

Final Internal Audit Report

Public Health Contracts: Sexual Health Services – Budget and Contract Management

July 2021

Distribution: Interim Executive Director Resources and Deputy Monitoring Officer
 Director of Commissioning & Procurement
 Director of Public Health
 Head of Commissioning & Procurement (Corporate)
 Lead Commissioner – Public Health & Prevention
 Public Health Consultant

Assurance Level	Identified Issues	
Limited Assurance	Priority 1	4
	Priority 2	3
	Priority 3	0

[Confidentiality and Disclosure Clause](#)

This report (“Report”) was prepared by Mazars LLP at the request of London Borough of Croydon and terms for the preparation and scope of the Report have been agreed with them. The matters raised in this Report are only those which came to our attention during our internal audit work. Whilst every care has been taken to ensure that the information provided in this Report is as accurate as possible, Internal Audit have only been able to base findings on the information and documentation provided and consequently no complete guarantee can be given that this Report is necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

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Please refer to the Statement of Responsibility in Appendix 3 of this report for further information about responsibilities, limitations and confidentiality.

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1. Introduction

- 1.1. The Council is mandated to provide open access sexual health services under the Local Authorities (Public Health Functions and Entry to Premises by Local Healthwatch Representatives) Regulations 2013. In this regard, the Council has commissioned Croydon Health Services NHS Trust (CHS) (via a Section 75 Agreement to provide an integrated sexual health service) and 45 GP surgeries and pharmacies to provide support within the community. These are managed by the Lead Commissioner – Public Health & Prevention.
- 1.2. Payment for provision is demand led and charged as advised by national tariffs from Public Health. The budget available to the Council with additional funding is £5.3 million.
- 1.3. On 11 November 2020 the Council issued a S114 notice on the basis that the Council was not able to balance its budget by the end of this financial year. Budget overspends have contributed to this position, with the Report in the Public Interest published by Grant Thornton specifically detailing that, 'The Councils governance over the budget setting and monitoring has not been good enough.' Public health contract overspending has been highlighted as a concern as it is a demand led service.
- 1.4. The fieldwork for this review was completed during the government measures put in place in response to COVID-19. While our review and testing was performed remotely, we have been able to obtain all relevant documents required to complete the review.
- 1.5. This audit focused on budget and contract monitoring for Sexual Health services only and is being undertaken as part of the agreed Internal Audit Plan for 2020/21. A separate audit has also been conducted of the Council's clinical governance arrangements, which included sexual health services within its scope. The results of that review have been reported separately.

2. Key Issues

Priority 1 Issues

Whilst Sexual Health services are being delivered in the borough, a signed electronic copy of the Section 75 Agreement with CHS to provide an integrated sexual health service was not held, although an electronic unsigned copy of the contract was provided. The contract also expired on 31 March 2021, following completion of the two year extension term and no evidence of a subsequent contract being in place was provided. **(Issue 1)**

The Lead Commissioner – Public Health & Prevention confirmed that signed electronic copies of contracts with the 45 GP surgeries and pharmacies to provide support within the community were not held, although electronic copies of the templates for a chlamydia screening contract and a LARC contract and an enhanced sexual health contract were provided. **(Issue 2)**

Evidence of monitoring against the performance indicators in integrated sexual health service was limited to minutes of S75 Partnership Board meetings held in June and September 2020 and an e-mail dated September 2020 titled 'S75 & KPI reporting' which only provided monthly 'kit' requests and did not fully reflect the key service outcomes within the contract. No evidence of monitoring of the chlamydia screening, LARC or enhanced sexual health contracts was provided. **(Issue 4)**

Management confirmed that there was monitoring of the budget and service usage, but while we were provided with details of summary sexual health charges for both Croydon and 'Out of Area' providers for 2020/21, this did not include any budget details. A Sexual Health tracker is also maintained, to help monitor services (i.e. LARC, ESH and Chlamydia services) provided by and payments made to the GP surgeries and pharmacies. **(Issue 7)**

Priority 2 Issues

Examination of the Sexual Health Transformation Plan developed in 2019/20 identified that key milestones were outstanding and evidence of recent review of the plan was not evident. **(Issue 3)**

Evidence provided confirmed that user feedback was obtained in October 2019 via google reviews, which led to a business case to implement a phone querying system. However, no evidence of more recent user feedback being obtained was provided. **(Issue 5)**

A copy of the 'Funding Arrangements between Croydon Council & Croydon NHS 2020/2021' being agreed by the Council's (then) Director of Finance Investment and Risk (Section 151 Officer) was obtained, but this was dated 11 December 2020, eight months after the 31 March (each year) deadline specified in the Section 75 agreement. A similar notification for 2021/22 was not provided (at the time of audit in April 2021) and therefore assurance of the 2021/22 deadline being met cannot be provided. **(Issue 6)**

No Priority 3 issues were identified.

3. Actions and Key Findings/Rationale

Formation of Contract, Compliance with the Organisation’s Legal Requirements, Retention and Security of Contracts

Priority	Action Proposed by Management	Detailed Finding/Rationale - Issue 1				
1	<ul style="list-style-type: none"> ➤ Request that the Deeds Office scan the hard copy of the signed contract in order for an electronic of the contract to be held on record. ➤ Finalise negotiations re: inflation uplifts to enable for contract award report to be agreed. 	<p>The Council’s Tenders and Contracts Regulations detail that, ‘<i>the Director responsible for the service area must ensure that all signed/sealed contracts established in accordance with the regulations are scanned and the scanned copy is a true electronic copy (with signatures/sealed pages scanned accompanying it) is stored on the Council’s Contract Management system and that the original copy of the contract has been received by the deeds team in Croydon Legal Services.</i>’</p> <p>Whilst Sexual Health services are being delivered in the borough, Management confirmed that a signed electronic copy of the Section 75 Agreement with CHS to provide an integrated sexual health service was not held, although an electronic unsigned copy of the contact was provided.</p> <p>It was confirmed that the Section 75 Agreement between Croydon Council and CHS was approved by Cabinet on 20 October 2015 (Agenda Item 10, key decision reference 20/15/CAB). This provided for the provision of an Integrated Sexual Health Services for an initial term of three years from 1 April 2016 and allowed for a further two-year extension. Subsequently, the cabinet member’s key executive decision reference no.: 1919FHSC in April 2019 approved the award of the contract extension for a contract period of 24 months.</p> <p>This extension period has now passed and there was no evidence of any subsequent contract for the period from 1 April 2021 has been provided.</p> <p>Where a contract is not in place, the Service is in breach of the Council’s Tenders and Contracts Regulations and there is a risk that the provider may terminate services at</p>				
	<table border="1"> <thead> <tr> <th>Responsible Officer</th> <th>Deadline</th> </tr> </thead> <tbody> <tr> <td>Lead Commissioner Public Health & Prevention – Deeds Office action</td> <td>July 2021</td> </tr> </tbody> </table>	Responsible Officer	Deadline	Lead Commissioner Public Health & Prevention – Deeds Office action	July 2021	
Responsible Officer	Deadline					
Lead Commissioner Public Health & Prevention – Deeds Office action	July 2021					

Negotiations	August 2021	any time impacting on the Council being unable to fulfil its statutory duties. Furthermore, the Council may lack recourse for substandard delivery.
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Priority	Action Proposed by Management	Detailed Finding/Rationale - Issue 2						
1	<ul style="list-style-type: none"> ➤ Update Commissioning pipeline with the Governance process that has been undertaken to execute contracted extensions. This was approved by Cabinet on 07/06/2021. ➤ Draft and finalise extension letters to be prepared and signed off by Legal and communicated to relevant providers. ➤ Review how signed contracts are held electronically to improve governance. 	<p>Further to the observation in 1 above, in context of the Council’s Tenders and Contracts Regulations, the Lead Commissioner – Public Health & Prevention confirmed that signed electronic copies of contracts with the 45 GP surgeries and pharmacies to provide support within the community were also not held, although electronic copies of the templates for a chlamydia screening contract, a LARC contract and an enhanced sexual health contract were provided. Internal Audit are therefore unable to provide any assurance as to whether contracts were in place, how these were awarded or for what period.</p> <p>Internal Audit was able to establish that a report to the Cabinet meeting held on 13 July 2015 recommended using ‘a <i>Dynamic Purchasing System (DPS) to create a list of providers that are qualified to deliver public health services in primary care-type settings. Providers admitted to the DPS will be given the opportunity to tender for public health services through the DPS system, including the NHS Health Checks programme, sexual health services, substance misuse provision including alcohol IBA and smoking cessation support.</i>’</p>						
	<table border="1"> <thead> <tr> <th data-bbox="194 981 551 1053">Responsible Officer</th> <th data-bbox="551 981 813 1053">Deadline</th> </tr> </thead> <tbody> <tr> <td data-bbox="194 1053 551 1189">Action 1 & 2 – Lead Commissioner – Public Health & Prevention</td> <td data-bbox="551 1053 813 1189">12 July 2021 October 2021</td> </tr> <tr> <td data-bbox="194 1189 551 1361">Review of signed contracts held electronically</td> <td data-bbox="551 1189 813 1361"></td> </tr> </tbody> </table>	Responsible Officer	Deadline	Action 1 & 2 – Lead Commissioner – Public Health & Prevention	12 July 2021 October 2021	Review of signed contracts held electronically		<p>Examination of the Council’s contracts register noted that this included DPS contracts for ‘Contraception and Sexual Health’, ‘Chlamydia Screening programme’ and ‘Community contraception/LARC service’ (references DN388513, DN388514 and DN388516). However the contracts register shows these contracts expired in 2020 (expiring on 7 May, 2 July and 3 September 2020 respectively). Any individual contracts procured using these DPS contracts would also expire on the dates of the respective DPS contracts.</p> <p>Where contracts are not in place, the Service is in breach of the Council’s Tenders and Contracts Regulations and there is a risk that the Council will lack recourse for poor or unsafe service delivery.</p>
Responsible Officer	Deadline							
Action 1 & 2 – Lead Commissioner – Public Health & Prevention	12 July 2021 October 2021							
Review of signed contracts held electronically								

Service Development and Contract Variations

Priority	Action Proposed by Management	Detailed Finding/Rationale - Issue 3				
2	<ul style="list-style-type: none"> ➤ Restart meetings (paused due to COVID) on transformation plan, including monitoring. ➤ Re-establish KPI reporting for 2020-21 to be shared by 14 June 2021 	<p>The Public Health England ‘Guidance on the Ringfenced Public Health Grant Condition and Mandated Functions in England’ dated 2016 details that, ‘<i>Sexual health outcomes are maintained or improved through a combination of preventive programmes and effective services.</i>’</p> <p>The Lead Commissioner – Public Health & Prevention confirmed that the strategic priorities of the Council were considered when implementing service improvements and provided a copy of the Sexual Health Transformation Plan developed in 2019/20.</p> <p>However, examination of this plan identified that key milestones were outstanding and evidence of recent review of the plan was not evident.</p> <p>Where the Sexual Health Transformation Plan is not reviewed and progress made against key milestones, there is a risk that the plan and the strategic priorities contained therein will not be achieved.</p>				
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Responsible Officer	Deadline					
Lead Commissioner – Public Health & Prevention	12 July 2021					

Contract Monitoring and Performance Management

Priority	Action Proposed by Management	Detailed Finding/Rationale - Issue 4
1	<p>For Integrated Sexual Health:</p> <ul style="list-style-type: none"> ➤ Re-establish (following COVID) previous structure of contact monitoring. ➤ Formal monitoring meetings does not take place for LARC, CSP and enhanced SH due to nature of the service. Continue to raise any concerns or issues with the Local Medical Committee (LMC) / Local Pharmacy (LPC) meetings which PH & Commissioning are invited to on a quarterly basis. ➤ Link development of a standardised approach for monitoring of contracts is underway following recommendations from the clinical governance audit. 	<p>In order to help ensure that health providers meet key contract terms and quality assurance stands, performance indicators should be in place and performance against these regularly monitored.</p> <p>Examination of the three contract templates provided (chlamydia screening contract, a LARC contract and an enhanced sexual health contract) and the copy of the unsigned integrated sexual health service confirmed that service specifications had been developed, which included key service outcomes.</p> <p>Evidence of monitoring against the performance indicators in the contract was only available for the integrated sexual health service, in the form of minutes of S75 Partnership Board meetings held in June and September 2020 and an e-mail dated September 2020 titled 'S75 & KPI reporting' which only provided monthly 'kit' requests (for March to August 2020 broken down into 'Kit requests 18+', 'Kits requests 16-17', 'Kit requests Under 16', 'Total requests', 'Online returns', 'Return %', 'Other CSHC test kits', and 'Other test kits (e.g. GP, pharmacy, outreach)') and did not fully reflect the key service outcomes within the contract.</p> <p>Where performance is not regularly monitored against the performance indicators, there is a risk that poor performance is not detected, which may result in an ineffective service.</p>

Public Health Contracts: Sexual Health Services – Budget and Contract Management 2020-21

Responsible Officer	Deadline	
Action 1 & 2 – Lead Commissioner – Public Health & Prevention Action 3	12 July 2021 December 2021	

Priority	Action Proposed by Management	Detailed Finding/Rationale - Issue 5
2	Re-establish (following COVID) previous structure of contact monitoring which includes service user feedback.	<p>The Public Health England ‘Guidance on the Ringfenced Public Health Grant Condition and Mandated Functions in England’ dated 2016 details that: ‘<i>Services demonstrate they are safe, effective and have a good user experience.</i>’</p> <p>Evidence provided confirmed that user feedback was obtained in October 2019 via google reviews, which led to a business case to implement a phone querying system; whether this was implemented was outside the scope of the Internal Audit. However, no evidence of more recent user feedback being obtained was provided.</p> <p>Where regular user feedback is not sought and obtained, there is a risk that user concerns are not addressed leading to dissatisfaction with the service.</p>
Responsible Officer	Deadline	
Lead Commissioner – Public Health & Prevention	12 July 2021	

Payments

Priority	Action Proposed by Management	Detailed Finding/Rationale - Issue 6					
2	<ul style="list-style-type: none"> ➤ Finalise negotiations re: inflation uplifts to enable for contract award report to be agreed. ➤ Establish mechanism for earlier negotiations to take place moving forward 	<p>The Section 75 Agreement with CHS to provide an integrated sexual health service provided to Internal Audit details in clauses B8.6, B8.7 and B8.9 detail that, '<i>The Authority shall notify the Trust of the Authority's Financial Contribution for the following Contract Year by 31 March. Any proposed variation to the Authority's Financial Contribution shall be discussed as part of the Annual Review to be carried out pursuant to B19.3.</i>'</p> <p>A copy of the 'Funding Arrangements between Croydon Council & Croydon NHS 2020/2021' being agreed by the Council's (then) Director of Finance Investment and Risk (Section 151 Officer) was obtained, but this was dated 11 December 2020, eight months after the 31 March deadline specified in the Section 75 agreement.</p> <p>A similar notification for 2021/22 was not provided (at the time of audit in April 2021) and therefore assurance of the 2021/22 deadline being met cannot be provided.</p> <p>Where CHS is not notified of the Council's financial contribution by 31 March each year, the Council is in breach of the Section 75 Agreement and there is a risk of dispute of the value of services already delivered.</p>					
	<table border="1"> <thead> <tr> <th>Responsible Officer</th> <th>Deadline</th> </tr> </thead> <tbody> <tr> <td>Action 1 – negotiation</td> <td rowspan="2">August 2021</td> </tr> <tr> <td>Action 2 - One Croydon Alliance</td> </tr> </tbody> </table>	Responsible Officer	Deadline	Action 1 – negotiation	August 2021	Action 2 - One Croydon Alliance	
Responsible Officer	Deadline						
Action 1 – negotiation	August 2021						
Action 2 - One Croydon Alliance							

Financial Management and Budgetary Control

Priority	Action Proposed by Management	Detailed Finding/Rationale - Issue 7				
1	➤ Establish regular budgetary monitoring meeting with finance, PH & Commissioning	<p>The Council’s Financial Regulations paragraph 17.16 detailed that, ‘<i>The Budget Holder is responsible for the financial affairs of the service area. The responsibilities of the role include:</i></p> <p><i>17.16.2 ensuring plans and realistic prudent profiled budgets exist for the delivery of the medium-term financial strategy and to report year to date variances and forecast outturn adverse or favourable variances immediately they exist.</i>’ In this regard, it is expected that Budget Monitoring is completed monthly, reviewing actual and forecasted spend, raising any discrepancies for resolution in a timely manner.</p> <p>The Lead Commissioner – Public Health & Prevention confirmed that there was monitoring of the budget and service usage, but while we were provided with details of summary sexual health charges for both Croydon and ‘Out of Area’ providers for 2020/21, this did not include any budget details.</p> <p>A Sexual Health tracker is also maintained, to help monitor services (i.e. LARC, ESH and Chlamydia services) provided by and payments made to the GP surgeries and pharmacies.</p> <p>Inadequate budget monitoring risks financial loss and inability to achieve Council objectives. Inappropriate contract payments may be made. Services do not demonstrate Value for Money.</p>				
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AUDIT TERMS OF REFERENCE

Public Health Contracts: Sexual Health Services

1. INTRODUCTION

- 1.1 The Council manage public health contracts to provide key services to residents. Sexual Health services are commissioned to NHS providers to ensure access to Croydon residents. This includes community, reproductive health and HIV services. Payment for provisions is demand lead and charged as advised by national tariffs from Public Health. The budget available to the Council with additional funding is £5.3 million.
- 1.2 On 11 November 2020 the Council issued a S114 notice on the basis that the Council was not able to balance its budget by the end of this financial year. Budget overspends have contributed to this position, with the Report in the Public Interest published by Grant Thornton specifically detailing that, '*The Councils governance over the budget setting and monitoring has not been good enough.*' Public health contract overspending has been highlighted as a concern as it is a demand led service.
- 1.3 This audit will focus on budget and contract monitoring for Sexual Health services and is being undertaken as part of the agreed Internal Audit Plan for 2020/21.

2. OBJECTIVES AND METHOD

- 2.1 The overall audit objective is to provide an objective independent opinion on the adequacy and effectiveness of controls / processes.
- 2.2 The audit will for each controls / process being considered:
- Walkthrough the processes to consider the key controls;
 - Conduct sample testing of the identified key controls, and
 - Report on these accordingly.

3. SCOPE

- 3.1 This audit included the following areas (and issues raised):

Control Areas/Risks	Identified Issues		
	Priority 1 (High)	Priority 2 (Medium)	Priority 3 (Low)
Procurement (Realising the organisations objectives and achieving Value for Money);	0	0	0
Formation of Contract, Compliance with the Organisation's Legal Requirements, Retention and Security of Contracts;	2	0	0
Service Development and Contract Variations;	0	1	0





Public Health Contracts: Sexual Health Services – Budget and Contract Management 2020-21

Contract Monitoring and Performance Management	1	1	0
Payments;	0	1	0
Financial Management and Budgetary Control	1	0	0
Total	4	3	0

Definitions for Audit Opinions and Identified Issues

In order to assist management in using our reports:

We categorise our **audit assurance opinion** according to our overall assessment of the risk management system, effectiveness of the controls in place and the level of compliance with these controls and the action being taken to remedy significant findings or weaknesses.

	Full Assurance	There is a sound system of control designed to achieve the system objectives and the controls are constantly applied.
	Substantial Assurance	While there is basically a sound system of control to achieve the system objectives, there are weaknesses in the design or level of non-compliance of the controls which may put this achievement at risk.
	Limited Assurance	There are significant weaknesses in key areas of system controls and non-compliance that puts achieving the system objectives at risk.
	No Assurance	Controls are non-existent or extremely weak, leaving the system open to the high risk of error, abuse and reputational damage.

Priorities assigned to identified issues are based on the following criteria:

Priority 1 (High)	Fundamental control weaknesses that require immediate attention by management to action and mitigate significant exposure to risk.
Priority 2 (Medium)	Control weakness that still represent an exposure to risk and need to be addressed within a reasonable period.
Priority 3 (Low)	Although control weaknesses are considered to be relatively minor and low risk, still provides an opportunity for improvement. May also apply to areas considered to be of best practice that can improve for example the value for money of the review area.

Statement of Responsibility

We take responsibility to the London Borough of Croydon for this report which is prepared on the basis of the limitations set out below.

The responsibility for designing and maintaining a sound system of internal control and the prevention and detection of fraud and other irregularities rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy and effectiveness of the system of internal control arrangements implemented by management and perform sample testing on those controls in the period under review with a view to providing an opinion on the extent to which risks in this area are managed.

We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify any circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud.

The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices.

This report is confidential and must not be disclosed to any third party or reproduced in whole or in part without our prior written consent. To the fullest extent permitted by law Mazars LLP accepts no responsibility and disclaims all liability to any third party who purports to use or rely for any reason whatsoever on the Report, its contents, conclusions, any extract, reinterpretation amendment and/or modification by any third party is entirely at their own risk.

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