

AUDIT COMMITTEE

Date of Meeting	Wednesday 24 January 2018
Report Subject	Contract Management
Cabinet Member	Cabinet Member for Corporate Management and Assets
Report Author	Chief Officer (Governance)
Type of Report	Operational

EXECUTIVE SUMMARY

In November 2016 the Council adopted revised Contract Procedure Rules (CPRs). At the time some Members raised concerns about how the existing rules were applied to the management of contractors. Officers agreed to report back after 12 months on contract management.

Internal Audit carried out a review jointly with Denbighshire County Council in light of the collaborative procurement service and similar CPR's. In summary the review found:

1. There is now a process for monitoring contractor performance which is being set up on the Council's e procurement solution
2. Training on the contract management module of the e procurement solution has been offered
3. The CPR's state that contract management should be recorded on the e procurement solution
4. Contract management is taking place but is not always being recorded on the e procurement solution even where, in a small number of cases, training on how to do so has been undertaken
5. There are examples of contracts not being signed or recorded on the contracts register
6. For longer term contracts it is not clear who is to review documentation such as insurance and to check on financial standing

An action plan to address the shortcomings has been agreed. Steps to be taken include:

- Further training will be provided on:
 - recording contracts over £25,000 in the contracts register
 - recording contractor performance monitoring on the e procurement solution
 - using the system to prompt and record annual documentation checks

- All Procurement Category Managers will ensure that, for contracts over £25,000, a signed contract is in place before a purchase order is raised and approved and that the contract is recorded on the contract register.

RECOMMENDATIONS

1	That Members are assured that the remedial actions identified will, if implemented, address the control weaknesses identified.
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REPORT DETAILS

1.00	CONTRACT PROCEDURE RULES
1.01	When the Council adopted revised CPR's in November 2016 some Members of the Audit Committee shared concerns about contract management. Officers agreed to report back on the issue. Internal Audit therefore carried out a review of contract management. In light of the fact that Denbighshire County Council hosts the collaborative procurement unit and has adopted similar CPR's, the review was undertaken jointly with each service carrying out an audit of different parts of the procurement process in both councils.
1.02	Following approval of the revised CPR's training was provided to 76 people across 6 sessions. The training covered the need to record contract management data on the e-procurement system. Further sessions covered another 47 people who have been trained on using the contract management element of the e-procurement system. Those systems users who have not attended training have been identified and have been targeted with invitations to training.
1.03	Internal Audit conducted its review during late 2017 after the training (mentioned above) had been delivered. The report is attached at Appendix A. It's key findings, in summary, are: <ol style="list-style-type: none"> 1. There is now a process for monitoring contractor performance which is being set up on the Council's e procurement solution 2. Training on the contract management module of the e procurement solution has been offered 3. The CPR's state that contract management should be recorded on the e procurement solution 4. Contract management is taking place but is not always being recorded on the e procurement solution even where, in a small number of cases, training on how to do so has been undertaken 5. There are examples of contracts not being signed or recorded on the contracts register 6. For longer term contracts it is not clear who is to review documentation such as insurance and to check on financial standing
1.04	The key point to note is that contract management is taking place. Unfortunately, it isn't being recorded so there is the potential that a

	contractor might perform badly for one service and then be awarded a contract centrally by another service in ignorance of those problems. This may, in part, have been due to the absence of a pro-forma for consistent recording of management data on the e-procurement system. That proforma is now in place and contract managers are being trained on its use.
1.05	A number of other failings were identified at the time of the review including: <ul style="list-style-type: none"> I. Only 16.6% of contractors reviewed were recorded in the central contract register. II. Only 16.6% of the contracts reviewed had signed documentation in place. III. Not all users of the e-procurement system had undertaken training on how to record contract management on the system and a small proportion of those who had done so had not accessed the system since.
1.06	There is an agreed action plan attached to the audit report. The list of remedial actions includes: <ul style="list-style-type: none"> • Further training will be provided on: <ul style="list-style-type: none"> ○ recording contracts over £25,000 in the contracts register ○ recording contractor performance monitoring on the e procurement solution ○ using the system to prompt and record annual documentation checks • All Procurement Category Managers will ensure that, for contracts over £25,000, a signed contract is in place before a purchase order is raised and approved and that the contract is recorded on the contract register

2.00	RESOURCE IMPLICATIONS
2.01	There is no evidence of any financial loss to the Council arising out of the non-compliances. However, it is possible that officers are appointing contracts in ignorance of their poor performance and are thus needing to spend more time on performance. Likewise, the failure to record contracts on the contract register means that it is not possible to, amongst other things, plan strategically for a collaborative procurement on their expiry.

3.00	CONSULTATIONS REQUIRED / CARRIED OUT
3.01	None

4.00	RISK MANAGEMENT
4.01	Failure to address the findings in the Internal Audit risks the continuance of non-compliance with our rules and increases the potential for poorly performing contractors to continue to deliver under-performing services

	without consequence.
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5.00	APPENDICES
5.01	Appendix A – Internal Audit Report

6.00	LIST OF ACCESSIBLE BACKGROUND DOCUMENTS
6.01	<p>None</p> <p>Contact Officer: Gareth Owens, Chief Officer (Governance) Telephone: 01352 70 2344 E-mail: gareth.legal@flintshire.gov.uk</p>

7.00	GLOSSARY OF TERMS
7.01	<p>Category Manager – a senior procurement officer with responsibility for procuring contracts for specific goods and services such as IT contracts or construction contracts, (rather than procuring every contract on behalf of a particular Portfolio)</p> <p>Contract Procedure Rules – rule and procedures that ensure that contracts are awarded based on open and transparent competition</p>