defined it was identified that the Lothian Integration Dataset Group has not kept a complete record of all key decisions being made.

Update

Since the audit fieldwork was completed in February 2016, the work performed to date on developing the common set of indicators has been suspended and a decision was taken to report strategic indicators based on the directions the IJBs give from their Strategic Plans. It will now be the decision of the IJBs whether other indicators, additional to the strategic directional indicators, will be required including primary and community indicators. The Dataset Group has asked the IJBs which strategic indicators they need NHS Lothian to report in the interim. A meeting is due to be held by the Dataset Group to discuss and review the IJBs' interim requirements.