

**REPORT TO:** AUDIT AND RISK MANAGEMENT SUB-COMMITTEE 20/03/06

**REPORT ON:** INTERNAL AUDIT REPORT (DUNDEE COMMUNITY CARE PARTNERSHIP) :  
CORPORATE GOVERNANCE, ACCOUNTABILITY AND RISK MANAGEMENT

**REPORT BY:** CHIEF INTERNAL AUDITOR

**REPORT NO:** 213-2006

**1. PURPOSE OF REPORT**

To submit to Members of the Audit and Risk Management Sub-Committee the Internal Audit Report relating to a review within the Dundee Community Care Partnership which has been finalised since the last Sub-Committee.

**2. RECOMMENDATIONS**

Members of the Sub-Committee are asked to note the information contained within this report.

**3. FINANCIAL IMPLICATIONS**

None

**4. LOCAL AGENDA 21 IMPLICATIONS**

None

**5. EQUAL OPPORTUNITIES**

None

**6. BACKGROUND**

- 6.1 In May 2002 the Policy and Resources Committee agreed a Local Partnership Agreement (Report No 318-2002) which allowed the revised community care policy for Scotland, as outlined in the report of 'Community Care ; A Joint Future' to be taken forward in Dundee. Extended Local Partnership Agreements between Dundee City Council and NHS Tayside, which report upon the progress and future development of joint working, have subsequently been submitted to and approved by the Policy and Resources Committee.
- 6.2 In order to ensure the efficient delivery of a joint internal audit service for this initiative between Dundee City Council and NHS Tayside, the internal audit services of the respective organisations have developed a four year strategic internal audit plan to be delivered on a shared basis. This plan was reported to the Dundee Health and Local Authority Forum in December 2003 and detailed the areas to be covered. Included within this plan was a review of Corporate Governance, Accountability and Risk Management within the Dundee Community Care Partnership. This was undertaken by the internal audit service of the NHS Partner and the subsequent report detailing the findings, audit opinion and the action plan agreed with Management of both organisations is attached at Appendix A.

**DAVID K DORWARD**  
**DEPUTE CHIEF EXECUTIVE (FINANCE)**

**08 March 2006**

**BACKGROUND PAPERS**

None

MANAGEMENT IN CONFIDENCE

FINAL REPORT

NHS TAYSIDE  
INTERNAL AUDIT SERVICE



**JOINT WORKING – CORPORATE GOVERNANCE, ACCOUNTABILITY AND RISK  
MANAGEMENT**

REPORT NO. T34A/05

Issued To: WJ Wells, Chief Executive  
D McLaren, Head of Service, PCD  
DJ Clark, Director of Finance  
I McDonald, Director of Finance, PCD  
A Grant, Assistant Director of Finance – Corporate Services  
G Greig, Strategy and Performance Manager  
L Rennie, Strategy and Performance Manager - CHP  
M Moulton, Board Secretary  
S Berry, Dundee CHP Accountant  
D Lynch, General Manager, Dundee CHP  
P O'Connor, Head of Risk Management  
Audit Committee  
External Audit

**DUNDEE CITY COUNCIL**

D Dorward, Deputy Chief Executive, (Finance), Dundee City Council  
A Baird, Director of Social Work  
A MacKay, Manager Finance and Support Services  
L Bannerman, Manager, Community Care, Dundee City Council  
D Berry, Principal Accountant (Social Work)  
S Dailly, Chief Internal Auditor

Date: 25 January 2006

## INTRODUCTION

The Dundee Community Care Partnership was set up in order to comply with the Scottish Executive Health Department's initiative on Joint Resourcing and Joint Management of Community Care Services. The original Local Partnership Agreement concentrated on the development of joint services for older people. An Extended Local Partnership Agreement (LPA) was drafted and approved by the two partners, Dundee City Council and Tayside NHS Board during 2004. This agreement substantially increased the range of services included under the partnership umbrella. These services are formally financed by way of aligned budgets.

Each of the joint-working partners have their own internal audit function. A joint methodology and approach has been agreed between the respective partners' internal auditors. Corporate Governance, Accountability and Risk Management is one element of a four-year internal audit strategic plan produced by the internal auditors and agreed by the Partnership. In planning the internal audit work for 2004/2005 we took cognisance of the fact that the review of governance arrangements originally planned for Dundee City Council's Internal Auditors in 2003/2004 had not been completed. Both sets of internal auditors agreed to change the timings of the projects included in the strategic plan and the scheduling of a number of projects was amended. We can confirm that all projects originally included in the agreed plan will be delivered within the four years covered by the 2003/2004 to 2006/2007 plans.

Internal audit plans are based on identifying the audit universe and assessing the risks of each possible area of activity. The audit universe has been reviewed specifically to identify the risks inherent within joint working. To achieve the above objectives, the relevant audit areas have been assessed using a methodology acceptable to both internal audit providers and a joint plan focussing audit input in the main risk areas of the joint futures agenda has been developed. It is important to note that whilst there are specific risks associated with joint working, the core audit activity undertaken within each of the partners' organisations will help inform the overall risk profile of the joint venture. All reports arising from internal audit work will be presented to the Dundee Health and Local Authority Forum and the partners' Audit Committees.

## SCOPE AND OBJECTIVES

For 2004/2005 it was agreed that FTF would undertake a review of Corporate Governance, Accountability and Risk Management Arrangements within the Dundee Community Care Partnership.

The control objectives of the review were to ascertain whether:

- ✧ Adequate governance arrangements are in place and supported by appropriate protocols
- ✧ Lines of accountability are clear within the Partnership, are agreed and have been effectively communicated to all appropriate staff
- ✧ Risk management arrangements are embedded within the Partnership and are functioning effectively
- ✧ Joint future arrangements are project managed to achieve effective control over the process

## AUDIT OPINION AND FINDINGS

The audit opinion is **Category C**, in that the system has weaknesses that do not threaten the achievement of control objectives. A description of all audit opinion categories and recommendation priorities is given in the final section of this report.

The Partnership complied with Scottish Executive Health Department guidance by submitting the Extended Local Partnership Agreement (LPA) by the deadline of 30 April 2004. However the document was not formally approved by the Dundee Health and Local Authority Forum (Forum), Dundee City Council's Policy and Resource Committee or Tayside NHS Board until after the submission date.

Whilst the LPA creates an operational framework designed to achieve the common aims and objectives of the Partnership and outlines the high level governance arrangements envisaged for the Partnership, there is insufficient corporate governance documentation to support this high level framework and in particular, there are no detailed joint protocols and procedures underpinning the high level arrangements set out in the Local Partnership Agreement (LPA). Furthermore our audit identified that, in practice, the roles and remits of the Partnership structures are not being adhered to and we noted that feedback received by the Partnership from the Scottish Executive Health Department on the LPA also referred to the need to develop governance arrangements further.

There have been attempts to instigate a review of existing governance documents of the individual partners by delegating the task to two short-lived informal sub-groups of the Dundee Health and Local Authority Management Group (Management Group). These sub-groups ceased in early 2004 without making firm recommendations on corporate governance issues and having these approved by the Forum. The Aligned Budgets and Finance Sub-Group did however express a preference for amending the existing corporate governance documentation of the two partners rather than drafting these documents from scratch.

We have been informed that the Finance Sub-Group is being resurrected although its terms of reference have still to be defined and it has not met since March 2004. However, it is likely that its main focus will be on financial reporting rather than corporate governance.

Meetings of the Forum and Management Group have settled into a regular pattern but the minutes of their meetings suggest that these groups take a fairly passive role, with no set agenda or reference to their respective remits or the action plan included in the LPA.

The Local Partnership Agreement (p57) states that contributions by each partner will be agreed by 31 March and that Management Group members will be consulted and involved in each other's budgets. This target was not met in March 2004 but it has been minuted by the Management Group that this will be done in 2005. This was not achieved for March 2005. It would appear that the practice to date has been for partners to unilaterally set their part of the aligned budget.

The LPA states that the Management Group will receive regular financial reports and submit a quarterly financial report to the Forum. It is disappointing to note that the 2003/2004 position reported by FTF in P17B/04 has not continued in 2004/2005 in that there has been no regular reporting of financial information to the Forum throughout 2004/2005. Furthermore there is no mechanism or timetable in place for financial reports to be made to the Management Group.

There are no standard monitoring procedures in place whereby accountable officers must report on progress towards the outcomes noted in the individual service action plans in the LPA (pages 25-54), nor do the action plans in the LPA include target dates.

An Annual Report has not been produced on behalf of the Partnership. The preparation of such a report is a requirement of the Local Partnership Agreement and would enable formal reporting on progress towards objectives and a statement on the effectiveness of the Partnership's systems of internal control.

There are no separate risk management procedures for the Partnership. A short-life working group was established in February 2004 to identify a methodology for the development of risk control plans to underpin joint working in each of the Partnerships in Tayside. The Partnership in Dundee has a risk control plan, but there is no system for reviewing and updating the information.

## **ACTION**

An action plan has been agreed with management to address the identified weaknesses. A follow-up of the implementation of the agreed actions will be undertaken in accordance with the audit follow-up protocol.

## **ACKNOWLEDGEMENT**

We would like to thank all members of staff for the help and co-operation received during the course of the audit.

B Hudson BAcc (Hons) CA  
Acting Regional Audit Manager

Ref.	Control Weakness	Audit Recommendation	Priority	Management Response/ Action	Action by/Date
1.	The Partnership complied with Scottish Executive Health Department guidance by submitting the Extended Partnership Agreement by the deadline of 30 April 2004. However the document was not formally approved by the Forum, Dundee City Council's Policy and Resource Committee or Tayside NHS Board until after the submission date.	Adequate arrangements and a project plan should be developed for the next version of the LPA to ensure that the document is fully approved prior to submission to the SEHD	2	<p>The validity of the comments is acknowledged by the partners. The submission of a draft eLPA by 30 April 2004 was agreed as acceptable with the SEHD.</p> <p>The SEHD does not require further submission of eLPAs. Developments in, and reporting on key areas of activity initiated under the auspices of the eLPA are now recorded in the Partnership's response to the annual Joint Performance Information and Assessment Framework (JPIAF).</p> <p>There is the option to maintain the eLPA but it is not recommended because of issues of sustainability.</p> <p>The response given above was confirmed by the Health and Local Authority Management Group.</p>	No further action required.

Ref.	Control Weakness	Audit Recommendation	Priority	Management Response/ Action	Action by/Date
2.	There is insufficient corporate governance documentation relating to joint working. There have been attempts to instigate a review of existing governance documents of the individual partners by delegating the task to two short-lived informal sub-groups of the Dundee Health and Local Authority Management Group (Management Group). These sub-groups ceased meeting in early 2004 without making firm recommendations on corporate governance issues and having these approved by the Dundee Health and Local Authority Forum (Forum). The Aligned Budget and Finance Sub-Group did, however, express a preference for amending existing corporate governance documentation of the two partners rather than drafting these documents from scratch.	<p>It is recommended that an officer be made accountable for taking this issue forward by reconvening an appropriately staffed sub-committee. In particular, this sub-committee should address the following:</p> <ul style="list-style-type: none"> <li>✧ Review Standing Orders, Standing Financial Instructions of the Partnership bodies. Recommendations for resolving conflicts between them should be submitted to the Forum for approval and action through the Partnership bodies.</li> <li>✧ Review Schemes of Delegation/Delegation of Powers of the two Partnership bodies, identify conflicts in areas of responsibility and authorisation limits and ensure that appropriate recommendations are made to the Forum regarding resolution of the conflicts.</li> </ul>	2	<p>Across partnerships in Scotland, only aligned budgets are in place. The aligned resources are deployed jointly but the funds are still held within each partner organisation and governed by each partner's Code of Corporate Governance. Before the Aligned Budgets and Finance Sub-Group ceased meeting in early 2004, it was recommended by both partners that because aligned budgets are held within each partner organisation, and governed by their respective Codes of Corporate Governance, the drafting of further joint corporate governance documentation was not required. However, a review of each partner's Code of Corporate Governance was carried out in 2004/05 and agreed changes have been incorporated in the Code of Corporate Governance effective from April 2005. The HALAMG confirmed that the above completed action provides an appropriate framework for corporate governance arrangements relating to joint working.</p>	No further action required.

Ref.	Control Weakness	Audit Recommendation	Priority	Management Response/ Action	Action by/Date
3.	There are no detailed joint protocols and procedures underpinning the high level arrangements laid out in the Local Partnership Agreement (LPA).	<p>A sub-committee should be set up to create detailed joint protocols and procedures. Its remit should be formally set out and should include a requirement to report on progress regularly. Reference should be made to the detailed protocols and procedures in the next revision of the LPA.</p> <p>The sub-committee should include in its remit the periodic review of the protocol and procedures.</p> <p>There should be a mechanism in place for allowing access to policies of the respective partner authorities to facilitate the development and review of the protocols and procedures.</p>	<p>2</p> <p>2</p> <p>3</p>	<p>The Partnership has a number of protocols and procedures in place to support joint working. These include information sharing, direct access to services and the protection of vulnerable adults. In addition, work is ongoing within joint services to develop operational policies and procedures. It is considered that the range of expertise required could not be focused in one sub-group, but the partners recognise the need to establish a more systematic approach to commissioning and signing off these aspects of joint working through the HALAMG, and locating them on the proposed websites.</p> <p>In future, when a new joint service is being established, the lead officers will be given responsibility for ensuring that joint operational policies and procedures are developed and submitted to the HALAMG for approval.</p>	<p>General Manager, Dundee CHP</p> <p>30 April 2006</p>



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The HALAMG considered this approach to be consistent with the JPIAF and agreed that it should replace the requirements set out in the eLPA.

Ref.	Control Weakness	Audit Recommendation	Priority	Management Response/ Action	Action by/Date
4.	Although meetings of the Forum and Management Group have settled into a regular pattern, the minutes suggest that the Management Group take a fairly passive role. Reports and updates not being received and considered in any set pattern and with no reference to the LPA action plan or remits of the respective bodies as stated in the LPA. The focus of the Forum appears to cover the monitoring and promotion of a few specific high profile service areas.	<p>A reporting calendar should be established and set agendas used for meetings of both the Management Group and Forum. The agendas should be aligned to their respective remits and Action Plans as detailed in the LPA. Outstanding points should be included in an Action Points Update on all agendas.</p> <p>At least annually, performance against the agreed roles and remits should be assessed to ensure that the work of both governing groups is adequate and that the roles and remits remain up to date.</p> <p>The Local Partnership Agreement (p19) states that the Forum will meet 2-monthly but it was subsequently minuted (24/3/04) that quarterly meetings would suffice. Although this is a minor point a note should be made to amend the Partnership Agreement next year.</p>	<p>2</p> <p>2</p>	<p>The partners would not accept that the HALAMG is passive in terms of role – rather it has focused on those issues accorded high priority as requiring a joint approach. A reporting calendar is being developed (see Section 7) that will provide structure to meeting agendas. Action point updates have been addressed under Matters Arising, but the point on Action Point Updates is noted and will be acted upon. System of action point updates introduced 1.12.05.</p> <p>Roles and remits are to be reviewed between now and April 2006 within the context of the Dundee CHP and the implications for partnership working. The partners will review the vehicle for setting out its partnership arrangements now that submission of and eLPA to the SEHD is no longer a requirement, and to an extent the terms of the eLPA have been subsumed within the Schedule of Agreement for CHPs.</p> <p>The HALAMG confirmed the above position on 12.12.05.</p>	<p>Reporting calendar to be introduced for HALAMG 1.4.06 – Strategy and Performance Manager - CHP</p> <p>1 April 2006</p> <p>Review of existing joint management structures to be included as agenda item for April meeting of HALAMG.</p> <p>General Manager, Dundee CHP</p> <p>1 April 2006</p>

Ref.	Control Weakness	Audit Recommendation	Priority	Management Response/ Action	Action by/Date
5.	<p>The Local Partnership Agreement (p57) states that contributions by each partner will be agreed by 31 March and that Management Group members will be consulted and involved in each other's budgets. This target was not met in March 2004 but it has been minuted by the Management Group that this will be done in 2005. This deadline was not met for March 2005. There is no indication in the Management Group minutes of a process having been put in place to achieve this objective. It would appear that the practice to date has been for each partner to unilaterally set their part of the aligned budget.</p>	<p>It is recommended that budget information from the two partners is brought to the Management Group for discussion well in advance of the start of the March deadline each year.</p> <p>A timetable should therefore be agreed for the production of a draft budget by 31 March each year and the LPA amended to reflect the expected practice.</p>	2	<p>We accept the validity of the comment with respect to the eLPA, but we are now working to the requirements of the Joint Performance Information and Assessment Framework Indicator 4 which relates to the agreement of a Joint Resourcing framework.</p> <p>It was confirmed in the Annual Evaluation Statement that we met the requirements of JPIAF 4 for 2004/05.</p> <p>In addition, we will reinstate the sharing of financial information through the joint financial reports.</p> <p>It was confirmed at the HALAMG that while we no longer meet the requirements of the eLPA, the Partnership is complying with the requirements of JPIAF 4.</p>	No further action required.

Ref.	Control Weakness	Audit Recommendation	Priority	Management Response/ Action	Action by/Date
6.	<p>The Local Partnership Agreement (p59) states that regular financial reports will be received by the Management Group who will submit a quarterly financial report to the Partnership Forum.</p> <p>There has been no regular reporting of financial information to the Forum throughout 2004/2005.</p> <p>There is no mechanism or timetable in place for services included in the LPA to make financial reports to the Management Group or for the Management Group to prepare a consolidated report.</p>	<p>It is recommended that a timetable is put in place for service budget holders to report to the Management Group and that financial reporting to the Forum is tightened up to comply with the agreement.</p> <p>.</p>	2	<p>A timetable was agreed for the submission of financial reports to the HALAMG for 2005/06. The first quarterly report was not completed on time or in the agreed joint format.</p> <p>It remains the agreed position that quarterly reports will be produced and submitted within the agreed timetable.</p> <p>This position was noted and agreed at the meeting of the HALAMG on 12.12.05.</p>	<p>A timetable for financial reporting will be included in the reporting calendar.</p> <p>Strategy and Performance Manager - CHP</p> <p>1 April 2006</p>

Ref.	Control Weakness	Audit Recommendation	Priority	Management Response/ Action	Action by/Date
7.	<p>There are no standard monitoring procedures in place whereby responsible officers must report on progress towards the outcomes noted in the individual service action plans in the LPA (pages 25-54).</p> <p>The action plans in the LPA do not include target dates, nor is progress reported on a pre-determined basis.</p>	<p>It is recommended that feedback should be provided to the Management Group at predetermined intervals on progress towards achieving outcomes detailed in the action plans for all services included in the LPA.</p> <p>It is recommended that target dates for achieving outcomes are set and that periodic reporting on progress against targets is built in to meeting agendas.</p> <p>It is further recommended that action plans are reviewed and updated on a regular basis and that updates and reviews are minuted.</p>	2	<p>Work is in progress to develop a reporting calendar with implementation commencing from April 2006. This will include national and local reporting requirements against service objectives and plans.</p> <p>The issues of setting and reviewing partnership targets is being addressed under the national requirement to set Local Improvement Targets to meet key policy objectives (JPIAF 11). Progress will be reviewed and new targets set at agreed intervals within the reporting calendar.</p> <p>The above approach reflects the fact that the eLPA has been superseded by the JPIAF, and was confirmed by the HALAMG at the meeting on 12.12.05.</p>	<p>Strategy and Performance Manager - CHP</p> <p>1 April 2006</p> <p>Strategy and Performance Manager - CHP</p> <p>1 April 2006</p>

Ref.	Control Weakness	Audit Recommendation	Priority	Management Response/ Action	Action by/Date
8.	An Annual Report has not been produced on behalf of the Partnership. The preparation of such a report is a requirement of the LPA and would enable formal reporting on progress towards objectives and a statement on the effectiveness of the Partnership's systems of internal control.	It is recommended that an Annual Report is produced covering a review of all services included in the Partnership Agreement, progress towards targets and plans for the future. A statement on internal financial control should also be included.	2	The response from the SEHD to JPIAF submissions – the Annual Evaluation Statements – are submitted to the HALAMG and the Forum as indicators of progress achieved and areas for improvement. As such the AESs have superseded the requirement for an Annual Report.  This position was confirmed at the meeting of the HALAMG on 12.12.05.	No further action required.
9.	There are no separate risk management procedures for the Partnership. A short-life working group was established in February 2004 to identify a methodology for the development of risk control plans to underpin joint working in each of the Partnerships in Tayside. The Partnership in Dundee has a risk control plan, but there is no system for reviewing and updating the information.	Specific risk management procedures need to be developed and distributed to all those involved in joint working to ensure that risk management information and the identification and recording of risks is undertaken to update both Partners risk management systems.	2	Within joint services, even those with a single manager, accountability remains with the individual partner organisations, each with their own risk management system. It is intended that each partner should include in their risk management system, those risks specifically associated with joint working, and to manage these through their respective systems.  This position was confirmed at the meeting of the HALAMG on 12.12.05.	General Manager, Dundee CHP  30 June 2006

Ref.	Control Weakness	Audit Recommendation	Priority	Management Response/ Action	Action by/Date
10.	Sub-Groups and Working Groups appear to be formed and disbanded on an informal basis without being formally constituted or wound up.	It is recommended that Sub-Groups in future are formed with a specific role and remit and should continue to meet and report to the parent group until the objectives are achieved.	2	<p>It is the intention to review existing joint management arrangements within the context of the establishment of the Dundee CHP. The review will incorporate existing/planned working/sub-groups. The audit recommendation is accepted and will be taken into account as part of this process.</p> <p>This position was agreed at the meeting of the HALAMG that took place on 12.12.05.</p>	<p>To be addressed as part of wider review of joint management structures at April meeting of HALAMG.</p> <p>General Manager, Dundee CHP</p> <p>30 April 2006</p>

Ref.	Control Weakness	Audit Recommendation	Priority	Management Response/ Action	Action by/Date
11.	Not all communication initiatives are referred to in the LPA (p7) have been progressed. These include availability of minutes, a quarterly newsletter and a Joint Futures section on the partnership authorities' respective intranet systems.	It is recommended that the Management Group appoints a lead officer to promote these initiatives and report progress to the Management Group.	3	<p>As joint working has become embedded in practice and operational activity, the requirement for a Joint Future specific communications strategy has diminished to the point where to have one now would be a contra-indicator for the effectiveness of joint working.</p> <p>It was agreed by the HALAMG on 12.12.05 that any communications with regard to developments in joint working and associated procedures/protocols would be incorporated within the partner agencies' standard arrangements for communicating with staff. This would include websites/intranet systems where appropriate.</p>	<p>General Manager, Dundee CHP</p> <p>30 June 2006</p>



### ***Audit Opinions and Priorities***

Audit opinions are defined as follows:

A	Good	Meets control objectives.
B	Broadly Satisfactory	Meets control objectives with minor weaknesses present.
C	Adequate	System has weaknesses that do not threaten the achievement of control objectives.
D	Inadequate	System has weaknesses that could prevent it achieving control objectives.
E	Unsatisfactory	System may meet control objectives but has weaknesses that are likely to prevent it from achieving them.
F	Unacceptable	System cannot meet control objectives.

The priorities relating to Internal Audit recommendations are defined as follows:

**Priority 1 recommendations** relate to business critical issues, which may require to be disclosed in the Statement on Internal Control. These are significant matters relating to factors critical to the success of the Trust/Board. The weakness may also give rise to material loss or error.

These recommendations require urgent attention by senior management, although in practice the resolution of a weakness may require significant time and resource to complete.

**Priority 2 recommendations** relate to business critical issues, which require the attention of senior management and should be brought to the attention of the Audit Committee. These are significant matters that relate to factors, which will impact on the Trust/Board achieving its corporate objectives. The weakness may also give rise to material financial loss or error or will have a serious impact on reputation.

***Priority 1 and 2 recommendations are highlighted to the Audit Committee in the main body of the report within the Audit Opinion and Findings***

**Priority 3 recommendations** relate to internal controls whose failure will not materially impact on the achievement of corporate objectives. These are usually one-off items that can be subsequently corrected through line management action or improvements to the efficiency and effectiveness of controls. Additionally, they can be items that if not addressed may be significant in the future. The risk of loss or error would be significantly reduced if it were rectified. These would be considered material to the system reviewed. It is expected that these recommendations would be given reasonably urgent attention by line management.

**Priority 4 recommendations** improve the efficiency and effectiveness of controls operated mainly at supervisory level. The weaknesses highlighted do not affect the ability of the controls to meet their objectives in any significant way.