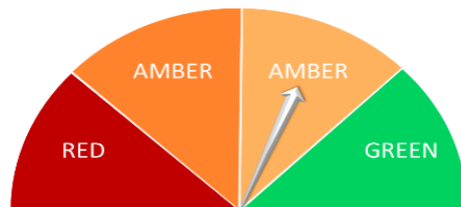


Flintshire Internal Audit

Audit Report

Title: Procurement (2016/17)
Portfolio: Governance
Issued Dated: January 2018
Report No: 21-2016/17
Report Status: Final Report

Audit Opinion



Internal Audit engagements are conducted in conformance with the Public Sector Internal Audit Standards.

1. Executive Summary:

Introduction and Scope:

As part of the Internal Audit annual plan for 2016/17 a joint review with Denbighshire County Council (DCC) of Procurement was undertaken.

Flintshire County Council's procurement spend in the financial year 2016/17 was £144,593,401

Denbighshire County Council's procurement spend in the financial year 2016/17 was £97,558,551

In November 2016 Flintshire County Council launched new Contract Procedure Rules (CPR's). The new CPR's aimed to provide more clarity and to be much easier to understand and follow than the previous version, which should lead to increased compliance over time. A significant amount of training was provided when the new CPRs were launched to further enhance understanding.

Our review concentrated on contractor management, performance monitoring and the operation of e-procurement across the Authority.

Whereas the DCC review concentrated on the tendering stage of the procurement process.

We included some of DCC's contracts in our sample testing and they covered some of FCC contracts in theirs. We will take account of the outcome of DCC's review in future procurement projects and plan to work jointly with them in future if possible.

Audit Opinion:

In each report we provide management with an overall assurance opinion on how effectively risks are being managed within the area reviewed. Appendix A of the report details our assurance levels:

Assurance:	Explanation
Amber Green - Reasonable	<p>Reasonable Assurance – Key Controls in place but some fine tuning required (one or more of the following)</p> <ul style="list-style-type: none"> • Key controls exist and are weaknesses and/or inconsistency in application though no evidence of any significant impact • Some refinement or addition of controls would enhance the control environment • Key objective could be better achieved with some relatively minor adjustments <p>Conclusion: key controls generally operating effectively.</p>

The table below highlights the number and priority of agreed actions to be implemented.

Priority	High (Red)	Medium (Amber)	Low (Green)	Total
No.	0	7	0	7

2. Summary Findings:

Areas Managed Well	Areas for Further improvement
<ul style="list-style-type: none"> • There is an e-sourcing system in place to capture all contracts and to detail contractor performance. • Training on the e-sourcing system has been offered to Contract Managers. • The Contract Procedure Rules clearly state that Contract Officers should use the e-sourcing system to capture all contracts and to detail contractor performance. • Contract Officers are monitoring the performance of contractors in a variety of ways on departmental systems (both manually and electronically) but not on the e-sourcing system. 	<ul style="list-style-type: none"> • In all of the contracts there was evidence of performance monitoring of contractors typically: site visits, progress meetings, quarterly performance reports, checking that the work is carried out as per the specification etc. However, this process is not recorded centrally on the e-sourcing system. • Therefore the performance of contractors is not held in one central location viewable by all contract officers and as such it is possible that a contractor who performed poorly in one portfolio area could subsequently be used to carry out work in another portfolio area. • This was compounded by the fact that at the time of the review there was no generic performance template for Contract Officers to score the contractors and upload on to the e-sourcing system i.e. it is not easily identifiable from contractor monitoring information as to whether the contractor performed well or poorly. • Not all Contract Managers have received the e-sourcing training, and a small percentage of those that did receive the training, had not accessed the e-sourcing system. • Those officers who had received the training were not aware that contractor performance monitoring information is to be recorded centrally on e-sourcing system even though this is stipulated specifically in the CPR's. • It is unclear as to whose responsibility it is to carry out contractor vetting on longer term high value contracts i.e. reviewing the financial standing of the contractors, relevant insurances, Health & Safety documentation etc. • Appropriately signed contracts were not always in place before works commenced. • The majority of the contracts were not recorded on the Proactis Contracts Register.

3. Action Plan:

Priority	Description
High (Red)	Action is imperative to ensure that the objectives of the area under review are met.
Medium (Amber)	Requires action to avoid exposure to significant risks in achieving the objectives of the area.
Low (Green)	Action encouraged to enhance control or improve operational efficiency.

No.	Findings and Implications	Agreed Action	Who	When
1 (A)	<p>From sample testing carried out it became apparent that:</p> <ul style="list-style-type: none"> Contract officers are not entering all contracts above £25,000 onto the Proactis Contracts Register (16.6% of the sample had been entered onto the Proactis Contracts register). Contract officers state they are not aware of how to send out email reminders on the e-sourcing solution for annual financial checks, insurance checks, Health & Safety policy checks and Equal Opportunity Policy checks etc. on longer duration contracts. Contract officers state they are not aware of how to enter contractor performance and management information onto the e-sourcing solution (0% of the sample had entered contractor performance and management information onto the e-sourcing solution). At the time of the audit review there was no supplier performance management template in operation to score contractors in a consistent and standardised manner. <p>The majority of the control weaknesses highlighted above are a failure to comply with the Contract Procedure Rules.</p>	<p>The Category Manager- Strategic Procurement to carry out refresher training sessions for all relevant Contract Officers focusing on the areas highlighted in this report. These refresher training sessions to be mandatory for all relevant contract officers. Training to include the following topics</p> <ul style="list-style-type: none"> Contract officers to be reminded and re-trained to enter all contracts above £25,000 onto the Proactis Contracts Register. Specific re-training to be given to Contract Officers on how to send out email reminders on the e-sourcing solution for annual financial checks, insurance checks, Health & Safety policy checks and Equal Opportunity Policy checks etc. on longer duration contracts. Specific re-training to be given on how to enter all contractor performance and management information onto the e-sourcing solution. Contract officers to receive training to enable them to consistently monitor the performance of contractors on the e-sourcing solution. Contract Officers to be trained to use the supplier performance management template 	Arwel Staples	31/08/18

No.	Findings and Implications	Agreed Action	Who	When
		<p>and to upload the results to the e-sourcing solution.</p> <ul style="list-style-type: none"> Contract Officers to be reminded that approved lists should not be used for the appointment of contractors and that an appropriate procurement must be carried out. <p>A record should be kept of all officers who have received the training.</p> <p>Additionally any officers requesting access to the system for the first time i.e. new users should undergo training before being allowed to use the system.</p> <p>Efforts should be made to ensure that all current users of the system have undergone training i.e. a comparison should be made between the training records held and the current users of the system. Any current users who have not received the training should be requested to do so.</p> <p>URN 02010</p>		
2 (A)	<p>CPR 1.11.1. states that 'the council will seek to replace all of these approved lists with more formal procurement arrangements by 31st March 2017'. It is presumed that the intention was to stop using Approved Lists. However, it was found that the Flintshire County Council Approved List is still being used. Additionally there are other approved lists in operation across the Authority. Internal Audit will carry out a follow up review to check that approved lists are not being used to appoint contractors.</p>	<p>A reminder should be sent to all Chief Officers to remind them that Approved Lists are not to be used to appoint contractors and that Council Officers must use an appropriate procurement process as required by the Contract Procedure Rules.</p> <p>URN 02011</p>	Gareth Owens	31/01/18

No.	Findings and Implications	Agreed Action	Who	When
3 (A)	<p>In all of the contracts in the sample there was evidence of performance monitoring of contractors typically: site visits, progress meetings, quarterly performance reports, checking that the work is carried out as per the specification etc.</p> <p>However this performance information is held in a variety of locations including financial systems, individual drives on pc's and in hard copy format.</p> <p>Contractor performance and management information is not held within the e-sourcing solution.</p> <p>Contract Officers stated that performance and monitoring information is not held on the e-sourcing solution either because the officers do not know how to use the system and those that do are of the opinion that the system needs further development before performance information can be uploaded in a meaningful way.</p> <p>Discussions were held with the then Strategic Procurement Manager who stated that the contractor performance monitoring module on e-sourcing system needs further development before it can be fully utilised by contract officers.</p> <p>At the time of the audit review there was no generic contractor performance template in place to consistently score contractor performance across the Council</p> <p>A supplier performance management template has now been designed.</p> <p>The implication for the Authority is that the performance of contractors is not held centrally in one location viewable by all contract officers in a consistent format.</p>	<p>The supplier performance management template is now available in Proactis for completion by contract officers. Contract officers will receive a reminder from Proactis to use the contract management module. All relevant contract officers should receive notification so they know the supplier performance management template is available and must be used.</p> <p>URN 01649</p>	Arwel Staples	30/03/2018

No.	Findings and Implications	Agreed Action	Who	When
	As such it is entirely possible that a contractor who performed poorly in one portfolio area could subsequently be used to carry out work in another portfolio area without the contract officer being aware of previous poor performance.			
4 (A)	The majority of the control weaknesses highlighted in this report are due to a lack of compliance with the Contract Procedure Rules which form part of the Constitution of the Authority.	Contract Officers to be instructed to comply with the requirements of the Contract Procedure Rules. URN 1691	Gareth Owens	31/01/2018
5 (A)	Tests were carried out to establish how many signed contracts were in place for the sample selected; it was found that only 16.6% had a signed contract in place before work starts. The implication of not having a signed contract in place is that it will be difficult to resolve any disputes and problems that may arise with the contractor without a legally enforceable contract in place.	The Category Manager - Strategic Procurement should issue an instruction to all Procurement Officers that prior to them approving purchase orders over the value of £25,000 that they should satisfy themselves that an appropriately signed (and where applicable sealed) contract is in place and that this must be scanned onto the e-sourcing solution. URN 1660	Arwel Staples	28/02/2018
6 (A)	It is the responsibility of each individual Contract Officer to enter all contracts over the value of £25,000 into the e-sourcing solution. Testing was carried out to ensure that this was operating in practice. The audit sample was extracted from the financial ledger and it was noted that only 2/6 contracts were recorded on the e-sourcing solution. Amongst those not recorded were the Waste Treatment Contract with Thorncliffe (£3.3 million) and the £2,119,256.50 contract with the National Autistic Society for support of three people who have a Complex Learning Disability at No 6 Jasmine Court Mold. Both significantly high value contracts.	The Category Manager- Strategic Procurement will develop a spend analysis report/template for each service area. This will then be discussed with each service area. Each service area will be required to populate the report/template with basic contract register particulars and return the completed report/template to the Category Manager- Strategic Procurement. URN 1648	Arwel Staples	31/05/18
7 (A)	To ensure compliance with agreed action 1648 a designated officer should monitor the progress of the completion of each specific service spend analysis/report template.	The Chief Officer – Governance will ensure the timely completion of each specific service area spend analysis report/template.	Gareth Owens	30/09/18

No.	Findings and Implications	Agreed Action	Who	When
		URN 1695		

4. Distribution List:

Name	Title
Gareth Owens	Accountable Officer for the Implementation of Agreed Actions
Gareth Owens	Chief Officer (Governance)
Helen Makin	Legal & Procurement Operations Manager
Arwel Staples	The Category Manager- Strategic Procurement
Lee Evans	Procurement Systems Officer & Data Analyst

Appendix A - Audit Opinion:

The audit opinion is the level of assurance that Internal Audit can give to management and all other stakeholders on the adequacy and effectiveness of controls within the area audited. It is assessed following the completion of the audit and is based on the findings from the audit. Progress on the implementation of agreed actions will be monitored. Findings from **Some** or **Limited** assurance audits will be reported to the Audit Committee.

Assurance	Explanation
Green - Substantial	<p>Strong controls in place (all or most of the following)</p> <ul style="list-style-type: none"> • Key controls exist and are applied consistently and effectively • Objectives achieved in a pragmatic and cost effective manner • Compliance with relevant regulations and procedures • Assets safeguarded • Information reliable <p>Conclusion: key controls have been adequately designed and are operating effectively to deliver the key objectives of the system, process, function or service.</p>
Amber Green - Reasonable	<p>Key Controls in place but some fine tuning required (one or more of the following)</p> <ul style="list-style-type: none"> • Key controls exist but there are weaknesses and / or inconsistencies in application though no evidence of any significant impact • Some refinement or addition of controls would enhance the control environment • Key objectives could be better achieved with some relatively minor adjustments <p>Conclusion: key controls generally operating effectively.</p>
Amber Red - Some	<p>Significant improvement in control environment required (one or more of the following)</p> <ul style="list-style-type: none"> • Key controls exist but fail to address all risks identified and / or are not applied consistently and effectively • Evidence of (or the potential for) financial / other loss • Key management information exists but is unreliable • System / process objectives are not being met, or are being met at an unnecessary cost or use of resources. <p>Conclusion: key controls are generally inadequate or ineffective.</p>
Red - Limited	<p>Urgent system revision required (one or more of the following)</p> <ul style="list-style-type: none"> • Key controls are absent or rarely applied • Evidence of (or the potential for) significant financial / other losses • Key management information does not exist • System / process objectives are not being met, or are being met at a significant and unnecessary cost or use of resources. <p>Conclusion: a lack of adequate or effective controls.</p>