

**REPORT TO:** AUDIT AND RISK MANAGEMENT SUB-COMMITTEE 24/01/05

**REPORT ON:** INTERNAL AUDIT REPORT (DUNDEE COMMUNITY CARE PARTNERSHIP) :  
FINANCIAL MANAGEMENT AND REPORTING

**REPORT BY:** CHIEF INTERNAL AUDITOR

**REPORT NO:** 64-2005

## 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 Financial Management and Reporting 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)**

**13/01/05**

## BACKGROUND PAPERS

None



MANAGEMENT IN CONFIDENCE

FINAL REPORT

NHS TAYSIDE: PRIMARY CARE DIVISION  
(FORMERLY TAYSIDE PRIMARY CARE NHS TRUST)  
INTERNAL AUDIT SERVICE



**DUNDEE COMMITTEE CARE PARTNERSHIP  
FINANCIAL MANAGEMENT AND REPORTING**

REPORT NO. P17B/04

Issued To: D McLaren, Head of Service  
I MacDonald, Acting Director of Finance  
A Grant, Assistant Director of Finance – Corporate Services  
D Lynch, General Manager DLHCC  
S Berry, DLHCC Accountant  
C Stout, Corporate Accountant  
P O'Connor, Head of Risk Management  
Audit Committee  
External Audit

**DUNDEE CITY COUNCIL**  
D Dorward, Depute Chief Executive - Finance  
A Baird, Director of Social Work  
A MacKay, Manager Finance and Support Services  
L Bannerman, Manager Community Care  
D Berry, Principal Accountant (Social Work)  
S Dailly, Chief Internal Auditor

Date: 30 November 2004

## INTRODUCTION

This audit was undertaken during the period of organisational change from 1 April 2004 within Tayside NHS Board where Tayside Primary Care NHS Trust became the Primary Care Division and Tayside University Hospitals NHS Trust became the Acute Services Division. Organisation names in the body of the report have not changed but the new names should be noted.

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 focusing audit input in the main risk areas of the joint futures agenda has been developed. It is important to note that while 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 copies of reports will be passed to the Partners Audit Committees for their respective interests.

For 2003/2004 it has been agreed between Dundee City Council Internal Audit Department and FTF Audit and Management Services that FTF will undertake a review of financial management and reporting within the Dundee Community Care Partnership. The joint Audit Plan was presented to the TPC Audit Committee on 16 February 2004.

Dundee Community Care Partnership is a joint project involving Tayside NHS Board and Dundee City Council. Its aim is to create a single visible identity for Health & Social Care services within local communities so that users and potential users are clear about where to go to access the support they need. It will involve complete joint working between all disciplines and staff and alignment of budgets. The partners' agreed a Local Partnership Agreement (LPA) for 2003/2004 and this was approved by Tayside NHS Board on 24 April 2003.

## SCOPE AND OBJECTIVES

The control objectives of the review were to ascertain whether:

- ✧ Financial information reported to the appropriate Committee(s) is complete, appropriate, accurate, and timely.
- ✧ Financial information reported to the appropriate Committee(s) is consistent with financial reports to Tayside NHS Board and Dundee City Council
- ✧ Financial management and reporting requirements contained within the Dundee Final Local Partnership Agreement 2003 are being met

## AUDIT OPINION AND FINDINGS

Although improvements are required, we are aware the Partnership has been in place since April 2002 and financial reporting to the partnership only started in late 2003/04. Therefore, our audit opinion is **Category C** (ie adequate) in that the system meets business objectives with control weaknesses present that do not threaten the achievement of business objectives. A description of all audit opinion categories and recommendation priorities is given in the final section of this report.

It is stated within the LPA that “the Dundee Health and Local Authority Management Group (DHLAM) will submit quarterly reports to the Dundee Health and Local Authority Forum (DHLAF) setting out the financial position underpinning the agreement.” From our work undertaken we can confirm that only one budget monitoring report for the period to 31 December 2003 has been presented to the DHLAF on 24 March 2004. However we can confirm that the information within that report is complete, appropriate, and accurate subject to minor control weaknesses present discussed below.

The process for producing the monitoring report involves Tayside NHS Board finance staff collating financial information from the council in the required format for inclusion in the overall report, which is produced for presentation to the DHLAF. An Aligned Budgets/Finance Group exists to oversee financial issues of the partnership and senior finance representatives of both the Council and the Board attend these meetings.

Financial Monitoring Reports, specific to the Partnership, are not reported to each partner body i.e to Board Finance and Resource Committee. Each individual partner monitors the budgets, as part of their own financial monitoring and do not feel that a specific report for the partnership is required.

The Local Partnership Agreement states that the “DHLAF will submit an annual report for all services included in the agreement to the partner agencies”. The DHLAF will need to consider and implement this requirement to ensure it is met.

Schemes of Delegation within both partner organisations need to be updated and amended to reflect the arrangements for joint working. Currently there is very little, if any, mention of Joint Working and its related requirements and responsibilities within the partners respective Schemes of Delegation. Specifically, within the Code of Corporate Governance for Tayside NHS Board in section 18 (Aligned and Pooled Budgets), it states that Standing Orders, Standing Financial Instructions and Financial Regulations are to be produced for the partnership body and approved by Tayside NHS Board. Partner bodies will need to consider if this is required for all organisations involved in the partnership.

Within the LPA it states that budgets for the next financial year will be produced by 31 March of the preceding financial year. This has not been achieved for 2004/2005. The Partnership should try to ensure that budgets are prepared by the required date in the LPA.

## ACTION

An action plan has been agreed with management to address the identified weaknesses.

## ACKNOWLEDGEMENT

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

D Archibald BAcc CPFA  
Acting Regional Audit Manager



Ref.	Control Weakness	Audit Recommendation	Priority	Management Response/ Action	Action by/Date
1.	<p>It is stated within the LPA that “the Dundee Health and Local Authority Management Group (DHLAM) will submit quarterly reports to the Dundee Health and Local authority Forum (DHLAF) setting out the financial position underpinning the agreement.” From our work undertaken we can confirm that only one budget monitoring report for the period to 31 December 2003 has been presented.</p> <p>Financial matters are not being included as a core agenda item at the DHLAM. For the period to November 2003 financial matters were included but from then on it does not appear.</p> <p>There is no formal reporting timetable in place, which would identify when reports are required, who is producing the information and which committees the information is to be discussed/reported to.</p>	<p>DHLAM should ensure that the requirement to produce quarterly monitoring reports to the DHLAF is met.</p> <p>DHLAM should ensure that financial matters are included as an agenda item at each of its meetings.</p> <p>The production of a formalised reporting timetable will aid the reporting process to ensure reports are produced timeously.</p>	<p><b>2</b></p> <p><b>2</b></p> <p><b>3</b></p>	<p>Actioned - DHLAMG re-emphasised the importance of producing regular reports to DHLAF at DHLAMG meeting of 22/11/04. (Note a March 2004 report was produced after the Internal Audit was completed.)</p> <p>Actioned - DHLAMG agreed, at meeting on 22/11/04, to include Financial matters as a core agenda item with the discussion varying monthly to reflect requirements.</p> <p>Agreed – a timetable for 2004/05 will be produced.(To cover Sept, Dec. and March 2005 reports)</p>	<p>DLHCC  Accountant &amp; DCC  Social Work  Accountant  30 November 2004</p> <p>Chairperson  DHLAMG  30 November 2004</p> <p>DCC Social Work  Accountant &amp;  DLHCC  Accountant  31 December 2004</p>

Ref.	Control Weakness	Audit Recommendation	Priority	Management Response/ Action	Action by/Date
2.	The Local Partnership Agreement states that the “DHLAF will submit an annual financial report for all services included in the agreement to the partner agencies”. The DHLAF will need to consider and implement this requirement to ensure it is met.	The DHLAF should ensure that the requirement, as stated in the LPA, to produce an annual financial report is met.	<b>2</b>	DHLAMG will review the need for an annual report to be submitted to partner agencies and amend the LPA if appropriate. (This will be done in conjunction with DHLAF.)	Chairperson DHLAMG 31 January 2004

Ref.	Control Weakness	Audit Recommendation	Priority	Management Response/ Action	Action by/Date
3.	<p>Schemes of Delegation within both partner organisations need to be updated and amended to reflect the working requirement of joint working. Currently there is no mention of Joint Working and their requirements and responsibilities within the partners respective Schemes of Delegation.</p> <p>Specifically within the Code of Corporate Governance for Tayside NHS Board in section 18 (Aligned and Pooled Budgets), it states that Standing Orders, Standing Financial Instructions and Financial Regulations are to be produced for the partnership body and approved by Tayside NHS Board.</p>	<p>The Schemes of Delegation within the partners Standing Orders need to be updated to reflect the requirements of joint working.</p> <p>The Dundee Community Care Partnership will need to consider if specific Standing Orders, Standing Financial Instructions and Financial Regulations are required, and if not the Code of Corporate Governance for Tayside NHS Board will need to be changed (Section 18 of SFIs) to reflect this decision.</p>	2	<p>Agreed - Work will progress in this area during 2004/05, building on progress made in 2003/04. (See below for comment re NHS Tayside timescale.)</p> <p>Agreed - NHS Management within DHLAMG will progress this.</p> <p>Any change to the Code of Corporate Governance will be carried out in conjunction with the Code of Corporate Governance Review Group. The action point due date is consistent with the timescale set by this group</p>	<p>Corporate Accountant &amp; DCC Social Work Accountant                      31 March 2005</p> <p>Corporate Accountant                      31 March 2005</p>

Ref.	Control Weakness	Audit Recommendation	Priority	Management Response/ Action	Action by/Date
4.	Within the LPA it states that budgets for the next financial year will be produced by 31 March of the preceding financial year. This has not been achieved for 2004/2005.	The Partnership should try to ensure that budgets are prepared by the required date in the LPA.	<b>2</b>	Draft budgets for 2004/05 were produced for the 2004/05 ELPA. To reflect operational realities, DHLAMG will ensure the ELPA is amended to note that only draft budgets will be available up to June of each year. As per the ELPA, detailed budgets will be available by the end of June.	DLHCC Accountant & DCC Social Work Accountant 31 December 2004

Ref.	Control Weakness	Audit Recommendation	Priority	Management Response/ Action	Action by/Date
5.	From a review of the monitoring statements for the periods to September 2003 and December 2003 it was apparent that the budget figures had changed but no explanations were provided within the statement of the reasons for the budget movements.	To aid the reader of monitoring statements consideration should be given to including reasons for budget movements within the report.	3	Where significant adjustments, as judged by the DHLAMG, have been made to budgets between monitoring statements, these will be noted in narrative sections of monitoring reports.	DLHCC Accountant 31 December 2004
	The narrative front page of the monitoring statement does not reflect that variance analysis is carried out on projected year-end expenditure to budget. Usually variances are reported from actual expenditure to budget. This should be made clear to the reader of the statements to ensure a fuller understanding of the information presented.	The method of calculation of variances reported should be made clear to the reader of the monitoring statements.	3	Agreed	DLHCC Accountant 31 December 2004
	Projected year-end figures were included in the monitoring statement for the period to 31 December 2003 presented to DHLAF on 24 March 2004. Good practice suggests that this is made available for earlier monitoring reports in the financial year.	Projected year-end figures should be included in all financial monitoring reports.	3	Agreed – the format used for December report is one that will be used on an on-going basis.	DLHCC Accountant 31 December 2004

Ref.	Control Weakness	Audit Recommendation	Priority	Management Response/ Action	Action by/Date
6.	At the Aligned Budgets/Finance Group on 23 March 2004, it was agreed that a training programme for managers of aligned budgets would be developed and delivered. This training has yet to be delivered.	The training requirements of joint managers of budgets need to be considered and provided if necessary.	3	In light of the direction of progress of Joint Futures within Dundee, the Aligned Budgets / Finance Group will review the requirement for training programme originally suggested.	DLHCC Accountant  November 2004
7.	Dundee Community Care Partnership will need to ensure it meets the requirements of the Extended Local Partnership Agreements and the Joint Performance Information and Assessment Framework (JPIAF) whereby partners are required to send their Extended Local Partnership Agreement and the two related self – assessment frameworks and tables to the Scottish Executive by 30 April 2004.	Dundee Community Care Partnership should ensure that the requirements and timescales within the JPIAF are met.	3	Agreed & Completed	DLHCC Accountant  May 2004

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

Audit opinions are defined as follows:

A	Satisfactory	Meets business objectives except for areas of minor non-compliance with agreed procedures.
B	Broadly Satisfactory	Meets business objectives with some minor control weaknesses present.
C	Adequate	Meets business objectives with control weaknesses present that do not threaten the achievement of business objectives.
D	Inadequate	System may meet business objectives but we have identified that it has weaknesses that could prevent it achieving these business objectives.
E	Unsatisfactory	System can meet business objectives but we have identified that it has weaknesses that are likely to prevent it from achieving these business objectives.
F	Unacceptable	System cannot meet business 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.