

Final Internal Audit Report

Public Health Integration Funding

April 2017

Distribution: Executive Director of People (Final Only)
 Director of Public Health
 Consultant in Public Health
 Technical Accountant
 Financial Planning and Strategy Manager

Assurance Level	Recommendations Made	
Satisfactory Assurance	Priority 1	0
	Priority 2	5
	Priority 3	0

Status of Our Reports

This report ('Report') was prepared by Mazars Public Sector Internal Audit Limited at the request of the 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 work. Whilst every care has been taken to ensure that the information provided in this Report is as accurate as possible, we 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.

The Report was prepared solely for the use and benefit of the London Borough of Croydon and to the fullest extent permitted by law, Mazars Public Sector Internal Audit Limited 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. Accordingly, any reliance placed on the Report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification by any third party is entirely at their own risk.

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

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1. Introduction

- 1.1 The purpose of the ring fenced Public Health Integration Funding grant is to provide local authorities in England with the funding required to discharge public health functions. The grant can be used for both revenue and capital purposes, but must only be restricted to eligible expenditure for the purposes of their public health functions as specified in Section 73B(2) of the National Health Service Act 2006.
- 1.2 In using the grant, the Local Authority must have regard for the need to reduce inequalities between the people in its area with respect to the benefits that they can obtain from that part of the health service provided in exercise of the functions specified in Section 73 B (2) of the National Health Service Act 2006; and the need to improve the take up of, and outcomes from, the services provided. The grant for 2015/16 was £20,237m and for 2016/17 is £22,466m.
- 1.3 The Croydon Health Integration Programme looks at how the Council can better utilise existing health services, including social care and public health to prevent issues from arising. The Programme will also look at integrating public health services more fully into the Council.
- 1.4 This audit is part of the agreed Annual Internal Audit Plan for 2016/17. The objectives, scope and approach are included in the Audit Terms of Reference at Appendix 1.

2. Key issues

Priority 2 Recommendations

Service Level Agreements (SLA) or Letters of Engagement (LoE) were not in place for 2016/17 public health funding transferred to other Council services. Furthermore, the SLA / LoE seen from a previous year did not make reference to the grant conditions or require performance or financial reporting, **(Rec 1)**.

23 out of the 29 activities detailed in the Integration Programme Plan had not been initiated at the time of audit despite the target dates having passed, **(Rec 2)**.

Sample testing of transactions noted instances where orders had been raised subsequent to the invoice dates and where invoices had not been paid within 30 days as required, **(Rec. 3)**.

The quarterly grant report for the period April to June 2016 was submitted to the Department of Health late, **(Rec. 4)**.

Quarterly performance reports are generally not being provided by the funded departments to the public health department and, where these are held, there is lack of evidence of these being reviewed, **(Rec. 5)**.

3. Actions and Key Findings/Rationale

Area 2 – Health Integration Programme		Detailed Finding/Rational
Priority	Recommendation 1	
2	<p>Inter-departmental agreements for all funding agreed between departments for 2016/17 should be prepared, signed and agreed by the Public Health Division and the recipient service.</p> <p>The agreements should contain the performance objectives and allocated budget to enable the recipient service to plan and perform its activities in line with the agreed objectives and within the available budget.</p> <p>The agreements should also make reference to and highlight the need to comply with the conditions of the Public Health Integration Funding grant and require appropriate performance and financial reporting to the Public Health division.</p>	<p>Programmes across the Council, which help deliver public health objectives, may be funded using the Public Health fund grant. Discussions established that for these programmes, inter-departmental service level agreements (SLA) or Letters of Agreement (LoA) are drawn up between the Croydon Public Health Division and the funding recipient services. The SLA's detail the public health objective(s) being met, the key performance indicators to be measured and the budget allocation that will be allocated to the recipient department.</p> <p>Examination of the documentation relating to a sample of four programmes / projects confirmed that, while SLAs / LOEs were in place for the financial year/s when the funding was originally agreed to be funded, no SLAs/ LOEs were in place for the current financial year, i.e. 2016/17.</p> <p>Furthermore, examination of the SLAs / LOEs noted that these did not make reference to or highlight the need to comply with the conditions of the Public Health Integration Funding grant and did not require any form of performance or financial reporting to the Public Health division.</p> <p>Where service level agreements are not prepared, agreed to and signed as authorised, the Council is unable to align the recipient department's project objectives to the overall public health outcomes objectives. Furthermore, there is a risk that the funds are utilised for activities not in line with the Department of Health's Objectives.</p>
Management Response		Agreed/Disagreed
This work will be undertaken by the Public Health demand management project manager who has recently been appointed. The focus will be on ensuring agreements are in place for all projects funded through the Public Health Grant for 2017/18.		Agreed
		Responsible Officer
		Consultants in Public Health
		Deadline
		30 April 2017

Priority	Recommendation 2	Detailed Finding/Rationale		
2	<p>The Integration Programme Plan should be critically reviewed and corrective actions taken to progress the delayed activities.</p>	<p>Discussions with management established that an Integration Programme Plan had been developed to assist in the implementation and tracking of various activities and to help ensure that the Public Health Division objectives are aligned to the Department of Health Objectives.</p> <p>Examination of the Integration Programme Plan established that of the 29 activities to be implemented in 2016/17, 23 of the activities had not been initiated at the time of the audit (in November 2016) despite target start dates having passed. The latest target start date was in April 2016, reflecting a delay of six months.</p> <p>Where activities are not implemented in accordance to the programme plan, there is a risk that the Public Health division will not be able to meet its objectives under the Department of Health agreement.</p>		
Management Response		Agreed/Disagreed	Responsible Officer	Deadline
Review of the programme plan will be taken forward by the PH demand management project manager.		Agreed	Consultants in Public Health	31 May 2017

Area 3 – Spending strategy and Service funding

Priority	Recommendation 3	Detailed Finding/Rational		
2	<p>The reasons for the delays in raising the identified late orders should be investigated and, where appropriate, the responsible staff formally reminded of requirements of the Council payment procedures.</p>	<p>The Council's payment procedures state that, 'Under no circumstances should suppliers be asked to provide goods or services until this process is complete and a purchase order has been generated'. Furthermore, in accordance with The Late Payment of Commercial Debts (Interest) Act 1998, the Council aims to pay all undisputed invoices within 30 days of receipt.</p> <p>Examination of 13 transactions identified four invoices that were dated prior to the corresponding purchase orders and one that was paid after 30 days. For two of these, this resulted in payment not being made within 30 days and also the invoices being allocated to the next financial year. The details were provided to management for investigation.</p> <p>Where purchase orders are raised after the invoice date, there is a risk that the Council is committed to purchases of goods/services which may not be required. It is also evidence of procurement being made outside the delegation of authority as the orders are only approved after the transaction has been confirmed. Where undisputed invoices are not paid within 30 days, there is a risk that interest may be levied on the late payments.</p>		
Management Response		Agreed/Disagreed	Responsible Officer	Deadline
All team members will be contacted to remind them of correct process for payment of invoices. A review of compliance will be undertaken with Finance team on a quarterly basis.		Agreed	Consultants in Public Health	Quarterly beginning 31 July 2017

Area 4 – Budget monitoring and reporting	
Priority	Detailed Finding/Rational
2	<p>The Public Health Integration Funding grant conditions require the Council to submit three high-level public health returns (Quarterly Revenue Outturns) at quarterly intervals during the year, for the quarters ending in June, September and December. In accordance with existing practice, this will be submitted to the Department for Communities and Local Government (DCLG) who will share these with Public Health England (PHE). PHE will review the returns on behalf of the Secretary of State for Health.</p> <p>The 1st quarterly report for the period April 2016 - June 2016 had a 5 August 2016 deadline but was only submitted to the Department of Health representative on the 25 August 2016 representing a 20 day delay.</p> <p>Where reports are not reported within the required time line, there is a risk that the grant funding may be delayed. There is also a risk that this could constitute a breach of the contractual agreement and result in future funding being revoked and lead to reputational damage to the Council.</p>
Management Response	Agreed/Disagreed
The reasons for failure to submit on time will be investigated and corrective action taken to ensure this does not recur.	Agreed
	Responsible Officer
	Financial Planning Manager
	Deadline
	30 April 2017

Area 6 – Performance Monitoring	
Priority	Recommendation 5
2	<p>Performance Meetings should be held at least quarterly, or as frequently as required by management, to review the performance information presented by the departments. Management should consider the review of both financial and non-financial information during the review and corrective action taken to ensure that the interdivisional objectives, Croydon and the Department of Health objectives are archived.</p> <p>Management should undertake a regular review of performance to identify areas for corrective action as required and future planning.</p> <p>Evidence of this review should be maintained.</p>
	Detailed Finding/Rational
	<p>Quarterly reviews of programme performance help to ensure that the Public Health departmental objectives are being met and that the overall Public Health Outcome's objectives are also being met.</p> <p>Discussions with the Head of Health and Wellbeing (which were confirmed during the course of the audit) established that:</p> <ul style="list-style-type: none"> The quarterly qualitative information being held in respect of the inter-divisional agreements is not reviewed by management; and Quarterly performance reports are generally not being provided by the funded services to the public health division (recommendation 1 above is to strengthen the SLAs / LoEs to require these). <p>Where performance is not appropriately reviewed, there is a risk that action is not being taken to ensure the overall Public Health Outcome's objectives are met.</p>
	Management Response
	<p>Performance reporting arrangements will be put in place by the PH demand management project manager and implemented from end Q1 2017/18.</p>
	Agreed/Disagreed
	Agreed
	Responsible Officer
	Consultants in Public Health
	Deadline
	31 July 2017

TERMS OF REFERENCE

Public Health Integration Funding

1. INTRODUCTION

- 1.1 The purpose of the ring fenced Public Health Integration Funding grant is to provide local authorities in England with the funding required to discharge public health functions. The grant can be used for both revenue and capital purposes but must only be restricted to eligible expenditure for the purposes of their public health functions as specified in Section 73B(2) of the National Health Service Act 2006.
- 1.2 In using the grant, the local authority must have regard for:
 - the need to reduce inequalities between the people in its area with respect to the benefits that they can obtain from that part of the health service provided in exercise of the functions specified in Section 73B(2) of the National Health Service Act 2006; and
 - the need to improve the take up of, and outcomes from, its drug and alcohol misuse treatment services.
- 1.3 The Croydon Health Integration Programme looks at how the Council can better utilise existing health services including social care and public health to prevent issues from arising. The Programme will also look at integrating public health services more fully into the Council. As part of this, £2,886,000 of the grant was allocated across a range of Council services during 2013/14 for the purpose of integration.
- 1.4 This audit is part of the agreed Internal Audit Plan for 2016/17.

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 will examine the Council's use of the Public Health Integration Funding, and will include the following areas:

Control Areas/Risks	Recommendations		
	Priority 1 (High)	Priority 2 (Medium)	Priority 3 (Low)
Management, Organisational and Regulatory requirements	0	0	0
Health Integration Programme	0	2	0
Spending Strategy and Service Plans	0	1	0
Budget Monitoring and Reporting; and	0	1	0
Performance Monitoring.	0	1	0
Total	0	5	0

DEFINITIONS FOR AUDIT OPINIONS AND RECOMENDATIONS

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 consistently 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 which may put this achievement at risk.
	Limited Assurance	There are significant weaknesses in key areas of system controls and/or non-compliance that puts achieving the system objectives at risk.
	No Assurance	Controls are non-existent or weak and/or there are high levels of non-compliance, leaving the system open to the high risk of error or abuse which could result in financial loss and/or reputational damage.

Priorities assigned to recommendations are based on the following criteria:

Priority 1 (High)	Fundamental control weaknesses that require the immediate attention of management to mitigate significant exposure to risk.
Priority 2 (Medium)	Control weakness that represent an exposure to risk and require timely action.
Priority 3 (Low)	Although control weaknesses are considered to be relatively minor and low risk, action to address still provides an opportunity for improvement. May also apply to areas considered to be of best practice.

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.

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