

Argyll and Bute Council
Internal Audit Report
September 2018
FINAL

Alcohol/Drug Dependency Services
Correspondence Review

Audit Opinion: Substantial

	High	Medium	Low
Number of Findings	0	2	3

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Contact Details

Internal Auditor: **Laurence Slavin (Chief Internal Auditor)**

Telephone: **01436 657694**

e-mail: **laurence.slavin@argyll-bute.gov.uk**

www.argyll-bute.gov.uk

1. Executive Summary

Introduction

1. In 2018 Audit Scotland received correspondence from member(s) of the public raising queries about the arrangements for procurement, performance monitoring and governance relating to the Argyll & Bute Alcohol and Drug Partnership (ADP), Addaction Scotland (Addaction), Argyll and Bute Addiction Team (ABAT) and Children 1st.
2. Audit Scotland reviewed the correspondence and met with Argyll and Bute Council's (the Council) Chief Internal Auditor (CIA) to discuss the content. It was agreed that the Council's internal audit department would conduct a review and Audit Scotland would place reliance on their work and conclusions subject to Audit Scotland's satisfaction with the work performed.
3. The audit was conducted in accordance with the Public Sector Internal Audit Standards with our conclusions based on document review and discussions with council and NHS Highland officers.
4. The contents of this report have been discussed with the appropriate council and NHS officers to confirm factual accuracy and appreciation is due for the cooperation and assistance received from all officers over the course of the audit.

Background

Alcohol & Drug Partnership

5. The ADP was established in 2009 to agree and manage an Argyll and Bute wide alcohol and drug strategy. As a partnership it incorporates a number of statutory and voluntary organisations with its duties carried out in accordance with an established constitution. The ADP reports into the Argyll and Bute Community Planning Partnership who have overall responsibility for ADP governance. The previous ADP structure was four tiered and included an ADP Executive Group and an ADP Delivery Group. That structure was simplified by the ADP Chair (the Chair) in 2016. There is now an ADP Committee (the Committee) with 21 members representing the NHS, the Council, Police Scotland, the Health and Social Care Partnership, Scottish Fire & Rescue, ADP forums from Cowal, Oban Lorn & The Isles, Helensburgh & Lomond, Islay, Bute, Mid Argyll, and Kintyre and third sector forums.

Addaction

6. Addaction is an external provider of community based adult addiction recovery services in Argyll and Bute. They were awarded a three year contract to deliver services commencing 1 January 2015 with the contract providing for a possible contract extension for up to two years subject to satisfactory performance. The invitation to tender (ITT) issued when the contract was tendered establishes the performance framework against which performance is assessed. An extension until 31 December 2019 was awarded in January 2018. The contract is between Addaction and the Council rather than Addaction and the ADP as the ADP is not a legal entity in its own right. The commissioning process culminating in the award to Addaction was carried out by the Council's procurement team in 2014.

ABAT

7. ABAT is a health and social work addiction team comprising staff employed by NHS Highland and the Council. It consists of nurses, social workers, support staff, office staff and a psychiatrist. The ADP engage ABAT to provide addiction recovery services. There is a service level agreement (SLA) between ABAT and the ADP with a base value of £1,036,407 (based on 2014/15 costs). The SLA establishes the services to be provided and a performance management framework against which performance can be assessed.

Children 1st

8. Children 1st is a national Scottish Charity working with the Council, NHS Highland and Argyll Voluntary Action to support families with children aged 0 to 8. They registered with the Council in 2008 and deliver services relating to advocacy and abuse & trauma recovery. Since 2008 these services have been delivered via an SLA (original SLA was from 2008-2011 however it has been extended annually using the 'Justification of Non Competitive Action' procurement option). The abuse and trauma recovery service element of the contract expired in September 2017 after which funding ceased. The advocacy service element expired in March 2018. From 2008 to 2018, including each extension, there has been a total of ten agreements with Children 1st for the delivery of advocacy and abuse & trauma recovery services. These total £847,357.

Scope

9. The scope of the audit was to consider and provide an evidence based response to the queries raised as summarised by Audit Scotland. The audit was limited to gathering sufficient audit evidence to form a conclusion on those queries. It does not constitute a wider review of the subject matters of procurement, performance monitoring and governance nor is it a detailed audit of the ADP, Addaction, ABAT or Children 1st. Any audit judgements on compliance with policy and/or procedure were made taking cognisance of the relevant policy and/or procedure at the time the event being queried took place. It also, where applicable, provides an audit conclusion on the appropriateness of the evidenced processes and procedures.
10. The scope and objectives were agreed by Audit Scotland prior to the audit commencing.

Audit Opinion

11. We provide an overall audit opinion for all the audits we conduct. This is based on our judgement on the level of assurance which we can take over the established internal controls, governance and management of risk as evidenced by our audit work. Full detail of the five possible categories of audit opinion is provided in Appendix 2 to this report.
12. Our overall audit opinion for this audit is that we can take a **substantial** level of assurance. This means that the internal control and governance is sound. However, there are areas of weakness which put some system objectives at risk and specific elements of residual risk that are slightly above an acceptable level and need to be addressed within a reasonable timescale.

Key Findings

13. We have highlighted no high priority recommendation, two medium priority recommendations and three low priority recommendations where we believe there is scope for improvement.

These are summarised below:

- clarity should be provided regarding authority to award/extend contracts and extension decisions, where required, should be informed by a completed contract review
- approval to commission services using non-competitive action should be obtained prior to any contracts being awarded
- engage with the ADP Committee to determine whether they are satisfied with the current performance monitoring and reporting arrangements
- the Chair should be subject to annual review in compliance with the job specification
- the ADP constitution should be updated to reflect current structures and practices.

14. Full details of the audit findings, recommendations and management responses can be found in sections 3-5 of this report and in the action plan at Appendix 1.

2. Objectives and Summary Assessment

15. The correspondents raised queries focused primarily on the following three areas:

- governance in relation to the operation and decision making of the ADP
- contract/SLA management in relation to Addaction and ABAT
- procurement and extension of Children 1st contracts.

16. In agreement with Audit Scotland, 14 specific queries were identified which were grouped into these three areas. For each query we have documented our findings, a conclusion and, where appropriate, areas for improvement. This is detailed in sections three to five of the report.

17. Exhibit 1 provides a summarised assessment against each of the three key areas.

Exhibit 1 – Summary Assessment of Key Area

	Key Area	Assessment	Summary Conclusion
1	ADP Governance	Substantial	<p>Overall there are no material concerns about the governance of the ADP. The processes adopted to appoint the Chair and consider future options for the Chair are transparent and appropriate. The Chair has introduced changes to the ADP structure and consulted on these with relevant partners. The ADP constitution needs to be updated to reflect these changes and ensure it reflects current working practices.</p> <p>The ADP has implemented the recommendations in Audit Scotland's 2015 report and has a Committee approved process for considering applications and awarding funds. There are appropriate mechanisms in place for ADP members to raise concerns about ADP governance and clear evidence that these mechanisms have been utilised in the past. The ADP should ensure that, where required by the job specification, the Chair is subject to annual review.</p>

2	Addaction and ABAT Contract / SLA Management	Substantial	<p>The basis for the award of Addaction's contract extension was consistent with the terms of the original contract in that satisfactory performance had been demonstrated through regular performance monitoring. However there was a lack of clarity regarding responsibility for awarding the extension and the conclusion of the Addaction contract review post-dated rather than pre-dated the decision to award the extension. It is however recognised that the review, once complete, did not highlight any reason not to extend the contract.</p> <p>Whilst it is correct that the sole contractual target established for Addaction and ABAT is for 90% of clients to wait no longer than three weeks to receive drug or alcohol treatment, their performance is assessed against a wider range of factors and there are sound performance monitoring arrangements with regular reporting to the Committee. Performance reporting could be further strengthened if performance reports were closer aligned to the performance management framework however the Committee's view should be sought before making changes to performance management arrangements.</p>
3	Children 1 st - Procurement / Extension	Reasonable	<p>Appropriate approval was in place for each of the seven extensions of the Children 1st contract awarded since 2013/14 however approval was often provided retrospectively. Where required by the Procurement Reform Act (Scotland) 2014 there was documentary evidence to support the extensions.</p> <p>Children 1st led on a bid for external funding between October 2016 and August 2017 however this bid was not completed and therefore no funding was received or benefit obtained by any party. Progress on this bid was reported to the Committee throughout this period.</p>

3. ADP Governance

Q1 – Confirm whether the Chair, first appointed in 2015, has had his appointment extended, the decision making process to agree this and the partners involved in that process.

18. **Findings:** The Chair was appointed in late 2015 for a three year period and chaired his first committee meeting in December 2015. The appointment process was communicated and discussed with the ADP Executive Committee (as it was called in 2015) as evidenced by papers submitted to executive committee meetings. The three year contract is still to expire and, therefore, the appointment has not been extended yet. The Associate Director of Public Health is to present a paper to the Argyll and Bute Health & Social Care Partnership (HSCP) on 26 September to recommend revised governance arrangements for the ADP. This paper will consider the process for appointing the ADP Chair.
19. The current job specification for the Chair confirms the contract was for a three year period with an annual review. These annual reviews were not carried during the period of his appointment.

Action Plan 4

20. **Conclusion:** The process adopted to appoint the Chair was transparent and appropriately discussed with the Committee. The appointment has not been extended as the current appointment has not expired yet. The process for appoint the Chair is to be presented in a paper to be submitted to the HSCP on 26 September 2018. Annual contract reviews as required by the Chair's job specification were not carried out.

Q2 – Confirm whether the Chair has introduced material changes to the way the ADP operates and whether the ADP constitution has been updated to reflect those changes. Confirm whether ADP partners were consulted on those changes.

21. **Findings:** The Chair introduced changes to the structure of the ADP in the second half of 2016. In particular the ADP Executive Group and ADP Delivery Group were merged into the ADP Committee. This structural change was detailed in a paper presented to the Committee on 1 September 2016 as a part of a wider update on the key findings arising from the Chair's review of the ADP. The paper makes reference to engaging with the locality forums and other partner agencies however it does not specifically reference which forums and partners were included. However all locality forums are represented on the Committee and the minutes of the September 2016 meeting do not record any dissatisfaction with the structural change.
22. The ADP constitution has not been updated to reflect these structural changes. It was also noted that a number of the sub-groups named in appendix 4 to the constitution no longer exist. The constitution would benefit from a review to reflect these specific issues but also more generally to ensure it reflects current working practices.

Action Plan 5

23. **Conclusion:** The Chair has introduced material changes to the structure of the ADP and he consulted with relevant partners as part of a wider review of the ADP. It would have been better practice if the paper submitted to the Committee had been more explicit about the engagement carried out however the Committee was provided with appropriate opportunity to comment on the proposals when the paper was presented in September 2016. The ADP's constitution should have been updated to reflect the structural changes implemented.

Q3 - Confirm whether the ADP are applying the recommendations made by Audit Scotland in their 2015 report 'Review of the commissioning process undertaken on behalf of the ADP.'

24. **Findings:** The recommendations in the Audit Scotland 2015 report that related to the ADP were:
- To demonstrate sound governance, minutes should be taken at all important meetings of the ADP and then agreed at the following meeting.
 - Governance arrangements in the ADP should be improved to enhance openness and transparency. Allowing open discussion and debate on strategy, budgetary information, etc. will help members to contribute effectively to the work of the ADP. Delivering a robust improvement plan should help with communication difficulties.
25. Minutes are taken at all Committee meetings and agreed as a standard agenda item at the subsequent meeting (except where the subsequent meeting is not quorate in which case minute agreement is carried forward to the next meeting). Once agreed, minutes are published on the

ADP website. A review of all Committee minutes between 1 September 2016 and 14 May 2018 confirmed this practice is applied consistently and that committee members are provided opportunity to query the accuracy of minutes before they are agreed. The review also confirmed that issues relating to strategy and budgetary / financial information are discussed regularly including having regular agenda items for 'Co-ordinators Report', 'Lead Professional's Report', 'Locality Chair's Report' and 'Third Sector Report.'

26. In addition to the Committee there are seven local area forums all of which are represented on the Committee. The minutes of 25 forum meetings were reviewed with the sample covering all seven local area forums. This confirmed it was standard practice across all the forums for the minute of the previous meeting to be agreed. It also provided evidence that issues of operational, strategic and financial matters are openly discussed.
27. A three year ADP Delivery Plan and one year Improvement Plan were submitted to the Committee in July 2015 and August 2015 respectively. These included a series of actions with associated timescales to deliver improvement.
28. **Conclusion:** The ADP have implemented the recommendations in Audit Scotland's 2015 report.

Q4 – Confirm whether the ADP has appropriate procedures in place to consider funding applications and ensure awards are made in a manner which is transparent and equitable

29. **Findings:** The ADP has an 'algorithm' which is a flowchart showing how ADP funding flows from the Scottish Government, to NHS Highland then to the ADP. The majority of ADP funds are already committed (i.e. for the Addaction and ABAT contracts) however there can be non-committed funds available and the ADP has an established process to manage how they are awarded to applicants.
30. The ADP has a standard application form for potential parties to complete and a decision board is formed which usually consists of three people with at least one non committee member. The Chair and members of the ADP support team do not sit on decision boards. The decision board is responsible for reviewing applications and making a recommendation to the Committee. The process to consider applications was discussed with committee members at the December 2015 committee meeting.
31. This application process was followed in 2016/17 for funding awards. In 2017/18, rather than applying this process, a decision was taken to extend some of the awards made in 2016/17. These extensions were agreed by the Committee on 18 December 2017.
32. **Conclusion:** The ADP has an established process in place to help manage the funds available to it. Whilst this process was not applied in 2017/18 the alternative process adopted was appropriately discussed and agreed by the Committee.

Q5 – Confirm whether there is an appropriate mechanism for partner bodies to raise concerns about ADP governance and whether there is any evidence that partner bodies have such concerns including:

- late provision of minutes
- minutes not accurately reflecting meetings and being subject to inappropriate amendments
- manipulation of meeting attendance to achieve a desired outcome.

33. **Findings:** The mechanism for raising complaints about minutes would be at the subsequent Committee meeting. The review of committee and local forum minutes referenced at paragraphs 25-26 did not highlight any material concerns about late provision of minutes and there was evidence that, at both Committee meetings and local forum meetings, attendees are provided the opportunity to query any inaccuracies with previous minutes before agreeing them. Each forum has representation on the Committee providing them a clear opportunity to raise any concerns about ADP governance either singularly or collectively.
34. The dates and venues for committee meetings are circulated to all committee members with sufficient notice. For example, the meeting dates, times and locations for all meetings between June 2018 and June 2019 were circulated to members by e-mail on 15 May 2018. There are no exclusions in terms of invitations to committee members and members are entitled to send representatives on their behalf in the event they cannot attend.
35. There have been instances in the past where committee members have formally raised concerns about matters relating to the ADP and these have been investigated formally using the NHS Highland complaints procedure.
36. The minute of a forum meeting held in February 2018 highlighted a governance issue raised by an attendee relating to the process to appoint office bearers. In particular it suggested a possible manipulation of the meeting to achieve a desired outcome. The minute confirms the issue was discussed and that it received no support from other committee members. No formal complaint was raised in relation to this issue. The specifics of the issue are outwith the scope of this audit.
37. **Conclusion:** A mechanism exists for complaints to be raised about ADP governance. Committee members can raise issues at committee meetings and, if they deem it necessary, can issue a formal complaint using the NHS Highland complaints process. There is no substantial evidence of material concerns about late provision of minutes, minutes not accurately reflecting meetings or manipulation of meeting attendance.

4. Contract / SLA Management

Addaction

Q6 – The Addaction contract has been extended by two years. Confirm:

- whether this extension was consistent with the terms and conditions of the original contract award
- how the decision to extend the contract was reached including whether appropriate information was made available to assist in that decision making process
- what partners were involved in the decision making process.

38. **Findings:** The terms and conditions of the Addaction contract are adopted from the terms set out in the ITT when the contract was tendered. Section 63 (Contract Review) of the ITT confirms that a contract review will be led by council officers and paragraph 63.4 sets out the options at the end of the review. One of those options is *'Extend the term of this Contract for up to a maximum of two (2) years or such other period as is deemed appropriate in the circumstances*

with regard to the nature of the Services being provided.' This is the option that was adopted with Addaction informed of the extension on 23 January 2018.

39. There is, however, ambiguity in the ITT as section 10 (Duration of the Contract) states that *'The Contract may be extended for up to two further years until 30th September 2019 at the option of Argyll and Bute Council (on behalf of the ADP) subject to satisfactory performance of the contract and product discussions with the successful Tenderer(s).'* This section makes no reference to the need for that extension to be based on the conclusion of a contract review.
40. The Council reviewed the use of the 'Duration of the Contract' clause in ITTs in 2013 however both the duration clause and contract review clause were still in use in 2013 and 2014 which included the period the Addaction ITT was issued. A revised contract review clause which removes this conflict has been in use since 2016. As corrective action has already been taken to address this issue no further action is required.
41. There was a lack of clarity over roles and responsibilities in relation to awarding the contract extension. The ITT states that the contract may be extended *'at the option of Argyll and Bute Council (on behalf of the ADP)'* and the ADP constitution does not make any reference to the Committee having the authority to award contracts. General discussions about the Addaction extension were held at Committee meetings in May 2017, August 2017, October 2017, and December 2017, however the decision to award the extension was primarily taken by the Chair on the basis of the performance reporting provided for Addaction. This decision was communicated to the ADP Coordinator by e-mail on 18 January 2018.
42. The Committee are presented with quarterly scorecard reports for Addaction which reflect trends across a number of key performance measures. The Committee considers the reports and can raise questions as deemed appropriate. As such the Committee is regularly updated on Addaction's performance and minute review does not highlight any material concern about their performance being raised by the Committee.
43. A contract review was carried out however, whilst it commenced prior to the Addaction contract expiring, it was not completed until mid-February 2018, a month after the extension was awarded. Its late completion was due to competing work commitments. It is recognised that the contract review did not highlight any reason why the contract should not be awarded.

Action Plan 1

44. **Conclusion:** The award of Addaction's contract extension was consistent with the terms of the original ITT in that the basis for extension was satisfactory performance which has been demonstrated through regular performance monitoring (refer to paragraphs 48-51). However there was a lack of clarity regarding responsibility for awarding the extension and the conclusion of the Addaction contract review post-dated rather than pre-dated the decision to award the extension. It is however recognised that the review, once complete, did not highlight any reason not to extend the contract.

Q7 – Confirm what quality indicators and/or recovery targets are in place for the Addaction contract. Specifically confirm whether there is a sole contractual target that 90% of clients wait no more than three weeks to receive drug or alcohol treatment.

45. **Findings:** The ITT sets out the performance management framework for the Addaction contract. It details the required outcomes, the actions to take to deliver them and how they are to be measured. There is a total of six overarching outcomes with each of these broken down into more detailed outcomes. As there are no performance targets established in the ITT it can be difficult to determine how the quality of service delivery can be assessed. However it is recognised that setting meaningful performance targets for the delivery of care services can be difficult as, for example, how do you determine what is a ‘good’ number of referrals or a ‘poor’ number of referrals? Consequently performance monitoring focuses more on trends over a period of time to identify areas of concern. This is considered to be a reasonable approach to take.
46. The performance management framework in the ITT does make reference to the ‘HEAT standard – Waiting Time Target’ as being a measurement. This is a national standard which, for alcohol and drug treatment, is that *‘90 per cent of clients will wait no longer than three weeks from referral received to appropriate drug or alcohol treatment that supports their recovery’*. Performance against this measure is monitored through the quarterly performance reporting carried out by the ADP as detailed in paragraphs 48-51.
47. **Conclusion:** It is correct that the sole contractual target established by the ITT is for 90% of clients to wait no longer than three weeks to receive drug or alcohol treatment however Addaction’s performance is assessed against a wider range of factors than that one target.

Q8 – Confirm how performance against the quality indicators and/or recovery targets is monitored including consideration of whether performance monitoring allows comparison across the geographical areas of Argyll and Bute.

48. **Findings:** Addaction provide quarterly performance monitoring reports which are discussed in meetings attended by the ADP Coordinator, a Council Performance Improvement Officer (PIO) and an Addaction manager. The PIO uses this information to monitor Addaction on a quarterly basis against contractual criteria using a balanced scorecard approach which allocates scores across four component parts (quality, service, delivery and cost). The quarterly scorecard changes if the performance report provided by Addaction highlights a performance issue which would alter the overall risk rating for the contract. If the performance report does not highlight a material change in performance then the scorecard is not changed and it rolls forward into the next quarter. There is also a yearly scorecard which is a consolidation of all activity in year and the quarterly performance reports.
49. A review of Addaction performance reports confirmed they provide some of the information set out as ‘measurement’ in the ITT (for example service user feedback, a statement on referral numbers, a summary of care inspectorate reports and a sentence on meeting national waiting times and HEAT targets). However, as the format of the performance reports are not aligned to the ITT’s performance management framework, it is difficult to assess and evidence whether the outcomes required by the ITT are being delivered.

50. The Committee are presented with quarterly scorecard reports for Addaction which reflect trends across a number of performance measures. These scorecards have not historically broken down performance across the four geographical areas of Argyll and Bute however in May 2018 the Committee were presented with alcohol and drug reports which were specific to each of the four localities. This was the first time these reports had been made available. It would be beneficial to engage with the ADP Committee to determine whether they are satisfied with the current performance reporting and obtain feedback on where it could potentially be strengthened.

Action Plan 3

51. **Conclusion:** There are sound arrangements in place for performance monitoring by the Council and the ADP with regular reporting to Committee. This could potentially be improved by better aligning performance reports to the performance management framework and further exploring the provision of performance information which facilitates the comparison of performance across the four geographical areas of Argyll and Bute to help identify any areas of specific concern. However the ADP Committee should be consulted before making any changes to the current levels of performance reporting to ascertain whether they are of the view that any proposed changes would be of benefit.

ABAT

52. Queries 9 and 10 are duplicates of queries 7 and 8 except they relate to the performance monitoring of services delivered by ABAT rather than the services delivered by Addaction. The process followed by the ADP Coordinator and the PIO for ABAT performance monitoring is identical to that followed for Addaction and the quarterly scorecards presented to the Committee consolidate the Addaction and ABAT information. Therefore the information, actions, conclusions and recommended actions documented in paragraphs 45-51 are equally applicable to ABAT. They have not been documented again to avoid repetition.

Q11 – Confirm whether there is transparency over the manner in which ABAT is funded, the operation of the ABAT SLA and arrangements for monitoring and evaluating performance against the SLA.

53. **Findings:** For the sake of clarity it should be noted there is no formal document in place called the ABAT SLA. However there is a document called the 'ABAT Submission' which acts as an SLA and describes itself as an SLA within its introduction. For ease of reference, in this report, it shall be referred to as the ABAT SLA.

54. The ABAT SLA is funded by ADP, NHS Highland and the Council. The base value of the SLA, based on 2014/15 costs, is £1,036,407 with the funding split as follows:

- ADP - £760,000
- NHS Highland - £134,500
- Argyll and Bute Council - £141,907

55. The ABAT SLA confirms that the funding would be reviewed annually by the three parties taking account of:

- availability of funding

- pay awards and other pay cost adjustments
 - any savings requirements.
56. Funding reviews have taken place with, for example, there being a reduction in funding in the 2016/17 ABAT budget.
57. The 'award' of the ABAT SLA was not subject to competitive tendering as ABAT are a combination of NHS Highland and council officers providing a clinical service. These sorts of service are not subject to competitive tendering as there would be no alternative provider for the ADP to consider. Hence it is unusual for an SLA to be in place to manage the delivery of these type of services. This does not present a material audit concern so no action plan point has been raised however, in future, consideration should be given to whether it is an efficient use of scarce time and resource to establish an SLA for the delivery of services of this nature.
58. ABAT performance monitoring and report has been addressed through the responses to queries 7 and 8 as explained at paragraph 52.
59. **Conclusion:** The manner in which ABAT services are funded is clearly detailed in the ABAT SLA. It is recognised that the SLA is not a public document which may lead to a perception that ABAT funding is not transparent however it would not be normal practice for an SLA to be a public document. It was also noted that the ADP contribution to ABAT is detailed in the minutes for the Committee meeting held on 28 February 2017. This minute is available to the public via the ADP website. Conclusions on performance monitoring and reporting are detailed at paragraph 51.

5. Children 1st - Procurement / Extension

Q12 – Determine the nature of all contracts awarded to Children 1st totalling £847,357 in the period 2008-2018. Confirm, whether the contracts were awarded after competitive tendering and, if not, whether this was justifiable and appropriate.

60. **Findings:** From 2008 to 2018, including extensions, there were a total of ten agreements with Children 1st for the delivery of advocacy and abuse & trauma recovery services. These total £847,357.
61. Under council policy, when procuring services, if only one supplier can undertake the work required the purchasing officer can seek approval for a non-competitive action from the Procurement Team Leader and the relevant department personnel. The Council's procurement manuals (various versions between 2008 and 2018) state that *'Non Competitive Action is an exceptional procedure and should be strictly limited to certain situations and should be documented for audit purposes.'*
62. A review of the available documentation for each of the ten agreements highlighted that:
- There is no documentation for the original award for £60k covering the three year period 01/04/2008 – 31/03/2011. Confirmation has been received by verbal evidence that Children 1st were on the approved providers list when the contract was awarded and that the relevant procurement process at that time meant this was sufficient to award the contract.
 - The first two extensions (01/04/11 – 31/03/12 and 01/04/12 to 31/03/13) were instructed by the relevant service to the commissioning team. There is no documentary evidence to

support this decision as the documents are outwith the period for retention as per the Procurement Reform Act (Scotland) 2014 (refer to paragraph 64).

- The other seven extensions (dated between 01/04/13 and 31/03/2017) for both advocacy and abuse & trauma recovery services were awarded following the non-competitive action process. Documentation was in place to support this approach which had been approved by the appropriate officers in compliance with the relevant procurement manuals at the time the extensions were awarded.

63. The review of the seven extensions where there was approval of the non-competitive action highlighted that the approval was often provided a number of months after the commencement of the extended award. This means that, for those months, the service was being delivered without formal approval.

Action Plan 2

64. **Conclusion:** As the original award was ten years ago and the first two extensions for 2011/12 and 2012/13 are approximately seven and six years ago respectively it is considered acceptable that no supporting documentation was available for audit purposes. The Procurement Reform Act (Scotland) 2014 requires the Council to keep and maintain a contract register and includes provision for deletion of an entry after the contract expires or has been terminated. The current data retention policy for procurement documentation requires retention for a period of five years after the contract terminates. The appropriate approval was in place for each extension since 2013/14 however approval of non-competitive action should be provided prior to the contract extension being awarded rather than retrospectively

Q13 – Confirm whether Children 1st led an ADP external bid for external funding from which Children 1st would then benefit by £285k over a three year period.

65. **Findings:** In 2016 and 2017, Children 1st led on an external funding bid to Lloyds PDI (now Corra Foundation) with the support of the ADP to help finance the delivery of work with young people across Argyll & Bute. If successful the intention was to match fund the Lloyds PDI funding with ADP funds that the ADP had allocated to that area of work. Children 1st were bidding to undertake a coordination, monitoring and developmental role. Verbal evidence was provided that none of the ADP funds were due to go to Children 1st as their element was to be paid from the Lloyds PDI funding. In addition, the Lloyds monies would have provided a small amount of additional funds to local service providers. Progress made on this bid was reported to the Committee as evidenced by committee meeting minutes between October 2016 and August 2017. The August 2017 minute confirms that the bid was not proceeding at that stage.

66. The legality of the application was challenged by a member of one ADP local forum and the ADP Coordinator contacted NHS Highland regarding this matter. The NHS Highland officer confirmed verbally that there was no legal issue with the process adopted however to get this confirmation formally in writing from the Central Legal Office (who provide the public sector with legal advice and assistance) would have incurred a fee and this route was therefore not adopted.

67. **Conclusion:** Children 1st were the lead body in an external bid for funding. The bid was not progressed to the final stage and therefore no award was made. Consequently neither Children 1st, nor any other body, benefited.

Q14 - Confirm whether the contract award associated with the £285k funding was subject to a formal tender process and, if not, whether this was justifiable and appropriate. If the award was not subject to tendering then confirm whether this approach was discussed and cleared with other ADP partners.

68. **Findings/Conclusion:** As per paragraph 67 the Children 1st led bid for external funding was not progressed meaning there was no contract to be subject to formal tendering.

Appendix 1 – Action Plan

	No.	Finding	Risk	Agreed Action	Responsibility / Due Date
Medium	1	<p>Addaction Contract Extension</p> <p>There was a lack of clarity over who was responsible for awarding the Addaction contract extension. The wording of the ITT suggests it should be a Council decision and the ADP constitution does not make any reference to the Committee having the authority to award contracts.</p> <p>The actual decision was primarily taken by the independent ADP Chair on the basis of Addaction’s performance as evidenced by quarterly performance reports presented to the Committee. This decision was taken prior to the completion of the Addaction contract review.</p> <p>Clarity should be provided regarding authority to award contracts, and contract extensions, for services commissioned by the ADP with the text of relevant procurement and/or ADP governance documentation amended accordingly. This decision should be informed by the completion of a contract review as required by the terms of the ITT.</p>	<p>The award of contracts and/or contract extensions may be subject to legal challenge if they were not awarded by a person with the appropriate delegated authority.</p>	<p>Procurement and Commissioning Team Manager to liaise with ADP Co-ordinator to identify the appropriate authorised person in the ADP to award contracts. This authorised signatory will then be incorporated within our contract award recommendation report template.</p> <p>ADP governance structures will provide clarity on the responsibility for all decisions regarding contracts.</p>	<p>Argyll and Bute Council Procurement And Commissioning Manager 31 March 2019</p> <p>ADP Co-ordinator 31 March 2019</p>

Medium	2	<p>Approval of Non-Competitive Action</p> <p>Approval to commission services using a non-competitive action procurement approach is often provided retrospectively.</p>	<p>Services may be commissioned which do not represent value for money.</p>	<p>Procurement and Commissioning Team Manager to instruct PCT at team meeting to ensure all non-competitive action procurement approaches are completed in advance of contract award date.</p>	<p>Argyll and Bute Council Procurement And Commissioning Manager 31 October 2018</p>
Low	3	<p>Performance Reporting</p> <p>Addaction and ABAT provide performance monitoring reports which are reviewed by the ADP Coordinator and a Council Performance Improvement Officer and used to inform the quarterly performance scorecards reported to Committee.</p> <p>The performance reports provide some of the information set out as 'measurement' in the Addaction ITT and ABAT SLA however the formats of the reports are not aligned to the performance management frameworks in the ITT and SLA which can make it difficult to assess and evidence whether the outcomes required by the ITT are being delivered. In May 2018 the Committee were presented with alcohol and drug reports which were specific to each of the four localities. This was the first time these reports had been made available.</p> <p>It would be beneficial to engage with the ADP Committee to determine whether they are satisfied with the current performance reporting and obtain feedback on where it could potentially be strengthened.</p>	<p>Failure to deliver against the outcomes established in the ITT and SLA may not be identified by performance monitoring.</p>	<p>ADP Committee will be consulted on the level of performance reporting they require from ABAT and Addaction.</p>	<p>ADP Co-ordinator 31 March 2019</p>

Low	4	<p>Annual Review of Chair</p> <p>Annual reviews of the Chair, as required by the job specification, were not carried out over the three year period of his appointment.</p>	<p>Failure to conduct an annual review may lead to ineffective decision making.</p>	<p>The appointment process for the Chair is to be considered by the IJB in September 2018 as part of a wider review of the ADP's governance arrangements. Once agreement is reached on the process to be adopted consideration will be given to the need for annual reviews.</p>	<p>ADP Co-ordinator 31 December 2018</p>
Low	5	<p>ADP Constitution</p> <p>The Chair has introduced material changes to the structure of the ADP which are not reflected in the ADP's constitution. It also names a number of sub-groups which no longer exist. The constitution would benefit from a review to reflect these specific issues but also more widely to ensure it reflects current working practices.</p>	<p>There may be a lack of clear guidance for Committee members on the operation and internal management of the ADP.</p>	<p>Constitution will be reviewed, amended and agreed by the ADP.</p>	<p>ADP Co-ordinator 31 March 2019</p>

In order to assist management in using our reports a system of grading audit findings has been adopted to allow the significance of findings to be ascertained. The definitions of each classification are as follows:

Grading	Definition
High	A major observation on high level controls and other important internal controls or a significant matter relating to the critical success of the objectives of the system. The weakness may therefore give rise to loss or error.
Medium	Observations on less significant internal controls and/or improvements to the efficiency and effectiveness of controls which will assist in meeting the objectives of the system. The weakness is not necessarily substantial however the risk of error would be significantly reduced if corrective action was taken.
Low	Minor recommendations to improve the efficiency and effectiveness of controls or an isolated issue subsequently corrected. The weakness does not appear to significantly affect the ability of the system to meet its objectives.

Appendix 2 – Audit Opinion

Level of Assurance	Definition
High	Internal control, governance and the management of risk are at a high standard. Only marginal elements of residual risk have been identified with these either being accepted or dealt with. A sound system of control designed to achieve the system objectives is in place and being applied consistently.
Substantial	Internal control, governance and the management of risk is sound. However, there are areas of weakness which put some system objectives at risk and specific elements of residual risk that are slightly above an acceptable level and need to be addressed within a reasonable timescale.
Reasonable	Internal control, governance and the management of risk are broadly reliable. However, whilst not displaying a general trend, there are a number of areas of concern which have been identified where elements of residual risk or weakness may put some of the system objectives at risk.
Limited	Internal control, governance and the management of risk are displaying a general trend of unacceptable residual risk above an acceptable level and placing system objectives are at risk. Weakness must be addressed with a reasonable timescale with management allocating appropriate resources to the issues raised.
No Assurance	Internal control, governance and the management of risk is poor. Significant residual risk and/or significant non-compliance with basic controls exists leaving the system open to error, loss or abuse. Residual risk must be addressed immediately with management allocating appropriate resources to the issues.