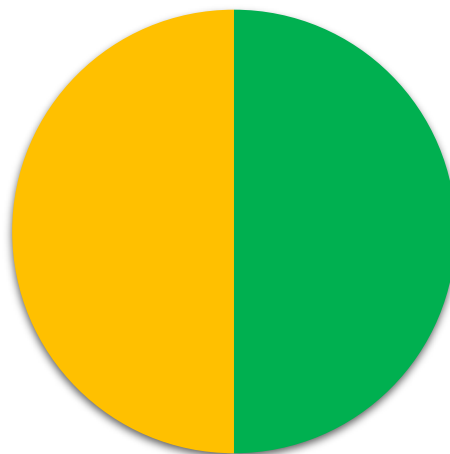


Report Summary for Contract Management Review 19/20

Overall Assurance opinion



■ Comprehensive
 ■ Substantial
 ■ Limited
 ■ Minimal

Comprehensive Assurance	Substantial Assurance	Limited Assurance	Minimal Assurance
	<ul style="list-style-type: none"> Contracts are managed in line with the Commercial Strategy and organisational governance structure. Contracts are managed by skilled and knowledgeable staff. 	<ul style="list-style-type: none"> Contracts are being managed well, delivering value for money through their lifecycle. Contracts are administered well with an established timetable in place for key decision making. 	

Guide to the audit assurance opinions	
Comprehensive	There is a sound system of controls designed to meet objectives, manage risks and controls are consistently applied in all the areas reviewed
Substantial	There is a good system of controls and risks are managed. However, there are opportunities for improvement in the design or consistency of application that will assist in the achievement of objectives identified as being at risk in the areas reviewed.
Limited	Key controls exist to help achieve objectives and manage principle risks. However, there are opportunities for improvement in the overall control environment which would enhance the design and application of controls, thereby assisting the achievement of objectives identified as being at risk in the areas reviewed.
Minimal	The absence of basic key controls or the inconsistent application of key controls is so severe that the audit area is open to abuse or error. Risks to objectives are not being managed.

Agreed Action Criteria	
High	There is a control vulnerability that could result in failure to achieve corporate objectives, reputational damage, lead to material loss, exposure to serious fraud or failure to meet legal or statutory requirements. This includes material non-compliance with the Constitution, Financial Regulations or Council policies and procedures. Managers should address high priority recommendations urgently to rectify the situation.
Medium	The system or procedure lacks adequate control that could result in failure to achieve operational objectives, non-material loss, or non-compliance with departmental operational or financial procedures. This would also include minor non-compliance with Financial Regulations. Although not fundamental to system integrity these risks should be addressed promptly as the next priority.
Low	To implement this would be good practice to improve or enhance the system and the achievement of objectives. Several low risks in combination may give rise to concern.

Scope and Objective

Internal audits mission is to enhance and protect organisational value and support the Council Plan by providing risk based and objective assurance, advice and insight.

The Assurance, Risk and Audit Team endeavour to add value and improve Allerdale Borough Council's operations and help to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

As part of the 2019/20 Assurance Risk and Audit Plan, a review has been undertaken of the controls and procedures in place in respect of Contract Management. The aim of this review is to provide management with assurance that controls, governance and risk management activities are robust and operating as intended, that mitigating actions are in place to manage the key corporate risks for this area as recorded by the risk owner and provide recommendations for improvements to add value, if appropriate.

Information and evidence was gathered using a number of techniques including transactional testing, observations and questionnaires.

As audit work is controlled by the areas identified in the audit scope and is primarily sample based, full coverage of the system and complete assurance cannot be given to an audit area.

Assurance Risk and Audit would like to thank all staff involved during the course of the review for their help and assistance.

Areas of good practice:

The Procurement Team have worked hard over the last few months to obtain contracts register information from contract owners and should be commended for this.

The Sports Arts and Leisure Officer who is the contract manager for Greenwich Leisure Limited (GLL) has consistently demonstrated good working practices in respect of contract management ideals.

Agreed Actions		
High	Medium	Low
0	5	2

Area(s) for improvement
3 areas for improvement were suggested.

Assurance Area	Risks/Weaknesses	Actions plan/Agreed Actions
<p>Contracts are managed in line with commercial strategy and organisational governance structure</p>	<p>A pro-forma Contract Management brief is available on the intranet but it is not widely used and no evidence of completed handover documentation was received during testing. A survey to all named contract managers reported that in 73% of cases there had not been a handover from the tendering/awarding team to the contract manager.</p> <p>Although basic expectations for contract managers are shown in both the Constitution and Financial Regulations, testing identified that there was no clear governance arrangements, standardised systems, controls and reporting structures in place.</p>	<p>Area of Improvement 1</p> <p>A documented, single event handover meeting involving all key staff during the transition from procurement/award stage to contract management should be completed for all procurements as good practice.</p> <p>This would give the contract manager the opportunity to review the scope of the contract, the expected outcomes, establish clear lines of reporting and complete the Contract Management Brief, it would also provide the opportunity to ensure that key contractual documents are shared and stored securely. A Contract Management handover form should be completed as evidence of this.</p>

<p>Contracts are managed by skilled and knowledgeable staff</p>	<p>The Contract Register detailed the ownership of contracts, however testing identified that the information held was incorrect, with three of the five samples tested having a different contract manager named on the contract register to the actual designated officer who managed the contract. 27 contracts were detailed as being held by two members of staff who are no longer employed by Allerdale.</p> <p>All contract managers interviewed during testing were suitably experienced and knowledgeable officers.</p> <p>Three contracts/ or contract managers reviewed during testing did not evidence clear objectives and/or lines of reporting.</p>	<p>Area of Improvement 2</p> <p>As part of the Exit Interview/procedures, there should be a handover meeting between the outgoing contract manager and the new contract manager and the Contract Register should be updated accordingly.</p> <p>Agreed Action 1</p> <p>Priority Low</p> <p>Responsibility: Finance Manager – 30 June 2020</p> <p>Financial Regulations should be updated with a clear set of expectations of the role and responsibilities of a contract manager should be established and distributed to all contract managers. These expectations could be used for performance measurement as part of the WGLL appraisal process.</p>
<p>Contracts are being managed well, delivering value for money through its lifecycle</p>	<p>There is no clear policy for the management of contracts.</p> <p>Of the five contracts tested, four adopted a reactive review approach to contract management, managing the client only where there were performance issues. Two of the samples did not provide evidence of monitoring</p>	<p>Agreed Action 2</p> <p>Priority Medium</p> <p>A consistent contract management approach should be established, driven by risk, value and the strategic importance of the contract; the higher risk and/or value or the more strategically</p>

	<p>supplier performance against agreed Key Performance Indicators (KPI).</p> <p>One sample demonstrated good contract management practices with clear objectives, well documented key performance indicators and established lines of reporting.</p> <p>The survey reported that whilst 100% of contract managers reviewed supplier performance, only 25% are monitoring through a performance framework, 37.5% are reviewing performance monthly and 37.5% are undertaking a reactive review. One strategic contract, despite being identified by the Heads of Service as a service area risk, had no agreed performance indicators and relied completely upon the supplier to self-report in respect of performance management.</p> <p>Inspection of the Corporate Risk Register and the Head of Services Risk meetings minutes confirm that necessary risks have been identified and are monitored regularly.</p> <p>Testing identified that two from five sampled had robust contingency plans in respect of short term critical supplier failure, a third sample advised that the supplier had their own contingency plans in place but evidence was not supplied. Only one sample had contingency plans for</p>	<p>important the contract is, the more comprehensive the contract management approach should be.</p> <p>Response – Completed during draft report stage. A new Contract and Supplier Management Assessment Tool has been produced by The Procurement team.</p> <p>Agreed Action 3</p> <p>Priority Low</p> <p>Responsibility: Procurement Manager – 31 December 2020</p> <p>All Officers and Managers who are involved in contract management should attend training to outline the expectations of contract management. Good practice guides should be uploaded to the intranet to reinforce the learning.</p> <p>Agreed Action 4</p> <p>Priority Medium</p> <p>Responsibility: Procurement Manager – 30 June 2020</p> <p>Based on the risk/value matrix, contract managers should develop contingency plans for strategic contracts and critical suppliers in the</p>
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	<p>discontinuity of service/supplier failure. Managers need to consider and plan for the possibility of supplier failure or default to ensure that services to customers continue to be delivered to minimise reputational damage and/or financial repercussions.</p> <p>Finance Business Partners hold a critical friend role in respect of budget monitoring, challenging budget holders in relation to year-end outturns for cost centres rather than monitoring and reporting individual contracts. No evidence was received for individual contract budget monitoring.</p>	<p>event of long term or permanent supplier failure or default.</p> <p>Area of Improvement 3</p> <p>Consideration should be given to the use of project codes for the monitoring of contract expenditure particularly where contracts have been identified for a more comprehensive contract management approach.</p>
<p>Contracts are administered well with an established timetable in place for key decision making</p>	<p>Ten contracts were selected for inspection however only four were accounted for with either the hard copy or e-contract obtainable. A signed copy of the contract should be available in case of contractual dispute or litigation.</p> <p>A significant amount of work has been undertaken by the Procurement Team in the creation and management of the Contract Register. Testing confirmed all contracts selected were recorded on the register although there were minor omissions in the register for three of the five samples selected.</p>	<p>Agreed Action 5</p> <p>Priority Medium</p> <p>All original or hard copy contracts should be forwarded to Legal Services to ensure that they are correctly recorded and stored. Wherever possible, the signed contract should be scanned and stored securely to allow easy access for key staff. Wherever possible this should be done before the contract commences.</p>

	<p>The Contracts Register makes provision for the review date in support of the commissioning and procurement process, of the five samples selected, two have already begun the commissioning process in preparation for the end of the contract, two are mid-contract however one contract for a statutory service expired and there was no documentation provided to support the agreement to roll the contract over on a month by month basis.</p> <p>It is of paramount importance to allow sufficient time to complete the commissioning undertaking, particularly when this involves a tender/OJEU process.</p>	<p>Agreed Action 6</p> <p>Priority medium</p> <p>Responsibility: Procurement Manager – 30 June 2020</p> <p>The contract register should be fully completed by the service areas and hold the most up to date contract manager details. The register could be further expanded to assist in the procurement planning process this would highlight the Contract Managers need to plan for the end of the contracts in line with the Commissioning and Procurement Strategy.</p> <p>Agreed Action 7</p> <p>Priority Medium</p> <p>Responsibility: Procurement Manager 31 March 2020</p> <p>Contract expiry dates should be monitored via the Contracts Register to allow suitable time to commence the commission process if required.</p>
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