

ITEM No ...5.....

REPORT TO: SCRUTINY COMMITTEE – 17 APRIL 2019

REPORT ON: INTEGRATION JOINT BOARD INTERNAL AUDIT REPORT

REPORT BY: SENIOR MANAGER – INTERNAL AUDIT

REPORT NO: 153-2019

1.0 PURPOSE OF REPORT

To submit to Members of the Scrutiny Committee, for information only, the Dundee Integration Joint Board (IJB) internal audit report on Transformation and Service Redesign.

2.0 RECOMMENDATIONS

Members of the Committee are asked to note, for assurance purposes, the information contained within this report.

3.0 FINANCIAL IMPLICATIONS

None

4.0 MAIN TEXT

- 4.1 As stated in the Integrated Resources Advisory Group (IRAG) Finance Guidance, the IJB is responsible for establishing adequate and proportionate internal audit arrangements for reviewing the adequacy of the arrangements for risk management, governance and control of the delegated resources. This includes determining who will provide the internal audit service for the IJB and nominating a Chief Internal Auditor. In line with the IRAG Finance Guidance, the Dundee IJB appointed the Chief Internal Auditor of Fife, Tayside and Forth Valley Audit and Management Services (FTF) / NHS Tayside, as its Chief Internal Auditor. In practice, the resources required to deliver the IJB Internal Audit Plan are provided by the internal audit services within NHS Tayside and Dundee City Council. Time is specifically allocated in the Council's Internal Audit Plan to support the IJB Chief Internal Auditor through the provision of a number of internal audit reviews within the services operationally delegated to the IJB.
- 4.2 Under the arrangements detailed at paragraph 4.1 above, a review of Transformation and Service Redesign was undertaken by the Council's Internal Audit Service on behalf of the IJB. The overall objective of the audit was to review the system for prioritisation of service redesign options, the financial impact of these linked to saving plans, stakeholder engagement and project management. The corresponding internal audit report was submitted to the IJB's Performance and Audit Committee on 12 February 2019.
- 4.3 The IRAG Finance Guidance specifically recommends that IJB Internal Audit Plans and annual reports are shared with the parent bodies and that, to avoid duplication of efforts and determine areas of reliance from the work of each team / service, the Chief Internal Auditors for each of the respective bodies should share information, co-ordinate activities with each other and with other external providers of assurance and consulting services. To address and formalise the sharing of internal audit related information in general, a Tayside-wide Internal Audit Output Sharing Protocol, covering key internal audit work across NHS Tayside, the 3 IJBs, and the 3 local authorities was developed. This was subsequently submitted to and approved by the Council's Scrutiny Committee at its meeting on 14 February 2018 (Article VII of the minute of this

Committee of 14 February, 2018 refers). The Protocol enables the sharing of internal audit outputs beyond the organisation that commissioned the work, in particular where the outputs are considered relevant for assurance purposes. Dundee IJB audit reports are presented to the Performance and Audit Committee for scrutiny purposes and are shared, in accordance with these approved arrangements, with NHS Tayside and the Council's Scrutiny Committee. With this in mind, the report on Transformation and Service Redesign is attached at appendix A.

5.0 POLICY IMPLICATIONS

This report has been subject to an assessment of any impacts on Equality and Diversity, Fairness and Poverty, Environment and Corporate Risk. There are no major issues.

6.0 CONSULTATIONS

The Chief Executive, Executive Director of Corporate Services, Head of Corporate Finance and Head of Democratic and Legal Services have been consulted on the content of this report.

7.0 BACKGROUND PAPERS

None

Pamela Redpath, Senior Manager – Internal Audit

DATE: 27 March 2019

DUNDEE IJB
INTERNAL AUDIT SERVICE



TRANSFORMATION AND SERVICE REDESIGN
REPORT NO. D05/18 (DCC REPORT NO. 2017/30)

Issued To: D Lynch, Chief Officer
D Berry, Chief Finance Officer

D Martin, Chief Executive, DCC
G Archibald, Chief Executive, NHS Tayside

G Colgan, Executive Director of Corporate Services, DCC
J Martin, Head of Service, Integrated Children's Services, DCC
D McCulloch, Head of Service Community Care, DCC

A Ingram, Deputy Chief Executive, NHS Tayside
A Gray, Director of Finance, NHS Tayside

P Redpath, Senior Manager – Internal Audit, DCC
Audit Committee
External Audit

Date: 30 January 2019

INTRODUCTION & SCOPE

1. Dundee City Council and NHS Tayside have developed and are in the process of implementing large scale transformational change programmes to help them prepare for and manage, efficiently and effectively, public sector reform. These corporate transformational change programmes have impacted on services delegated to the Integration Joint Board (IJB) and this has led to the development of a separate Dundee Health and Social Care Partnership (DH&SCP) Transformation Programme.
2. The DH&SCP's Transformation Programme has been developed by drawing down a range of relevant projects set out within the Council's and NHS Tayside's transformational change programmes and supplementing those projects with opportunities to deliver more integrated ways of working.
3. The IJB has implemented a number of funds and groups to assist in managing the delivery of its Transformation Programme, including the Integrated Care Fund, the associated recommendations of which are managed through the Integrated Care Funding Monitoring Group.
4. The Integrated Care Fund forms part of the IJB's overall Transformation Programme Investment Fund with the aim of funding innovation and development and supporting tests of change in the way community infrastructure and health and social care services are provided.

OBJECTIVES

5. Review of system for prioritisation of service redesign options, financial impact and link to savings plans, stakeholder engagement and project management.

DETAILED OBJECTIVES

6. The following were identified as within scope for this audit.
 - ◇ Assess the arrangements in place for the identification, and prioritisation, of service redesign projects for inclusion in the IJB's Transformation Programme to ensure they are comprehensive and reasonable. In addition, confirm that there has been appropriate stakeholder engagement and consideration given to the transformational change programmes in place within DCC and NHS Tayside, including ensuring that any potential impact on outcomes is considered and clinical and social work standards are met.
 - ◇ Confirm that appropriate governance arrangements, including management, review, monitoring and formal reporting arrangements, are in place at both an IJB Transformation Programme level and individual project level.
 - ◇ Ensure that related financial information is appropriately recorded / reflected within the ledger and baseline budget of the IJB. In addition, ensure that sufficient evidence is available to support the savings plans and that savings are accurately recorded and accounted for.

AUDIT OPINION AND FINDINGS

7. Whilst it is recognised that there has been a conscious effort made by management to bring together and co-ordinate the disparate strands of the transformational change programmes, demonstrated in particular through the establishment of a Transformation Delivery Group (TDG), the audit opinion drawn from this review is a **Category D** – There is increased risk that objectives may not be achieved. Improvements are required to enhance the adequacy and/or effectiveness of risk management, control and governance. A description of all audit opinion categories is given in the final section of this report.
8. Key findings are as follows:
- ◇ An overarching record of all transformation programmes / individual projects is not currently available.
 - ◇ No reports have been submitted from the TDG to the Performance and Audit Committee (PAC) as required. The Terms of Reference of the PAC have not been updated since the establishment of the TDG to reflect this reporting requirement.
 - ◇ There are at least 18 groups involved in transformation and whilst reporting lines were detailed in the sample Terms of Reference documents received, the frequency of reporting was not and they had not been updated since establishment of the TDG to reflect the current group structure. In addition, there was an error noted in one of them, indicating that it had not been subject to scrutiny; The TDG, which has prime responsibility for Transformation, has only met once since May 2018.
 - ◇ Transformation reports compiled do not specifically include a section on the potential impact of the transformation programme / project on quality and / or make specific reference to clinical / social work standards.
 - ◇ Internal Audit has been unable to obtain sufficient demonstrable evidence, including methodology and principles applied, to support savings figures detailed within report DIJB17-2018 (Dundee IJB 2018/19 Budget) and its Appendix 2 (DIJB Proposed Budget Interventions).

Transformation, Redesign and Efficiency Programmes

9. During the audit fieldwork, Internal Audit requested a copy of the overarching Dundee Health and Social Care Partnership (DH&SCP) transformation programme and was provided with two documents, both detailing transformation programmes. The first document, which is named “Transformation Workstreams (2018/19)” sets out details of the overarching transformation programmes, while the second document named “The Transformation Programme” details some of the individual transformation projects contained within the programmes. There is currently no overarching record of all transformation programmes and individual projects.

10. A number of the overarching programmes detailed in the “Transformation Workstreams” document have been on-going for a number of years and have progressed significantly. However, it is difficult to identify individual transformation programmes or projects within reports submitted to the IJB on Transformation. A Transformation Programme Update Report (DIJB58-2018) was submitted to the IJB on 30 October 2018 providing an overview of the Transformation workstreams and updates on the overarching priority themes. While there are links to Strategic Plan priorities, the workstreams and programmes referred to in the paragraph above do not clearly link to the Transformation Projects set out previously, in particular the Transformation Programme referred to in Appendix 1 of report DIJB9-2017 (“DIJB 2017/18 Budget”).

Transformation Delivery Group

11. A TDG was established in September 2017 with responsibility per its Terms of Reference for overseeing, supporting, monitoring and ensuring delivery and realisation of the DH&SCP’s overarching Transformation Programme. The Terms of Reference document has not, however, been formally approved by the IJB or the PAC. In addition, part of the TDG’s role includes providing the overarching governance mechanism for the Transformation Programme. Internal Audit was informed that, consistent with the TDG’s Terms of Reference, the aim is for transformation ideas to be brought to the TDG in the first instance where members will assess whether or not they are consistent with the Strategic and Commissioning Plan and whether it is feasible for them to progress to a formal proposal / business case stage. However, the TDG has only met once since May 2018, with scheduled meetings having to be cancelled due to key staff not being available.
12. The governance section of the Terms of Reference indicates that the TDG will “report to the PAC and when required to the Integrated Strategic Planning Group and the Dundee Integration Joint Board”. However, this is not included within the PAC Terms of Reference and there have been no updates provided to the PAC on the overall progress of the transformation programme or in relation to individual transformation projects, although some transformation related reports have been submitted to the IJB and the Integrated Strategic Planning Group.
13. Given that the TDG aims to drive delivery and realisation of the Transformation Programme in general and the individual projects within it, it is vital that these meetings are not cancelled and that there is ongoing engagement at the meetings from all relevant individuals and groups.

Terms of Reference / Reporting Requirements

14. As part of the audit fieldwork, the Terms of Reference, agendas, meeting minutes, strategies and action plans relating to the various groups that report to the TDG according to its reporting structure were requested. A variety of these documents were obtained for 18 of the groups, although we were unable to confirm the total number of groups in operation.

15. Internal Audit was able to obtain Terms of Reference for 7 of the 18 groups, including the TDG and were informed that some of the groups were established a number of years ago and are not likely to have formal Terms of Reference. Whilst each of the Terms of Reference received detail reporting lines, they do not set out the frequency of reporting. In addition, none of the Terms of Reference documents obtained reflect the requirement to report to the TDG, as per the governance arrangements. Only one of the groups for which Terms of Reference were obtained, excluding the TDG, stipulated a reporting line to the Integrated Strategic Planning Group, responsible for determining service redesign and service remodelling.
16. The purpose of the TDG, as detailed within its Terms of Reference, highlights a requirement to “deliver on the challenges ahead including increasing the quality and experience of those who access our services”. With a view to ensuring that transformational change programmes and related projects are appropriately considering potential impact on the ability to meet clinical and social work standards, Internal Audit considered the standing membership of key groups responsible for agreeing service re-design initiatives and reviewed the content of transformation programme and related project reports. Whilst it was established that there is clinical and social work representation on these groups, the reports compiled do not specifically include a section on the potential impact of the transformation programme / project on quality and / or make specific reference to clinical / social work standards.

Efficiency Savings and Budgets

17. As part of the audit fieldwork, a review was carried out to ensure that budgets with identified efficiency savings / deliverable service redesign initiatives had been adjusted in the relevant partner’s general ledgers and that sufficient evidence was available to demonstrate the methodology and principles applied to arrive at both the efficiency savings themselves as well as the corresponding budget adjustment.
18. Specifically, with reference to report DIJB17-2018 (Dundee IJB 2018/19 Budget) and Appendix 2 to this report (DIJB Proposed Budget Interventions), Internal Audit has been unable to obtain sufficient demonstrable evidence, including methodology and principles applied, to support the efficiencies detailed in the report, including Non-Investment of Change Funding (£250,000), Enhanced Community Support Model (£500,000), Self-Directed Support and Local Prescribing Initiatives (£200,000).
19. For the sample of projects reviewed as part of this exercise Internal Audit was able to observe the budget adjustments that had been made in the general ledger for Dundee City Council led services, however, similar evidence was not available for NHS Tayside led services. Separate spreadsheets were instead being maintained for savings relating to NHS led services.

ACTION

20. An action plan has been agreed with management to address the identified weaknesses. A follow-up of implementation of the agreed actions will be undertaken in accordance with the audit reporting protocol.

ACKNOWLEDGEMENT

21. We would like to thank all members of staff for the help and co-operation received during the course of the audit.

A Gaskin BSc. ACA
Chief Internal Auditor

P Redpath FCCA
Senior Manager – Internal Audit,
DCC

Ref.	Finding	Audit Recommendation	Priority	Management Response / Action	Action by/Date
1.	<p>There is currently no overarching record of all transformation programmes and individual projects.</p> <p>A number of the overarching programmes detailed in the "Transformation Workstreams" document have been on-going for a number of years, and have progressed significantly. However, it is difficult to identify individual transformation programmes or projects within reports submitted to the IJB on Transformation. While there are links to Strategic Plan priorities, the workstreams and programmes referred to in the paragraph above do not clearly link to the Transformation Projects set out previously, in particular the Transformation Programme referred to in Appendix 1 of report DIJB9-2017 ("DIJB 2017/18 Budget").</p>	<p>To improve existing review and monitoring arrangements surrounding progress towards delivery and realisation of the DH&SCP's Transformation Programmes and individual projects contained within them, an overarching record comprising, as a minimum, the following key pieces of information should be introduced and maintained. When developing the overarching record, appropriate consideration should be given to the transformational change programmes in place within Dundee City Council and NHS Tayside. This record, which should be reviewed on a regular basis by key members of staff and groups, including the TDG, should provide users with implementation status information at a glance.</p>	2	<p>We will review and enhance the current TDG document to reflect the requirement for an overarching transformation programme, including the specific areas suggested within the audit recommendation.</p>	<p>Chief Financial Officer 31 August 2019</p>

Ref.	Finding	Audit Recommendation	Priority	Management Response / Action	Action by/Date
		<ul style="list-style-type: none"> • Transformation Programme, along with brief description. • List of each transformation project contained within each Programme. • Lead Officer details for each Programme and its projects. • Desired outcomes. • Progress to date towards implementation. • Estimated savings where applicable. 			

Ref.	Finding	Audit Recommendation	Priority	Management Response / Action	Action by/Date
2.	The Terms of Reference document has not, however, been formally approved by the IJB or the PAC. In addition, part of the TDG's role includes providing the overarching governance mechanism for the Transformation Programme. Internal Audit was informed that, consistent with the TDG's Terms of Reference, the aim is for transformation ideas to be brought to the TDG in the first instance where members will assess whether or not they are consistent with the Strategic and Commissioning Plan and whether it is feasible for them to progress to a formal proposal / business case stage. However, the TDG has only met once since May 2018, with scheduled meetings having to be cancelled due to key staff not being available.	Given that the TDG aims to drive delivery and realisation of the Transformation Programme in general and the individual projects within it, it is vital that these meetings are not cancelled and that there is ongoing engagement at the meetings from all relevant individuals and groups. With that in mind, where standing members of the group are not available to attend a meeting, they should ensure that an appropriate substitute attends / makes decisions on their behalf. This requirement should be stipulated in the TDG Terms of Reference, which should be endorsed by the TDG prior to approval by the PAC.	2	Clarity on the purpose of the TDG will be reiterated to TDG members and the importance of ensuring that key individuals attend meetings will be emphasised. The approval by the PAC of the revised Terms of Reference will be influenced by the schedule of meetings. More regular reports, e.g. twice a year, on the progress with the	Chief Financial Officer 31 March 2019 Chief Financial Officer 30 June 2019 Chief Financial Officer

Ref.	Finding	Audit Recommendation	Priority	Management Response / Action	Action by/Date
	The governance section of the Terms of Reference indicates that the TDG will “report to the PAC and when required to the Integrated Strategic Planning Group and the Dundee Integration Joint Board”. However, this is not included within the PAC Terms of Reference and there have been no updates provided to the PAC on the overall progress of the transformation programme or in relation to individual transformation projects, although some transformation related reports have been submitted to the IJB and the Integrated Strategic Planning Group.	In order to enhance existing governance arrangements, fulfil the Terms of Reference of the TDG and assist with prioritising resources, regular summary reports on the progress of the Transformation Programme should be prepared by the TDG and submitted to the Performance and Audit Committee for its review. The Terms of Reference of the PAC should be updated to reflect the requirement for the TDG to report to it.		Transformational Change Programme will be submitted to the PAC. Individual Transformation Programmes will be submitted to the PAC and IJB as required in addition to budget reports to the IJB.	30 June 2019
3.	Internal Audit was able to obtain Terms of Reference for 7 of the 18 groups, including the TDG and were informed that some of the groups were established a number of years ago and are not likely to have formal Terms of Reference. Whilst each of the Terms of Reference received detail reporting lines, they do not set out the frequency of reporting. In	Terms of Reference documents should be developed / reviewed for all groups that impact on the transformation and service redesign arrangements of the DH&SCP, including the Integrated Strategic Planning Group. These should clearly detail the roles, remits and	2	The Terms of Reference will be reviewed to ensure that there is clarity on the reporting arrangements and ensure that where required Terms of Reference are developed. The complexity of the groups and the number of reporting lines reflects the longer term action date.	Chief Financial Officer 31 December 2019

Ref.	Finding	Audit Recommendation	Priority	Management Response / Action	Action by/Date
	<p>addition, none of the Terms of Reference documents obtained reflect the requirement to report to the TDG, as per the governance arrangements. Only one of the groups for which Terms of Reference were obtained, excluding the TDG, stipulated a reporting line to the Integrated Strategic Planning Group, responsible for determining service redesign and service remodelling.</p>	<p>governance arrangements of the group, who they are required to report to and under what circumstances.</p> <p>An overarching review of reporting requirements should be carried out in relation to the Transformation Programme. As part of this exercise, clarity should be provided surrounding the groups that transformation proposals should be presented to, the groups / governing bodies and committees (i.e. IJB and Performance and Audit Committee) that should give approval to proceed with those proposals and the groups that require to be copied into proposals for information only.</p>			

Ref.	Finding	Audit Recommendation	Priority	Management Response / Action	Action by/Date
4.	With a view to ensuring that transformational change programmes and related projects are appropriately considering potential impact on the ability to meet clinical and social work standards, Internal Audit considered the standing membership of key groups responsible for agreeing service re-design initiatives and reviewed the content of transformation programme and related project reports. Whilst it was established that there is clinical and social work representation on these groups, the reports compiled do not specifically include a section on the potential impact of the transformation programme / project on quality and / or make specific reference to clinical / social work standards	Any reports prepared as part of the Transformation Programme and Transformation Workstreams should specifically include a section on for noting the potential impact of the transformation programme / project on quality and make specific reference to the consideration being given as to the impact on clinical or / social work standards.	2	Views of professionals with responsibility for clinical and social work standards are currently sought for each transformation proposal. We will review reporting templates accordingly to specifically reflect that clinical and social work standards have been considered.	Chief Financial Officer 31 August 2019

Ref.	Finding	Audit Recommendation	Priority	Management Response / Action	Action by/Date
5.	Specifically, with reference to report DIJB17-2018 and Appendix 2 (DIJB Proposed Budget Interventions), Internal Audit has been unable to obtain sufficient demonstrable evidence to support the efficiencies detailed in the report, including Non-Investment of Change Funding (£250,000), Enhanced Community Support Model (£500,000), Self-Directed Support and Local Prescribing Initiatives (£200,000).	To assist with ensuring that efficiency savings can be easily identified, explained and tracked as they progress, sufficient demonstrable evidence, including the methodology and principles applied to arrive at the figures, should be available / retained.	2	The professional judgement of the Chief Financial Officer and other Senior Officers with responsibility for service delivery within the partnership was used in determining these figures. Methodologies and principles applied to arrive at these figures will be formally recorded going forward.	Chief Financial Officer 31 March 2019
6.	Although Internal Audit was able to identify a number of budget adjustments in the general ledger for Dundee City Council led services, similar evidence was not available for a number of NHS Tayside led services, with savings having been recorded in separate spreadsheets.	To ensure consistency of approach for IJB transformation projects and assist with ensuring buy in and subsequent achievement of savings, corresponding budgets should be adjusted accordingly in NHS Tayside's general ledger.	2	NHS Budgets have now been adjusted accordingly.	Chief Financial Officer 31 March 2019

DEFINITION OF ASSURANCE CATEGORIES AND RECOMMENDATION PRIORITIES

Categories of Assurance:

A	Good	There is an adequate and effective system of risk management, control and governance to address risks to the achievement of objectives.
B	Broadly Satisfactory	There is an adequate and effective system of risk management, control and governance to address risks to the achievement of objectives, although minor weaknesses are present.
C	Adequate	Business objectives are likely to be achieved. However, improvements are required to enhance the adequacy/ effectiveness of risk management, control and governance.
D	Inadequate	There is increased risk that objectives may not be achieved. Improvements are required to enhance the adequacy and/or effectiveness of risk management, control and governance.
E	Unsatisfactory	There is considerable risk that the system will fail to meet its objectives. Significant improvements are required to improve the adequacy and effectiveness of risk management, control and governance and to place reliance on the system for corporate governance assurance.
F	Unacceptable	The system has failed or there is a real and substantial risk that the system will fail to meet its objectives. Immediate action is required to improve the adequacy and effectiveness of risk management, control and governance.

The priorities relating to Internal Audit recommendations are defined as follows:

Priority 1 recommendations relate to critical issues, which will feature in our evaluation of the Governance Statement. These are significant matters relating to factors critical to the success of the organisation. The weakness may also give rise to material loss or error or seriously impact on the reputation of the organisation and require urgent attention by a Director.

Priority 2 recommendations relate to important issues that require the attention of senior management and may also give rise to material financial loss or error.

Priority 1 and 2 recommendations are highlighted to the Audit Committee and included in the main body of the report within the Audit Opinion and Findings

Priority 3 recommendations are usually matters that can be corrected through line management action or improvements to the efficiency and effectiveness of controls.

Priority 4 recommendations are recommendations that improve the efficiency and effectiveness of controls operated mainly at supervisory level. The weaknesses highlighted do not affect the ability of the controls to meet their objectives in any significant way.