

# Regional Integration Fund Final Internal Audit Report

April 2023

Hywel Dda University Health Board

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### Acknowledgement

NHS Wales Audit and Assurance Services would like to acknowledge the time and co-operation given by management and staff during the course of this review.

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# Executive Summary

## Purpose

The overall objective of this review was to evaluate and determine the adequacy of systems and controls in place for the administration of the Regional Integration Fund (RIF).

## Overview


We have identified one high priority matter arising due to the lack of an agreed Memorandum of Understanding (MOU) setting out the requirements of the Health Board in its role for the retention and issuing of investment funds, and risk sharing arrangements.

Whilst it is the responsibility of the Regional Partnership Board (RPB) to develop an MOU, we acknowledge that the Health Board has drafted their requirements with input from NWSSP Legal & Risk Services and shared this with the RPB Programme Manager. However, at the time of reporting an MOU had not been developed or agreed by the RPB.

We have also identified one medium priority finding in relation to the reporting of financial risk to the Health Board. Whilst the possible risk of an overspend against the regional allocation has been highlighted to the Health Board's Sustainable Resources Committee, this has not been quantified in terms of potential financial loss to the Health Board.

Accordingly, we have concluded **Reasonable** assurance overall.

## Report Opinion

		Trend
 Reasonable	Some matters require management attention in control design or compliance.	n/a
<b>Low to moderate impact</b> on residual risk exposure until resolved.		

## Assurance summary<sup>1</sup>

Objectives	Assurance
1 The prompt release of funding by the Health Board upon request	Substantial
2 Fund management, allocation and delivery of investment priorities	Limited
3 Monitoring of RIF investments	Reasonable
3 Establishment of reporting arrangement	Reasonable

<sup>1</sup>The objectives and associated assurance ratings are not necessarily given equal weighting when formulating the overall audit opinion.

## Key Matters Arising

	Objective	Control Design or Operation	Recommendation Priority
1	Memorandum of Understanding	2 Design	High
2	Reporting of Financial Risk to the Health Board	4 Operation	Medium

## 1. Introduction

- 1.1 The *Social Services and Well-being (Wales) Act 2014* makes provision for partnership arrangements between local authorities and local Health Boards to carry out identified specified health and social services' functions and will be managed through the establishment of Regional Partnership Boards (RPBs), as set out in the *Partnership Arrangements (Wales) Regulations 2015*.
- 1.2 Building on the learning and progress made under the previous Integrated Care Fund and Transformation Fund, the Health and Social Care Regional Integration Fund (RIF) is a five-year fund to deliver a programme of change from April 2022 to March 2027.
- 1.3 Hywel Dda UHB has two distinct roles with regard to the Regional Integration fund, one being the host for RIF finances on behalf of the RPB, and the other for the management and delivery of approved schemes and projects.
- 1.4 The failure to implement governance arrangements for RIF could potentially result in:
  - untimely release of funds resulting in projects not being delivered on time; and
  - non-compliance of RIF with national guidance.

## 2. Detailed Audit Findings

### Objective 1: The release of funding by the Health Board is promptly undertaken upon request from the Regional Partnership Board

- 2.1 RPBs are collaborative groups made up of a number of bodies and organisations including, but not limited to, local authority, health, and third sector. Hywel Dda is a key member of the West Wales RPB.
- 2.2 In February 2022, the West Wales RPB was issued a letter from Welsh Government (WG) setting out their expectations for the use of RIF and financial allocation, including ring-fenced monies for national priorities for 2022/23:

Figure 1: WG funding allocation

RPB	WG Investment	National Ringfenced Fund					Regional Infrastructure Fund (75% up to £750,000)	New model development and national embedding fund	NEW MODEL DEVELOPMENT 90% WG FUNDING	NATIONAL EMBEDDING FUND 70% WG FUNDING
		IAS	Dementia	Memory Assessment Services	Unpaid Carers Hospital Discharge Engagement	National priorities total				
West Wales	£ 18,675,040.00	£ 398,000	£ 1,249,000	£ 384,000	£ 121,000	£ 2,152,000	£ 750,000	£ 15,773,040.00	£ 4,731,912.00	£ 11,041,128.00

- 2.3 The West Wales RPB delegated responsibility for the development of RIF schemes and projects to the three counties within its locality – Carmarthenshire, Ceredigion and Pembrokeshire.
- 2.4 Each county has a dedicated Transformation Lead with delegated financial responsibility for managing their county RIF budget allocations by the Integrated Executive Group (on behalf of the RPB) in order to aid the planning, development and delivery of their investment plans.
- 2.5 Budget letters were issued by the Regional Partnership Programme Manager to the three county Transformation Leads in June 2022 setting out the budget allocations (summarised in figure 2 below) and a detailed schedule of projects to be delivered.
- 2.6 Project expenditure is administered by the relevant host organisation. Local Authorities invoice the Health Board for reimbursement from RIF, which the Health Board will process only up to the value of the allocated budget. The Health Board maintains a control spreadsheet to track project budgets and spend – see Objective 3 for further detail.

#### Conclusion:

- 2.7 We have concluded **Substantial** assurance for this objective.

### Objective 2: Arrangements are in place for fund management including the allocation and delivery of investment priorities are aligned to the new models of care

- 2.8 County investment plans were forwarded to the RPB for scrutiny and approval before being consolidated into the *Investment Proposal Strategic Plan*. This plan was subsequently submitted for review and feedback by the WG in June 2022.

- 2.9 The schemes and projects listed in the *Investment Proposal Strategic Plan* align with the six new national models of integrated care (see figure 2 below) set out in the RIF guidance document. All listed schemes and projects contained narrative on their purpose, programme alignment, background, approach, expected outputs/benefits and cost.
- 2.10 The West Wales RPB allocated RIF budget for 2022/23 amounted to £18.7m. However, the initial investment plan developed by the RPB totalled £21.9m resulting in an over commitment of £3.2m. The Transformation Leads were requested by the Health Board Finance Department to re-evaluate and provide financial plans that aligned to the value of their allocations. This was reported to the Sustainable Resources Committee (SRC) in August 2022.
- 2.11 An update paper provided to the SRC in November 2022 highlighting that the forecasted overspend had reduced from £3.2m to £1.6m following the realignment of county plan with their allocated budget:

Figure 2: RIF Allocation Breakdown – reported to SRC November 2022

RIF 2022-23	Regional	Carms	Cered	Pembs	Total Plan
<b>National Ringfenced Fund (100%)</b>	2,152,000	-	-	-	<b>2,152,000</b>
IAS	398,000				398,000
Dementia	1,249,000				1,249,000
Memory Assessment Services	384,000				384,000
Unpaid Carers Hospital Discharge Engagement	121,000				121,000
<b>Regional Infrastructure Fund (75%)</b>	750,000	-	-	-	<b>750,000</b>
Regional Infrastructure Fund (75% up to £750,000)	750,000				750,000
<b>New model development and national embedding fund (90%)</b>	-	2,901,160	957,059	1,494,261	<b>5,352,480</b>
1 Place based care – Prevention and community coordination		458,403	127,768	411,169	997,340
2 Place based care – complex care closer to home		68,387	448,956	396,379	913,722
3 Promoting good emotional health and wellbeing		435,222	278,336	394,614	1,108,172
4 Preventing children entering care and supporting children to remain with their families		550,354	102,000	189,506	841,860
5 Home from hospital		1,040,651		102,592	1,143,244
6 Accommodation based solutions		348,143			348,143
<b>National embedding fund (70%)</b>	-	5,441,776	2,322,757	3,792,609	<b>11,557,142</b>
1 Place based care – Prevention and community coordination		1,562,626	309,436	522,998	2,395,061
2 Place based care – complex care closer to home		766,259	214,649	303,651	1,284,559
3 Promoting good emotional health and wellbeing		125,657	45,992	117,384	289,033
4 Preventing children entering care and supporting children to remain with their families		395,320	277,596	417,870	1,090,786
5 Home from hospital		2,411,543	1,071,409	1,936,905	5,419,858
6 Accommodation based solutions		180,370	403,674	493,801	1,077,845
<b>Regional Project Management (100% from New Model &amp; National Embedding Funds)</b>	-	150,092	238,628	93,589	<b>482,309</b>
<b>Projected Plan Totals</b>	<b>2,902,000</b>	<b>8,493,028</b>	<b>3,518,444</b>	<b>5,380,459</b>	<b>20,293,931</b>
<b>Funding Allocated</b>	<b>2,902,000</b>	<b>7,571,059</b>	<b>3,154,608</b>	<b>5,047,373</b>	<b>18,675,040</b>
<b>Value of Plans exceeding the Funding Allocated</b>	<b>-</b>	<b>921,969</b>	<b>363,836</b>	<b>333,086</b>	<b>1,618,891</b>

- 2.12 The RIF guidance document<sup>1</sup> issued by the WG states that governance and accountability arrangements for decision making and managing investment of the RIF should be set out in an agreed Memorandum of Understanding (MOU). However, a MOU has not been developed by the West Wales RPB. **[Matter Arising 1]**
- 2.13 The risks to the Health Board with the absence of an agreed MOU include non-compliance with national guidance due to the lack of explicit requirements in the retention, issuing and reporting of investment funds and the potential financial impact due to the lack of formalised and accepted risk sharing agreement for project overspends.
- 2.14 Whilst an MOU has not been developed by the West Wales RPB, the Health Board began outlining their responsibilities as the 'banker' for the RIF for inclusion in the

<sup>1</sup> [Health and Social Care Regional Integration Fund – Revenue Guidance 2022-27](#)

MOU in August 2022 that was shared with key executives and individuals. Legal advice of the Health Board's responsibilities was sought from NHS Wales Shared Services Partnership (NWSSP) Legal & Risk Services. The Health Board submitted their draft MOU requirements to the Regional Partnership Programme Manager in February 2023 for sharing with the West Wales RPB and other statutory parties.

- 2.15 In the absence of an agreed MOU, Hywel Dda's Finance Department have also drafted a RIF principles document to enable them to set out governance and accountability arrangements, including the Health Board who hold and issue the investment funds. The aim of this document is to facilitate consistency and transparency in the administration of RIF funding.

#### Conclusion:

- 2.16 The West Wales RPB investment plan continues to be overcommitted and there is financial risk to the Health Board to the extent of overspend on Health Board managed projects. Whilst the Health Board have proactively drafted and shared their RIF requirements with executives and the Regional Partnership Programme Manager, an MOU is yet to be developed and therefore the governance and accountability arrangements have not been formally documented and agreed by all parties. Accordingly, we have concluded **Limited** assurance for this objective.

### **Objective 3: Regional Integration Fund investment priorities are routinely monitored and actions implemented where slippage has been identified**

- 2.17 The Health Board maintains a control spreadsheet tracking the financial performance of RIF projects including forecast and actual variances. Project and Finance Leads are assigned to each of the approved projects listed on the spreadsheet.
- 2.18 Backing documentation is requested by the Health Board Finance Department upon approval of a project to ensure the Finance Lead knows what programme and project expenditure will relate to. A review of five RIF projects confirmed that backing documentation had been received by the Finance Lead.
- 2.19 Project expenditure is administered by the relevant host organisation. Local Authorities invoice the Health Board for reimbursement from RIF, which the Health Board will process only up to the value of the allocated budget. The financial risk to the Health Board is therefore limited to the extent of any overspend on Health Board hosted projects. Every project is allocated a unique reference number to ensure expenditure can be accurately tracked.
- 2.20 The treatment of slippage against budget is reported in the control spreadsheet submitted to the RPB via the Performance & Finance Group. No action plans to mitigate variances have been submitted to the RPB to date with funds being managed against approved projects before new ones are considered.
- 2.21 A report to SRC in November 2022 notes that the Health Board has received assurances County Leads and the RPB that due to slippage and other factors, they are confident of bringing forecasts back in line with the level of funding received.

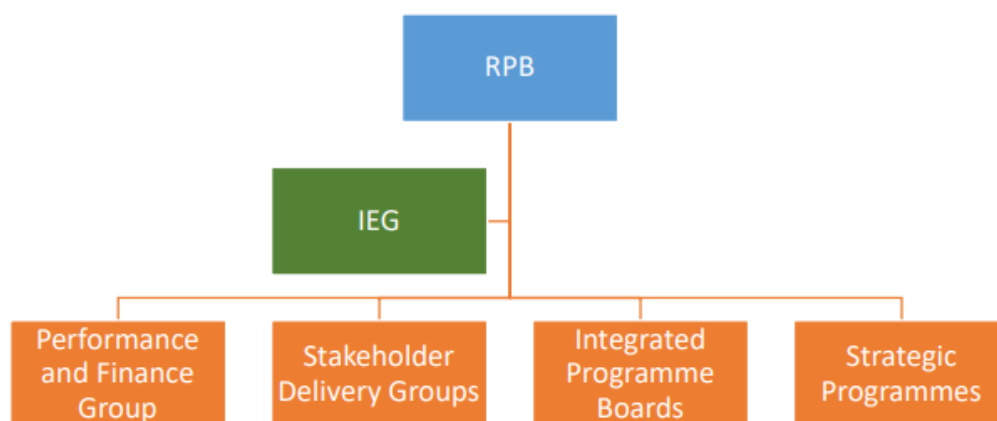
This is supported with the reduction in the forecast overspend, as at 31<sup>st</sup> December 2022, being £817k.

#### Conclusion:

2.22 The investment plan continues to be overcommitted and whilst the forecast overspend is reducing, it is not yet in line with the allocated funding. Recognising also the absence of an agreed MOU (see Objective 2) we have concluded **Reasonable** assurance for this objective.

### Objective 4: The Health Board and Welsh Government receive assurance on the development and progress of Regional Integration Fund investments

2.23 The *Investment Proposal Strategic Plan* outlines the governance structure in place to aid with the delivery of the *Healthier West Wales Strategy* – see below.



2.24 The IEG will oversee the executive function of performance, finance and commissioning on behalf of the RPB, whilst the Integrated Programme Boards will oversee the delivery of RIF investment proposals that are aligned to the core programmes.

2.25 The Performance & Finance Group has been established to ensure the effective management of resources on behalf of the RPB including RIF. The terms of reference identified the Assistant Director of Finance and Finance Business Partner are key members of the group, with the Assistant Director of Finance noted as the Co-Chair.

2.26 A review of the Performance & Finance Group minutes for December 2022 confirmed the attendance of Health Board representatives at this meeting and the submission of the control spreadsheet for discussion on the project and programme finances.

2.27 The Health Board have provided the quarterly financial position for RIF to the RPB for the inclusion in the quarterly WG returns during 2022-23. The financial position and progress of RIF projects and programmes have been submitted to the SRC and Strategic Development and Operational Delivery Committee during 2022.



2.28 Whilst the possible risk of an overspend against the regional allocation has been highlighted to SRC, this has not been quantified in terms of potential financial loss to the Health Board. The control spreadsheet maintained by finance identifies a forecast £491k overspend for 2022/23. This is absorbed into the relevant directorate/service budgets and therefore included in the overall financial position of those directorate/service areas and the Health Board as a whole, but is not separately identified or reported as relating to RIF. **[Matter Arising 2]**

**Conclusion:**

2.29 Whilst the arrangements for monitoring and reporting are satisfactory, the potential financial loss to the Health Board as a result of overspend against RIF projects has not been reported. Accordingly, we have concluded **Reasonable** assurance for this objective.

## Appendix A: Management Action Plan

Matter Arising 1: Memorandum of Understanding (Design)		Impact	
<p>Whilst the Health Board has drafted and shared their MOU requirements with executives, the Regional Partnership Programme Manager and NWSSP Legal &amp; Risks Services that set out their governance and accountability arrangements for RIF, a Memorandum of Understanding (MOU) has still not been agreed.</p>		<p>Potential risks of:</p> <ul style="list-style-type: none"> <li>• untimely release of funds resulting in projects not being delivered on time; and</li> <li>• non-compliance of RIF with national guidance.</li> </ul>	
Recommendation		Priority	
1.1	The UHB as "Host" for the RIF Finances, work with the Regional Partnership Board to ensure an agreed Memorandum of Understanding is in place explicitly setting out the Health Board and other key partners roles and responsibilities for the governance and accountability arrangements of RIF for the next financial year.	<b>High</b>	
Agreed Management Action		Target Date	Responsible Officer
1.1	We will ensure that we work with the RPB to finalise the MoU which clearly sets out the key roles and responsibilities for the governance and accountability arrangements for RIF for the next financial year.	30 <sup>th</sup> June 2023	Director of Finance

Matter Arising 2: Reporting of Financial Risk to the Health Board (Operation)		Impact	
<p>Whilst the possible risk of an overspend against the regional allocation has been highlighted to SRC, this has not been quantified in terms of potential financial loss to the Health Board. The control spreadsheet maintained by finance identifies a forecast £491k overspend for 2022/23.</p> <p>This is absorbed into the relevant directorate/service budgets and therefore included in the overall financial position of those directorate/service areas and the Health Board as a whole, but is not separately identified or reported as relating to RIF.</p>		<p>Potential risks of:</p> <ul style="list-style-type: none"> <li>the Board is not aware of the potential financial loss to the Health Board as a result of RIF programmes/projects</li> </ul>	
Recommendation		Priority	
2.1	The forecast overspend (and therefore potential financial loss to the Health Board) related to Health Board led projects should be included in reporting to SRC.	<b>Medium</b>	
Agreed Management Action		Target Date	Responsible Officer
2.1	We will include performance on Health Board-led projects in our reporting to SRC and to Board.	30 <sup>th</sup> June 2023	Director of Finance

## Appendix B: Assurance opinion and action plan risk rating

### Audit Assurance Ratings

We define the following levels of assurance that governance, risk management and internal control within the area under review are suitable designed and applied effectively:

	<b>Substantial assurance</b>	Few matters require attention and are compliance or advisory in nature. <b>Low impact</b> on residual risk exposure.
	<b>Reasonable assurance</b>	Some matters require management attention in control design or compliance. <b>Low to moderate impact</b> on residual risk exposure until resolved.
	<b>Limited assurance</b>	More significant matters require management attention. <b>Moderate impact</b> on residual risk exposure until resolved.
	<b>No assurance</b>	Action is required to address the whole control framework in this area. <b>High impact</b> on residual risk exposure until resolved.
	<b>Assurance not applicable</b>	Given to reviews and support provided to management which form part of the internal audit plan, to which the assurance definitions are not appropriate. These reviews are still relevant to the evidence base upon which the overall opinion is formed.

### Prioritisation of Recommendations

We categorise our recommendations according to their level of priority as follows:

Priority level	Explanation	Management action
High	Poor system design OR widespread non-compliance. Significant risk to achievement of a system objective OR evidence present of material loss, error or misstatement.	Immediate*
Medium	Minor weakness in system design OR limited non-compliance. Some risk to achievement of a system objective.	Within one month*
Low	Potential to enhance system design to improve efficiency or effectiveness of controls. Generally issues of good practice for management consideration.	Within three months*

\* Unless a more appropriate timescale is identified/agreed at the assignment.



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