

FINAL INTERNAL AUDIT REPORT
EDUCATION AND CARE SERVICES DEPARTMENT

REVIEW OF CONTRACTS AND COMMISSIONING [PUBLIC HEALTH] AUDIT FOR 2013-14

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INTRODUCTION

1. This report sets out the results of our systems based audit of Public Health Contracts and Commissioning Audit . The audit was carried out in quarter Q4 as part of the programmed work specified in the 2013-14 Internal Audit Plan agreed by the Section 151 Officer and Audit Sub-Committee.
2. The controls we expect to see in place are designed to minimise the department's exposure to a range of risks. Weaknesses in controls that have been highlighted will increase the associated risks and should therefore be corrected to assist overall effective operations.
3. The original scope of the audit was outlined in the Terms of Reference issued on 20/02/14. The period covered by this report is from 01/04/13 to 19/02/14.
4. The original and latest budget for LES payments to GP's and Pharmacies is £669,630 with payments to 19/02/14 totalling £121,518. The full year estimate is £577,861, estimating a £91,769 underspend. Finance are monitoring expected expenditure with the assistance of management in Public Health and service delivery data. The Clinical Commissioning Group [CCG] are responsible for delays in submitting service costs for invoice payments due.

AUDIT SCOPE

5. The scope of the audit is detailed in the Terms of Reference.

AUDIT OPINION

6. Overall, the conclusion of this audit was that substantial assurance can be placed on the effectiveness of the overall controls. Definitions of the audit opinions can be found in Appendix C. However, audit have not been able to fully test the LES contractual payments as indicated in this report and therefore our conclusion is restricted.

REVIEW OF CONTRACTS AND COMMISSIONING [PUBLIC HEALTH] AUDIT FOR 2013-14

MANAGEMENT SUMMARY

7. The Executive Committee approved the new Public Health contracting arrangements on 12/02/2014, which included
 - appointing the providers on to a Framework for various Public Health Services. The framework will last for 2 years with the option to extend for a further 2 years, and will be subject to an annual review to ensure that it continues to meet service requirements in the various categories.
 - delegating authority to the Director of Public Health in consultation with the Portfolio Holder for Care Services to make any subsequent appointments of suitably qualified providers to the framework if the current providers are not able to meet service requirements.
 - granting an exemption to award any future contracts which received fewer than 3 bids.
8. The extract of the Public Health contracts register forwarded to audit for review confirmed that satisfactory future contracting arrangements are in place for contracts in excess of £200,000 which shortly expire, are to be terminated or to be renewed.
9. The current Local Enhanced Service [LES] contracts expire 31/3/14 however signed LES contracts are held by the Primary Care Trust and this issue was highlighted in the last Public Health Internal Audit. Confirmation on the renewal arrangements was given by the officer commissioned to introduce new London Borough of Bromley contracts by 01/04/14. At the time of the audit, expressions of interest were being returned by providers listed on the GP and Pharmacy LES databases, with results collated on a 'sign-up' spreadsheet. Each GP and Pharmacy will then be contracted to deliver selected services. Draft contracts have been prepared using Contract Procedure Guidance and await signature by the relevant parties.
10. Audit have not been able to conclude on the adequacy of controls for the whole year in the areas of LES contract budget monitoring and checking supporting information [most of which is held on a NHS systems to confirm client references, client numbers, individual costs and total amounts due] before invoices are approved and paid. This is due to a lack of claims received from the CCG. Effectively only one quarter's invoices have been received to date.
11. Financial procedures, including a scheme of delegation has been prepared and approved by the Director of Public Health.

REVIEW OF CONTRACTS AND COMMISSIONING [PUBLIC HEALTH] AUDIT FOR 2013-14

12. An expenditure sample of 15 was selected from LES contract payments made to 19/02/14 and the following issues were identified
- Orders are not always raised at the time of commitment to spend
 - Consultancy costs are sometimes coded to the incorrect subjective code on Oracle
 - Invoices are not always paid promptly

SIGNIFICANT FINDINGS (PRIORITY 1)

13. None

DETAILED FINDINGS / MANAGEMENT ACTION PLAN

14. The findings of this report, together with an assessment of the risk associated with any control weaknesses identified, are detailed in Appendix A. Any recommendations to management are raised and prioritised at Appendix B.

ACKNOWLEDGEMENT

15. Internal Audit would like to thank all staff contacted during this review for their help and co-operation.

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
1	<p>6 out of 15 payments associated to LES contracts had orders raised and authorised after the invoice had been received Invoice BH 2013-14 £1,000.00 Invoice date 10/10/13, Order date 4/11/13 Invoice 7022700032 £34,465.00 Invoice date 30/9/13, Order date 11/10/13 Invoice 7022700033 £2,082.00 Invoice date 30/9/13, Order date 11/10/13 Invoice 7022700091 £42,822.80 Invoice date 27/11/13, Order date 3/1/14 Invoice date 7022700091 £2,082.00 Invoice date 20/12/13 Order date 4/2/14 4134100 £4,350.00 Invoice date 29/1/14, Order date 3/2/14 In addition, Invoice 4134100 listed above had been coded to 3604 and not the consultancy subjective of 1708 as outlined in CPR guidance note 4 - use of consultants 2 out of 15 payments associated to invoices 7022700072 and 7022700091 were not paid within the Audit Commissions payment indicator</p> <p>Similar issues to the above were raised in the Public Health Expenditure Processing Audit</p>	<p>The Authorities funds may not be accounted for properly</p>	<p>As raised in the Expenditure Processing Audit previously this year,</p> <p>Ensure orders are raised and authorised at the time of commitment to spend</p> <p>Ensure expenditure for consultancy services is coded to the correct subjective [1708] as detailed in the Contracts Procedures Regulations guidance on Consultants coding.</p> <p>Ensure invoices are checked and cleared for the correct payment amount promptly</p>

Priority 1
 Required to address major weaknesses and should be implemented as soon as possible

Priority 2
 Required to address issues which do not represent good practice

Priority 3
 Identification of suggested areas for improvement

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
1	Ensure orders are raised and authorised at the time of commitment to spend	2*	<p>Staff have been reminded of the need to raise iProc orders at the point of commitment of the services or goods to be provided, whenever possible.</p> <p>Some services provided to Public Health are 'demand lead', and therefore do not have fixed annual costs or amounts for orders to be raised.</p> <p>In addition some services can be provided by any number of health clinics in the country, and so iProc orders are unable to be raised ahead of the invoice being received as the invoice amount and provider are not known in advance.</p> <p>This has been highlighted in the last year's audit action plan.</p>	Programme Leads	Completed

Priority 1
Required to address major weaknesses and should be implemented as soon as possible

Priority 2
Required to address issues which do not represent good practice

Priority 3
Identification of suggested areas for improvement

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
	Ensure expenditure for consultancy services is coded to the correct subjective [1708] as detailed in the Contracts Procedures Regulations guidance on Consultants coding.		The Budget Monitoring team had identified this miscoding as part of their monitoring process and journalled to the correct consultancy subjective code 1708 – Staff have been reminded of the need for orders to be raised against the correct budget code, and should consult with their contact in Budget Monitoring Team, if they are unsure.	Relevant Programme Lead	Completed

Priority 1
Required to address major weaknesses and should be implemented as soon as possible

Priority 2
Required to address issues which do not represent good practice

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Identification of suggested areas for improvement

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
	Ensure invoices are checked and cleared for the correct payment amount promptly		Staff have been reminded of the need to ensure goods/services have been received, in addition to ensuring the value of goods provided and invoiced for are also correct, prior to payment. The Office Manager will make sure to note the reason for delay in payment on IPROC e.g. if an invoice is disputed.	The Office Manager	Completed

Priority 1
Required to address major weaknesses and should be implemented as soon as possible

Priority 2
Required to address issues which do not represent good practice

Priority 3
Identification of suggested areas for improvement

OPINION DEFINITIONS

APPENDIX C

As a result of their audit work auditors should form an overall opinion on the extent that actual controls in existence provide assurance that significant risks are being managed. They grade the control system accordingly. Absolute assurance cannot be given as internal control systems, no matter how sophisticated, cannot prevent or detect all errors or irregularities.

Assurance Level

Definition

Full Assurance

There is a sound system of control designed to achieve all the objectives tested.

Substantial Assurance

While there is a basically sound systems and procedures in place, there are weaknesses, which put some of these objectives at risk. It is possible to give substantial assurance even in circumstances where there may be a priority one recommendation that is not considered to be a fundamental control system weakness. Fundamental control systems are considered to be crucial to the overall integrity of the system under review. Examples would include no regular bank reconciliation, non-compliance with legislation, substantial lack of documentation to support expenditure, inaccurate and untimely reporting to management, material income losses and material inaccurate data collection or recording.

Limited Assurance

Weaknesses in the system of controls and procedures are such as to put the objectives at risk. This opinion is given in circumstances where there are priority one recommendations considered to be fundamental control system weaknesses and/or several priority two recommendations relating to control and procedural weaknesses.

No Assurance

Control is generally weak leaving the systems and procedures open to significant error or abuse. There will be a number of fundamental control weaknesses highlighted.