



Public Health Contract Management City of York Council Internal Audit Report

Business Unit: Public Health
Responsible Officer: Director of Public Health
Service Manager: Consultant in Public Health
Date Issued: 31/08/2023
Status: Final
Reference: A3680/001

	P1	P2	P3
Actions	0	0	3
Overall Audit Opinion	Reasonable Assurance		

Summary and Overall Conclusions

Introduction

Local authorities have a duty to take steps to improve the overall health of the people in their area. City of York Council's (CYC) Public Health team is responsible for managing three key areas of public health: health improvement, health protection and healthcare. This work is driven by the Joint Health and Wellbeing Strategy, which outlines the work, priorities and goals of Public Health alongside the wider Council Plan.

The Public Health service has responsibility for commissioning a wide range of health services in York, such as sexual health, recovery services and NHS health checks. The Council currently has a total of 15 active Public Health contracts, with a lifetime value of £20.5 million.

A robust contract management process is important in ensuring that Public Health contracts continue to provide value for money, that the council and its contractors meet their obligations to service users, and that risks are effectively managed.

Objectives and Scope of the Audit

The purpose of this audit was to provide assurance to management that procedures and controls within the system ensure that:

- Effective governance and reporting mechanisms are in place and enable oversight of contracts.
- Comprehensive performance measures, indicators or targets are used to monitor service delivery and are specified in contract agreements.
- There is effective financial monitoring of contracts.

Contract management arrangements were assessed by reviewing a sample of contracts selected during the audit through discussions with the service. The two contracts selected were the Integrated Sexual Health Service and the Alcohol and Illicit Drug Integrated Treatment and Recovery Service.

Key Findings

Governance and reporting mechanisms are in place for the Public Health contracts. Roles and responsibilities and reporting lines for contract management are clearly documented in contract managers' job descriptions. Public Health governance meetings take place regularly, and the relevant contract managers attend and report on the contracts. The policies and procedures for managing these contracts have been developed internally among officers but are not documented. Both contract managers have received relevant training on procurement, but no specific training on contract management. Procurement have recently developed a contract management checklist and associated contract management training provision to support staff within the Council, but these arrangements have not yet been rolled out to Public Health.

Monthly budget monitoring meetings are held where any financial issues are raised. Spend on the sampled contracts is not routinely monitored as both contracts are block contracts. However, financial concerns can be raised at contract monitoring meetings and escalated to address any issues such as additional funding requirements, as evidenced in meeting minutes. Procurement officers advised that when contract extensions are made the financial position of providers would be reviewed however there is no other established process in place for ongoing monitoring of the financial health of providers throughout the contract.

There are no dedicated risk registers for the contracts, and no ongoing risks relating directly to the contracts are listed on the general Public Health risk register, though some are listed under 'closed risks'. This risk register is not complete and does not follow the requirements of the Council's Risk Management Guide.

The contracts set out procedures for extensions and variations, in line with the Council's Contract Procedure Rules. Where contract variations were in place for changes to the contract price these had been documented in signed deeds of variation. Procurement advised that when making contract variations any impact on the category plan is considered. Nevertheless, this would only be formally reviewed in cases where variations would have an impact on the plan; for example, where a variation would change the nature of service delivery and therefore may be better approached by retendering. This was not the case in any of the variations reviewed. A contract variation to increase the price of the Drug and Alcohol Service contract was above the maximum limit defined in the original contract and subsequent variation increasing the limit, therefore a corrigendum was agreed to increase the value of the contract. Evidence was available to demonstrate that variations had been completed in line with the Contract Procedure Rules, including consultation with Legal and appropriate delegated authorisation. The YORtender contract register has been updated following contract variations that have increased the contract price.

Key performance indicators (KPIs) are set out in the service specifications of the sampled contracts, and the specifications comprehensively outline arrangements for collecting and sharing information, requiring both parties to meet regularly to discuss performance as part of the performance management framework.

For the Integrated Sexual Health Service contract, KPIs are updated as required upon agreement of both the Council and the service, for example due to changes in standards such as the Public Health Outcomes Framework. This contract requires an annual report to be produced by the provider, outlining achievements and challenges from the year, including KPIs and forward planning for the year ahead.

Due to service capacity issues this has not always been provided. The Drug and Alcohol Service contract provided first year KPIs with the expectation these would be changed and co-developed through the contract term. For both contracts, there is evidence of updates to KPIs and discussion of possible KPI changes during quarterly contract monitoring meeting minutes. Testing found that monitoring meetings had been held at the required timescales, had been appropriately documented, attended by suitable officers, and performance had been discussed.

Any queries or concerns regarding KPIs are recorded on query log spreadsheets. Queries and actions are discussed at contract monitoring meetings and logs updated, as evidenced in meeting minutes. The quarter 2 query log for the Integrated Sexual Health contract contained no updates due to an error; however, minutes showed discussion of KPIs within the contract monitoring meeting. The usual process for log updates was followed for the quarter 3 query log which contained all required information.

Officers advised that should there be ongoing performance concerns these would be added to the Public Health risk register. The sampled contracts outline further steps that can be taken should there be issues with persistent underperformance from services. The Integrated Sexual Health contract provides detailed steps including an agreement management meeting, remedial action plan, joint investigation, exception reports, and withholding of payments. The Drug and Alcohol Service contract discusses the use of improvement plans; however, it does not provide detail of further steps, such as timescales for action. Officers advised that they are building in more detail to the new contract regarding improvement plans for the procurement for June 2024 to provide more clarity regarding actions and timescale expectations.

Overall Conclusions

There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited. Our overall opinion of the controls within the system at the time of the audit was that they provided Reasonable Assurance.

1 Annual Report

Issue/Control Weakness

The Integrated Sexual Health Service provider has not complied with the contractual requirement to produce an annual report.

Risk

Gaps in compliance with the performance management framework may impede the council's ability to assess performance across the full suite of KPIs and to gain assurance on the appropriateness of future plans or developments.

Findings

For both contracts, compliance with the performance management framework is assessed each quarter via KPI monitoring spreadsheets. KPI spreadsheets are updated prior to the contract management meeting so that they can be reviewed by the contract manager prior to the meeting and any performance issues can be discussed. Some KPIs are monitored quarterly and some are monitored annually or biannually. KPIs have been agreed with reference to the Public Health Outcomes Framework (PHOF) and other relevant standards including the Faculty of Sexual and Reproductive Healthcare and British Association for Sexual Health and HIV.

In addition to monitoring spreadsheets, periodic performance reports are required. The Drug and Alcohol Service has provided quarterly progress reports.

Within the Integrated Sexual Health Service contract, there is a requirement for the provider to produce an annual report highlighting the achievements and challenges of the service that year and to include forward plans for the year ahead. Due to capacity issues the Integrated Sexual Health Service provider has not always provided the annual report as required; however, this has been regularly discussed in contract monitoring meetings with the provider. Officers are currently reviewing the annual reporting requirement to establish an alternative reporting mechanism that would meet the Council's needs whilst reducing resource demands on the provider.

Agreed Action 2.1

Officers to agree future reporting arrangements with the provider and annual report to be completed.

Priority

3

Responsible Officer

Public Health Specialist Practitioner Advanced

Timescale

Implemented

2 Risk Register

Issue/Control Weakness

Some areas of the Public Health risk register did not comply with the council's risk management policy.

Risk

Risks are not appropriately identified or managed.

Findings

The Public Health risk register is the central document for recording and managing risks facing the service, including risks facing Integrated Sexual Health Service and the Drug and Alcohol Service. Separate risk registers for managing these contracts are not completed.

The central risk register is maintained and regularly updated, but is not comprehensive or fully completed. While all risks on the register have been assessed for gross risk, one ongoing risk has not been assessed for net risk, and four risks have not been given a follow-up update. Most risks do not have specific target dates or closure dates. When compared to the Council's Risk Management Policy and Strategy and Risk Management Guide, it was noted that the service's risk register does not include the following expected fields: a clearly defined risk title; a risk category (set out in Appendix C of the Guide), a target risk score, a control owner (in addition to the risk owner), an action owner, and a priority given to each action (high, medium, or low).

There are currently no ongoing risks recorded relating directly to either contract sampled during the audit on the risk register. This is surprising because possible ongoing risks facing these services are likely to include risks relating to the ongoing re-procurement process for the Drug and Alcohol Service contract, and the associated risks of the financial status and capacity of providers within the market.

While the risk register does discuss underfunding of sexual health services (as a closed risk), funding for the Integrated Sexual Health contract ahead of the agreement of a Section 75 partnership agreement was said to remain a concern in the April 2023 Public Health governance meeting. Further risks to the sexual health service could include increased demand due to demographic or behavioral changes.

Agreed Action 2.1

Amendments to be made to the team Risk Register to be in line with corporate policies.

Priority

3

Responsible Officer

Senior Public Health
Technical Systems
Development Officer

Timescale

30th September
2023

Agreed Action 2.2

Training to be provided to the senior management team on the updated risk register and request new fields and backdated and completed going forwards.

Priority

3

Responsible Officer

Senior Public Health
Technical Systems
Development Officer

Timescale

30th September
2023

Agreed Action 2.3

Training to be provided on risks by the Insurance Manager to the senior management team and a wider discussion around risk and how to raise with the wider Public Health Team.

Priority

3

Responsible Officer

Senior Public Health
Technical Systems
Development Officer

Timescale

30th September
2023

3 Monitoring of financial health of providers

Issue/Control Weakness

There is no formal process in place for monitoring the financial health of service providers.

Risk

Provider failure or decision to leave the market results in services being unable to achieve their objectives, leading to financial loss and reputational damage to the Council.

Findings

During the tendering process checks are undertaken by Procurement on the financial health of providers to inform the tendering decision. A Creditsafe check is undertaken and the most recent audit of accounts is reviewed by finance. Once the contract is in place, there is no established process for monitoring the ongoing financial health of providers other than at the time of a contract extension.

Procurement do not undertake any annual checks on service provider financial status throughout the lifetime of the contract. As a result, officers complete brief annual check of services providers on Companies House; however, this is not a formal process and was developed without receiving guidance from Procurement or Finance.

Annual checks on the financial health of providers helps in the identification and mitigation of any financial risks, including failure of the provider to deliver the contracted service. For these reasons, the Government Commercial Function's guidance for Assessing and Monitoring the Economic and Financial Standing of Bidders and Suppliers recommends this is undertaken annually.

Agreed Action 3.1

To build into all contract monitoring yearly financial monitoring which will break down the contract value and how this is being spent.

Priority

3

Responsible Officer

Senior Public Health Technical Systems Development Officer

Timescale

30th September 2023

Audit Opinions and Priorities for Actions

Audit Opinions

Our work is based on using a variety of audit techniques to test the operation of systems. This may include sampling and data analysis of wider populations. It cannot guarantee the elimination of fraud or error. Our opinion relates only to the objectives set out in the audit scope and is based on risks related to those objectives that we identify at the time of the audit.

Our overall audit opinion is based on 4 grades of opinion, as set out below.

Opinion Assessment of internal control

Substantial Assurance	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable Assurance	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited Assurance	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No Assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

Priorities for Actions

Priority 1	A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management.
Priority 2	A significant system weakness, whose impact or frequency presents risks to the system objectives, which needs to be addressed by management.
Priority 3	The system objectives are not exposed to significant risk, but the issue merits attention by management.

Where information resulting from audit work is made public or is provided to a third party by the client or by Veritau then this must be done on the understanding that any third party will rely on the information at its own risk. Veritau will not owe a duty of care or assume any responsibility towards anyone other than the client in relation to the information supplied. Equally, no third party may assert any rights or bring any claims against Veritau in connection with the information. Where information is provided to a named third party, the third party will keep the information confidential.