

Hywel Dda University Health Board

Partnership Governance (Integrated Care Fund)

Final Internal Audit Report

October 2020

Private and Confidential

NHS Wales Shared Services Partnership

Audit and Assurance Services



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Audit and Assurance Services conform with all Public Sector Internal Audit Standards as validated through the external quality assessment undertaken by the Institute of Internal Auditors.

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1. Introduction and Background

The review of Partnership Governance was completed in line with the 2020/21 Internal Audit Plan. The relevant lead Executive Director for the assignment was the Director of Public Health.

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.

The delivery of specified health and social services functions is through the Integrated Care Fund (ICF) mechanism that was established to enable the distribution of allocated monies through the RPBs.

2. Scope and Objectives

The overall objective of this audit was to confirm that the appropriate arrangements and management of allocated integrated care funds in line with national legislation.

The following objectives were reviewed as part of this audit:

- Arrangements are in place to ensure the effective management of funding allocation and delivery of projects and schemes;
- Routine monitoring and reporting of ICF schemes is in existence within the Health Board; and
- Arrangements are in place to enable the deployment of existing funding to support the pandemic response in line with national guidance.

3. Associated Risks

The potential risks considered in the review were as follows:

- Poor management arrangements resulting in schemes not being delivered on time and within budget;
- Non-compliance of ICF funding with national guidance; and
- Lack of regular reporting within the Health Board.


OPINION AND KEY FINDINGS

4. Overall Assurance Opinion

We are required to provide an opinion as to the adequacy and effectiveness of the system of internal control under review. The opinion is based on the work performed as set out in the scope and objectives within this report. An overall assurance rating is provided describing the effectiveness of the system of internal control in place to manage the identified risks associated with the objectives covered in this review.

The overall level of assurance that can be assigned to a review is dependent on the severity of the findings as applied against the specific review objectives and should therefore be considered in that context.

The level of assurance given as to the effectiveness of the system of internal control in place to manage the risks associated with Partnership Governance (Integrated Care Fund) is **Limited** assurance.

RATING	INDICATOR	DEFINITION
Limited Assurance		The Board can take limited assurance that arrangements to secure governance, risk management and internal control, within those areas under review, are suitably designed and applied effectively. More significant matters require management attention with moderate impact on residual risk exposure until resolved.





The audit highlighted that sampled ICF projects had a corresponding project proposal form and were included on the West Wales Revenue Investment Plan (RIP), the regular reporting of update papers to the Health Board and robust arrangements that were put in place in response to the COVID-19 pandemic

However, four high priority findings were identified in regard of lack of clear approval of proposed projects, breaches of Welsh Government submissions deadlines (including the lack of an audit trail), lack of regular detailed impact outcome updates from project owners and whether the level of information and scrutiny discussed at the Regional Partnership Board provides sufficient assurance that projects are on target in terms of delivery and financially.

We also identified four medium priority findings with regards to missing project information on the RIP and proposal forms, no formal approval of the rolled over Written Agreement for 2019/20 and the continued lack of a finance representative at the local ICF Panel meetings.

5. Assurance Summary

The summary of assurance given against the individual objectives is described in the table below:

Audit Objective		Assurance Summary*			
					
1	Arrangements are in place to ensure the effective management of funding allocation and delivery of projects and schemes.		✓		
2	Routine monitoring and reporting of ICF schemes is in existence within the Health Board.		✓		
3	Arrangements are in place to enable the deployment of existing funding to support the pandemic response in line with national guidance.				✓

* The above ratings are not necessarily given equal weighting when generating the audit opinion.

Design of Systems/Controls

The findings from the review have highlighted **four** issues that are classified as weaknesses in the system control/design for Partnership Governance (Integrated Care Fund). These are identified in the Management Action Plan as (D).

Operation of System/Controls

The findings from the review have highlighted **four** issues that are classified as weaknesses in the operation of the designed system/control for Partnership Governance (Integrated Care Fund). These are identified in the Management Action Plan as (O).

6. Summary of Audit Findings

The key findings are reported in the Management Action Plan at Appendix A.

OBJECTIVE 1: Arrangements are in place to ensure the effective management of funding allocation and delivery of projects and schemes.

The Integrated Care Fund (ICF) Guidance 2019/20 issued by the Welsh Government (WG) states that Regional Partnership Board (RPBs) are required to use annexed templates to develop individual project proposals and overarching investment plans.

Internal Audit selected five projects relating to the 2019/20 financial year at random, to consider in detail and review compliance with ICF guidance – 2020/21 projects were not selected due to many being paused during the pandemic period. The Health Board was identified as a key delivery partner for all five projects.

Local Project Reference	Project Title
P27	Development of Supported Accommodation
P36	Tec Solutions-apps
P6	Organisational Support to Carers
P14	Safe and Steady Clinic
P31	Direct Payments – Co-operative solutions

Each project within our sample had a corresponding project proposal form and were included on the West Wales Revenue Investment Plan (RIP). In all instances, the correct templates had been used.

Internal Audit carried out testing of proposal forms, the RIP and project approvals which identified the following:

Revenue Investment Plan (RIP)

- All five proposals listed in the RIP had incomplete Blue/Red/Amber/Green (BRAG) status. Following a discussion with the Regional Programme & Change Manager and Head of Regional Collaboration, it was noted that the WG developed template had technical issues during 2019/20 that led to several functions and formulae within the RIP being compromised. We can confirm that the template has since been corrected by WG.
- Several details, including the key delivery partners and stakeholder engagement were omitted for one sample project in the Revenue Investment Plan (*P6 Organisational Support to Carers*), despite the Project Proposal Form containing the information. We were informed by the Regional Programme &

Change Co-ordination Manager that WG would not accept a RIP without all details completed for each project. Furthermore, cover emails confirming the date on which RIP quarterly returns were submitted were not retained by the Regional Programme & Change Co-ordination Manager.

Project Proposal Forms

- Three out of five proposal forms lacked specific details to clearly demonstrate the additionality that the projects would deliver.
- One proposal form (*P36 Tec Solutions-Apps*) contained an internal working comment that should not have been included in the submission.
- All five proposal forms had no indication of development or delivery timescales, which is a requirement of the national guidance.

Project Approvals

- The West Wales RIP was approved by the RPB on 25th March 2019. However, Internal Audit could not verify individual scheme approvals at county-level ICF Panels nor regional groups where applicable.

See Findings 1, 5 & 6 at Appendix A

OBJECTIVE 2: Routine monitoring and reporting of ICF schemes is in existence within the Health Board.

The National Guidance states that regular project updates must be evidenced in the quarterly returns to Welsh Government. Testing of the quarterly RIP returns was due to be undertaken for the period 2019/20 to ensure the completeness of the project impact updates and the submissions met the WG deadline date. However, the quarterly returns are not retained on file by the Regional Programme & Change Co-ordination Manager and therefore we were unable to corroborate the completeness and timely reporting of RIP returns.

Whilst no submissions were evident to test, we were able to confirm one reporting breach via the 'ICF Update Report' to the RPB on 31st October 2019 where the Q2 return, which was due to be submitted by 31st October 2019, was submitted to WG in November 2019. The meeting minutes do not mention the late submission nor indicate that this was challenged by the RPB members.

The breaching of the designated deadline dates of quarterly submissions that was set out in the Written Agreement was also identified during previous internal audits (H DUHB-1617-28 and H DUHB-1819-011).

The Regional Programme & Change Co-ordination Manager stated that the responsibility of providing quarterly impact updates lies with the project owners and due to the lack of regular and timely project impact updates from all project owners this was impacting on WG returns breaching submission deadline dates.

A review of the 'ICF Update Reports' submitted to RPB meetings since 2019 was undertaken to establish the level of detail and discussion of projects discussed including delivery of target, both delivery and financially, and where delays/overspend have occurred, the reasons have been noted and promptly reported. The following was noted:

- Many of the ICF updates were referred to as 'brief' within the RPB minutes with little evidence provided to support the scrutiny of the programme as a whole or individual schemes both in the progress of delivery and financially.
- We noted instances where members had requested information that was not provided in subsequent RPB meetings, such as a member requesting additional detail of the over-commitment within the revenue programme and how this would be mitigated at the 25th March 2019 meeting. However, Internal Audit could not identify any updates to the RPB on this matter within the 'ICF Update Reports' nor meeting minutes for the period July 2019 – January 2020.
- As noted above, the RPB minutes stated that the Q2 return, which was due to be submitted by 31st October 2019, was submitted to WG in November 2019. However, the breach of the Q2 return was not discussed or lessons learned identified to ensure future compliance with WG submission dates.

The information and scrutiny discussed at the RPB is included in the 'Statutory Partnerships Update Report' submitted to the Health Board on a regular basis.

From 2017/18 Welsh Government required RPBs to establish a Written Agreement to provide assurance that robust processes are in place to manage the ICF. From 2019/20, it was expected that Written Agreements were to be reviewed annually. Internal Audit were informed that the previous Written Agreement dated 2018/19 had been rolled over but had not been formally reviewed during 2019/20. However, we can confirm that a Written Agreement for 2020/21 had been agreed in March 2020.

A finding identified in the 2018/19 Internal Audit ICF follow-up report noted the lack of a Health Board Finance Lead at the Ceredigion ICF Panel meetings. In addition, it was also noted that a Health Board Finance Lead was not listed as a member of the Ceredigion nor Carmarthenshire ICF Panel Terms of Reference.

A review of the Ceredigion ICF Panel meetings minutes from September 2019 – February 2020 confirmed that a Health Board Finance representative attended the meetings. However, it is noted that a Health Board Finance representative continues

to be omitted as a member of Ceredigion ICF Panel Terms of Reference covering 2019-2021, whilst Internal Audit were unable to review the Carmarthenshire ICF Panel Terms of Reference as this was not provided upon request.

See Findings 2, 3, 4, 7 & 8 at Appendix A

OBJECTIVE 3: Arrangements are in place to enable the deployment of existing funding to support the pandemic response in line with national guidance.

The Health Board established arrangements in response to WG's COVID-19 Operating Frameworks (Quarter 1 and Quarter 2) that required NHS organisations to develop and formally approve local operational plans.

In the light of the COVID-19 outbreak on 20th March 2020, RPBs were advised by the WG a series of relaxations in relation to reporting and monitoring of ICF and Transformation Fund (TF) programmes, including the diversion of TF and ICF revenue funding to support the COVID-19 response so long as spend remains in line with grant guidance, terms and conditions; and the amendment of 2020-21 ICF revenue plans to support COVID-19 response.

Concluding this announcement, the Bronze Command Group response confirmed a regional agreement to redirect approximately £8m of ICF Capital Programme revenue to meet design, build and restoration costs of the nine field hospital sites (seven field hospitals) across the region. This decision was further ratified by the *Responding to the COVID-19 Pandemic – Review and Ratification of Decisions Made Since 9th March 2020* paper presented to the Health Board by the Chief Executive.

Governance arrangements had been established during the pandemic period with the RPB's Integrated Executive Group (IEG) had been temporarily superseded by the Health and Social Care COVID-19 Planning Group (HSCCPG), to take decisions on redirection of existing resources to support the COVID-19 response.

At the end of June 2020 the HSCCPG was stood down and the IEG reinstated to review the partnership's priorities in light of the pandemic, reflect on how business has been conducted and apply lessons for enhanced joint working moving forward. This process was reported to the Health Board in the 'Statutory Partnership Update' paper on 30th July 2020.

No matters arising.

7. Summary of Recommendations

The audit findings and recommendations are detailed in Appendix A together with the management action plan and implementation timetable.

A summary of these recommendations by priority is outlined below.

Priority	H	M	L	Total
Number of recommendations	4	4	0	8

Finding 1 (D) – RPB Project Approvals	Risk
<p>Internal Audit noted all projects within our sample were approved via the RPB on 25th March 2019. However, only one out of five sample projects could be identified as having clear approval at the ICF Panels.</p>	<p>Poor management arrangements resulting in schemes not being delivered on time and within budget.</p>
Recommendation 1	Priority level
<p>Management should ensure that all proposed ICF projects are agreed and approved by all appropriate parties, with a clear audit trail maintained to provide the RPB with detailed information prior to their endorsement within the Revenue Investment Plan.</p>	<p>HIGH</p>
Management Response	Responsible Officer/ Deadline
<p>Section 5 of the ICF Principles Agreement for the financial year 2020-21, approved by the RPB on 22 July 2020, sets clear responsibilities on specified regional groups to formally approve regional projects and local integrated forums to approve local projects (for which spending is devolved to counties) prior to submitting for inclusion in the RIP.</p> <p>Evidence of approval at these levels for 2020-21 projects will be sought and filed centrally.</p>	<p>Head of Regional Collaboration 31st December 2020</p>

Finding 2 (O) – Welsh Government Submissions	Risk
<p>Testing of the quarterly RIP returns was due to be undertaken for the period 2019/20 to ensure the timely submission in line with WG deadline dates. However, cover emails for quarterly returns were not retained on file by the Regional Programme & Change Co-ordination Manager and therefore we were unable to corroborate the timely reporting of RIP returns.</p> <p>Whilst no submissions were evident to test, we were able to confirm one reporting breach via the ICF Update Report to the RPB on 31st October 2019 where the Q2 return, which was due to be submitted by 31st October 2019, was submitted to WG in November 2019.</p> <p>The breaching of the designated deadline dates of quarterly submissions that was set out in the Written Agreement was also identified during previous internal audits (H DUHB-1617-28 and H DUHB-1819-011).</p>	Non-compliance of ICF funding with national guidance.
Recommendation 2	Priority level
<p>Management must ensure that quarterly ICF reports are submitted to Welsh Government no later than the mandatory submission dates set out in the Written Agreement and a clear audit trail of submission is maintained.</p>	HIGH
Management Response	Responsible Officer/ Deadline
<p>Quarterly returns for 2020-21 will be submitted within Welsh Government timescales and copies of emails providing confirmation of dates of submissions retained centrally.</p>	<p>Head of Regional Collaboration 31st October 2020</p>

Finding 3 (O) – Project Impact Updates	Risk
<p>The Regional Programme & Change Co-ordination Manager stated that the responsibility of providing quarterly impact outcome updates lies with the project owners. However, the quarterly returns are not retained on file by the Regional Programme & Change Co-ordination Manager and therefore we were unable to corroborate the completeness of the project impact outcome updates.</p> <p>The Regional Programme & Change Co-ordination Manager noted that the lack of regular and timely project impact outcome updates from project owners had impacted on the late submission of WG returns during 2019.</p>	<p>Non-compliance of ICF funding with national guidance.</p>
Recommendation 3	Priority level
<p>ICF Leads should ensure all project leads provide complete and timely project impact updates to the Regional Programme & Change Co-ordination Manager on a regular basis.</p>	<p style="text-align: center;">HIGH</p>
Management Response	Responsible Officer/ Deadline
<p>ICF Leads to ensure information is submitted within stated deadlines. Breaches to be reported formally to IEG.</p>	<p>Head of Regional Collaboration & Designated ICF Leads</p> <p>31st October 2020</p>

<p>Finding 4 (D) – Project Progress and Monitoring</p>	<p>Risk</p>
<p>A review of the ICF Update Reports submitted to RPB meetings since 2019 was undertaken to establish the level of detail and discussion of projects discussed including delivery of target, both delivery and financially, and where delays/overspend have occurred, the reasons have been noted and promptly reported. The following was noted:</p> <ul style="list-style-type: none"> • Many of the ICF updates were referred to as 'brief' within the RPB minutes with little evidence provided to support the scrutiny of the programme as a whole or individual schemes both in the progress of delivery and financially. • We noted instances where members had requested information that was not provided in subsequent RPB meetings. • The RPB minutes stated that the Q2 return, which was due to be submitted by 31st October 2019, was submitted to WG in November 2019. However, the breach of the Q2 return was not discussed or lessons learned identified to ensure future compliance with WG submission dates. <p>The information and scrutiny discussed at the RPB is included in the 'Statutory Partnerships Update Report' submitted to the Health Board on a regular basis.</p>	<p>Non-compliance of ICF funding with national guidance and lack of regular reporting within the Health Board.</p>
<p>Recommendation 4</p>	<p>Priority level</p>
<p>Management should establish whether sufficient detail and scrutiny is being undertaken by the Regional Partnership Board in order to provide assurance to the Health Board that projects are being delivered of</p>	<p>HIGH</p>

<p>target, in terms of delivery and financially, and where delays/overspend have occurred, the reasons have been noted and promptly reported.</p>	
<p>Management Response</p>	<p>Responsible Officer/ Deadline</p>
<p>Level of detail within update reports to the RPB to be reviewed in consultation with RPB members. Agreed changes to reporting implemented.</p>	<p>Head of Regional Collaboration 30th November 2020</p>

<p>Finding 5 (O) – Revenue Investment Plan</p>	<p>Risk</p>
<p>A review of the five sampled projects found several details were omitted for one sample project in the Revenue Investment Plan (<i>P6 Organisational Support to Carers</i>), despite the Project Proposal Form containing the information.</p> <p>We were informed by the Regional Programme & Change Co-ordination Manager that WG would not accept a RIP without all details completed for each project. However, cover emails for quarterly returns were not retained on file by the Regional Programme & Change Co-ordination Manager and therefore we were unable to corroborate the completeness of the RIP returns.</p>	<p>Poor management arrangements resulting in schemes not being delivered on time and within budget.</p>
<p>Recommendation 5</p>	<p>Priority level</p>
<p>Management should ensure information on all projects within the Revenue Investment Plan is comprehensive and complete, and a copy</p>	<p>MEDIUM</p>

<p>of the returns to Welsh Government are retained locally as an audit trail.</p>	
<p>Management Response</p>	<p>Responsible Officer/ Deadline</p>
<p>Detail included within the RIP to be reviewed and cover emails for quarterly returns retained centrally</p>	<p>Head of Regional Collaboration 31st October 2020</p>
<p>Finding 6 (O) – Project Proposal Forms Risk</p>	
<p>A review of the five sampled project proposal forms found:</p> <ul style="list-style-type: none"> • Three out of five proposal forms lacked specific details to clearly demonstrate the additionality that the projects would deliver. • One proposal form (<i>P36 Tec Solutions-Apps</i>) contained an internal working comment that should not have been included in the submission. • All five proposal forms had no indication of development and delivery timescales, which is a requirement of the national guidance. 	<p>Non-compliance of ICF funding with national guidance.</p>
<p>Recommendation 6 Priority level</p>	
<p>Identified ICF Leads should ensure that the completion of project proposal forms by project owners is accurate and complete prior to their submission and approval, and where appropriate support project owners not familiar with project management with the bid writing process.</p>	<p style="text-align: center;">MEDIUM</p>


Management Response	Responsible Officer/ Deadline
Designated ICF leads to ensure full completion of project proposal forms. Review submitted proposals for 2020-21 and ensure all forms are complete.	Head of Regional Collaboration/ Designated ICF leads 30 th November 2020


Finding 7 (D) – Written Agreement	Risk
From 2017/18 Welsh Government required RPBs to establish a Written Agreement to provide assurance that robust processes are in place to manage the ICF. From 2019/20, it was expected that Written Agreements were to be reviewed annually. Internal Audit were informed that the previous Written Agreement dated 2018/19 had been rolled over but had not been formally reviewed during 2019/20.	Non-compliance of ICF funding with national guidance.
Recommendation 7	Priority level
Management should ensure that the Written Agreement between partners is formally agreed on an annual basis.	MEDIUM
Management Response	Responsible Officer/ Deadline
Principles Agreement for 2020-21 formally approved by RPB on 22/7/20.	Head of Regional Collaboration 12 th October 2020


Finding 8 (D) – Health Board Finance Representative	Risk
<p>A finding identified in the 2018/19 Internal Audit ICF follow-up report noted the lack of a Health Board Finance Lead at the Ceredigion ICF Panel meetings. In addition, it was also noted that a Health Board Finance Lead was not listed as a member of the Ceredigion nor Carmarthenshire ICF Panel Terms of Reference.</p> <p>A review of the Ceredigion ICF Panel meetings minutes from September 2019 – February 2020 confirmed that a Health Board Finance representative attended the meetings. However, it is noted that a Health Board Finance representative continues to be omitted as a member of Ceredigion ICF Panel Terms of Reference covering 2019-2021, whilst Internal Audit were unable to review the Carmarthenshire ICF Panel Terms of Reference as this was not provided upon request.</p>	<p>Lack of regular reporting within the Health Board.</p>
Recommendation 9	Priority level
<p>Management should ensure a consistent approach across the Hywel Dda region with the attendance of a finance representative at ICF Panel meetings.</p>	<p>MEDIUM</p>
Management Response	Responsible Officer/ Deadline
<p>Membership of local panels is not prescribed within the Principles Agreement. Chairs of panels to review membership to ensure appropriate levels of finance representation</p>	<p>Local Panel Chairs 30th November 2020</p>


Appendix B - Assurance Opinion and Action Plan Risk Rating

2020/21 Audit Assurance Ratings

 **Substantial Assurance** - The Board can take **substantial assurance** that arrangements to secure governance, risk management and internal control, within those areas under review, are suitably designed and applied effectively. Few matters require attention and are compliance or advisory in nature with **low impact on residual risk** exposure.

 **Reasonable Assurance** - The Board can take **reasonable assurance** that arrangements to secure governance, risk management and internal control, within those areas under review, are suitably designed and applied effectively. Some matters require management attention in control design or compliance with **low to moderate impact on residual risk** exposure until resolved.

 **Limited Assurance** - The Board can take **limited assurance** that arrangements to secure governance, risk management and internal control, within those areas under review, are suitably designed and applied effectively. More significant matters require management attention with **moderate impact on residual risk** exposure until resolved.

 **No Assurance** - The Board has **no assurance** arrangements in place to secure governance, risk management and internal control, within those areas under review, which are suitably designed and applied effectively. Action is required to address the whole control framework in this area with **high impact on residual risk** exposure until resolved.

Prioritisation of Recommendations

In order to assist management in using our reports, we categorise our recommendations according to their level of priority as follows.

Priority Level	Explanation	Management action
High	Poor key control design OR widespread non-compliance with key controls. PLUS Significant risk to achievement of a system objective OR evidence present of material loss, error or misstatement.	Immediate*
Medium	Minor weakness in control design OR limited non-compliance with established controls. PLUS Some risk to achievement of a system objective.	Within One Month*
Low	Potential to enhance system design to improve efficiency or effectiveness of controls. These are 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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