



## Purpose & Background Information

Our original review of the Joint Corporate Procurement Unit was completed in May 2018 giving a low assurance rating because of:

- A lack of documented progress being made against the primary objectives outlined in the business case for the creation of the Joint Corporate Procurement Unit (JCPU);
- The JCPU and Joint Procurement Board (JPB) identified weaknesses in governance arrangements:-
  - Insufficient scrutiny and monitoring;
  - Little reporting to the relevant Council committees to update members on progress towards the JCPU;
  - Delay in the procurement strategy across the two Councils;
  - Inadequate arrangements for measuring and reporting efficiency savings and performance;
- Concerns about the different corporate/procurement culture between the two organisations were evident.

Internal Audit carry out a follow up review of all audits that receive a low assurance rating and as well as any high or major risk issues. This provides assurance to management and those charged with governance that the agreed actions identified at our initial audit visit has been implemented, or suitable progress is being made to address the areas of concern. This enables us to reconsider the overall assurance opinion and provide an updated opinion where appropriate.

It should be noted that the updated opinion is based on the assumption that systems and controls as previously identified during the original audit remain in operation and are being complied with in practice. The purpose of our follow up exercise is not to retest the operation of controls which have already been assessed, but to review how management has responded to the action plans following our initial work.

## Audit Opinion

The follow up review has confirmed the Procurement Team has made progress against the action plan and has addressed some of the risk issues identified during the original review. A number of the actions to address the risks issues have been implemented, which have strengthened the controls in place.

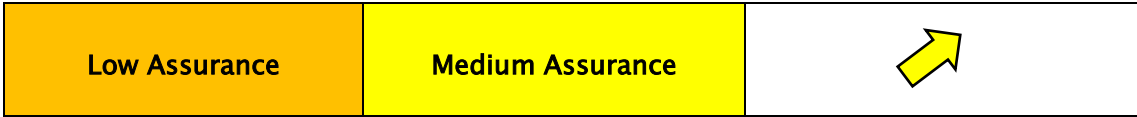
The Legal and Procurement Operations Manager completed a review of the Procurement Strategy in November 2018, but due to the limited availability of Senior Officers and little in the way of feedback, the re-draft of the Procurement Strategy was delayed until March 2019. Further amendments were then required by FCC relating to the adoption of the Ethical Code of Employment, and these amendments are still outstanding from FCC. The Legal and Procurement Operations Manager plans to finalise the Procurement Strategy by the end of June 2019 dependent upon receiving amendments from FCC. In addition, the Legal and Procurement Operations Manager is taking a report to DCC Cabinet in June 2019 relating to DCC adopting the Ethical Code of Employment, which may require some small amendments to the DCC revised Procurement Strategy. The Legal and Procurement Operations Manager anticipates that the strategy will be ready by the end of June 2019 to be issued for consultation across the Council.

The CET and SLT have agreed for the Legal and Procurement Operations Manager to attend a future meeting to present the Procurement Strategy.

The Legal and Procurement Operations Manager is currently gathering the information needed to produce the annual report for Cabinet, with the intention of presenting the report to both councils' cabinets in September 2019.

Overall, good progress has been made in addressing the risks issues identified during the original review. Once the Procurement Strategy is completed, this will address a number of the remaining issues. A further follow up will be carried out to review the progress made on the outstanding actions. Based on the progress made to date we are providing a 'Medium Assurance'.

Audit Opinion as at May 2018	Audit Opinion as at May 2019	Direction of Travel
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## Action Plan

**Audit Follow-up Review of:**      **Joint Corporate Procurement Unit**  
**Date:**                                      **May 2019**  
**Action Plan Contact:**              **Legal and Procurement Operations Manager**

Progress with Implementing Agreed Actions		
Previous	Current	Risk Rating
0	0	<b>Critical</b>
4	1	<b>Major</b>
9	3	<b>Moderate</b>

<b>Risk Issue 1</b>	Weaknesses in governance arrangements, including insufficient scrutiny and challenge of service delivery and performance, to ensure the achievement of objectives and expected outcomes detailed in the 2014 business case supporting the development of the JCPU
<b>Underlying Weakness</b>	<p>Our review of governance arrangements identified;</p> <ul style="list-style-type: none"> <li>There is inadequate scrutiny of JCPU objectives and outcomes by Joint Procurement Board (JPB) and by relevant Council committees to address lack of progress with achieving the primary objectives of the JCPU business case around Efficiency, Capacity and Markets (1.1).</li> <li>Delays in the alignment of procurement strategy and procurement activity across the two Councils. Recent changes, e.g. board membership and corporate priorities, means that the strategy contains out of date information (1.2).</li> <li>Limited processes in place for measuring and recording efficiency savings achieved through collaborative procurement. There is no evidence that efficiency savings and benefits have been reported to the JPB (1.3).</li> <li>Limited evidence of reporting of KPI's to the JPB / no robust targets in place for KPI's (1.4).</li> <li>Insufficient systems for recording and monitoring the split of procurement staff time across the two Councils (1.5).</li> <li>Meetings of the JPB not taking place on a regular basis, agendas for the JPB meetings not prepared and circulated in advance of meetings and JPB minutes not available for all meetings / minutes not circulated on a timely basis (1.6).</li> </ul>

	<ul style="list-style-type: none"> <li>Limited monitoring and evaluation of expenditure by category and aggregated spend (across services and/or Councils) by the JCPU to ensure opportunities for efficiency savings through collaborative procurement exercises are identified (1.7).</li> </ul> <p>Due to limited availability of data, monitoring of contract end dates by the JCPU cannot take place to ensure opportunities for efficiency savings through collaborative procurement or alternative procurement models are appropriately explored (1.8).</p>		
Action (Ref)	Agreed Management Action	Responsibility & Deadline	Status
1.1	This will be addressed by the JPB having regular meetings and providing Corporate Governance/Audit and Scrutiny committee with regular updates together with an annual report being presented to Cabinet committees	Head of Legal, HR & Democratic Services DCC / Chief Officer (Governance) FCC	In Progress – Revised date 30/09/19
<b>Follow Up Results</b>	<p>The JPB now meet on a regular basis with a schedule of meetings arranged at the start of every financial year. We confirmed the Legal and Procurement Operations Manager provides reports to the Corporate Governance committee and Performance Scrutiny committee.</p> <p>However, the Legal and Procurement Operations Manager has yet to produce the annual report for cabinet. Currently, the Procurement Systems Officer and Data Analyst is compiling the data for the report and the Legal and Procurement Operations Manager is intending to present the reports to both DCC and FCC's cabinets in September 2019.</p>		
1.2	The procurement strategy will be updated during 2018/19 in accordance with the recommendations provided by the WGLA.	Legal and Procurement Operations Manager/DCC & FCC	In Progress – Revised date 31/12/19
<b>Follow Up Results</b>	<p>The Legal and Procurement Operations Manager has re-written the procurement strategy for both DCC and FCC. FCC requested that their strategy include the Ethical Code of Employment and DCC has since decided to include it too, so the strategy is being update. It has been agreed by both councils that, once both strategies have been completed and agreed by the JPB, they will then be presented to the appropriate cabinets.</p>		

1.3(i)	<p>To ensure the JPB are kept informed of all potential efficiency savings from collaborative procurement activities, the board will :</p> <ul style="list-style-type: none"> <li>a. explore the possible systems available to measure efficiency savings;</li> <li>b. agree how they will capture and measure non-financial savings;</li> <li>c. ensure there is an appropriate system in place to measure collaborative efficiencies;</li> <li>d. the Legal and Procurement Operations Manager should provide a report detailing missed opportunity for collaboration to the JPB; and</li> <li>e. consider longer term contracts, which will reduce procurement cost.</li> </ul>	<p>Legal and Procurement Operations Manager DCC &amp; FCC</p>	<p>Complete</p>
Follow Up Results	<p>A spreadsheet has been developed by the Procurement Team to record all potential efficiency savings carried out around collaborative procurement activities. The spreadsheet will also record missed opportunities. The Legal and Procurement Operations Manager has started taking the spreadsheet to the JPB meetings to provide them with an update. A savings methodology document has been drafted and agreed by both Councils. This explains how savings will be calculated/identified, and also sets out how savings will be reported and by whom. Services are resistant to longer term contracts, although this is encouraged by Procurement Business Partners.</p>		
1.3(ii)	<p>A review of Contract Procedure Rules relating to extensions, variations and direct awards to ensure markets are regularly tested and the most competitive price obtained.</p> <p>Staff to be reminded why extensions, variations and direct awards should only be taken up as a last alternative and should be for a minimum period of time while a tender is completed.</p>	<p>Legal and Procurement Operations Manager – DCC / FCC</p>	<p>In Progress – Revised date 30/09/19</p>
Follow Up Results	<p>The review of the contract procedure rules was completed in November 2018, but due to the diary constraints of the JPB members, a meeting has only taken place two weeks ago. A second meeting is planned for the 13<sup>th</sup> June 2019 to complete the review and then the Legal and Procurement Operations Manager is planning to complete the amendments to the</p>		

	document by the 26 <sup>th</sup> June 2019 for circulation to relevant Senior Officers. Once completed, it will take a further six to eight weeks to go through the consultation stage before being finalised and taken to Cabinet and Full Council.		
1.4	A review of the KPI's to be undertaken by the Legal & Procurement Operations Manager to ensure they are relevant and measurable. Once completed, the new KPI's will be approved by the JPB.	Legal and Procurement Operations Manager – DCC / FCC	Complete
Follow Up Results	The KPI's have been reviewed and approved by the JPB.		
1.5	The Legal & Procurement Operations Manager to consider the options available for a time recording system for staff to record time spent.  A review of time spent working on Regional Procurement by DCC staff to be undertaken by the Legal & Procurement Operations Manager with consideration being given to recharging the individual local authorities.	Legal and Procurement Operations Manager – DCC / FCC	Complete
Follow Up Results	A spreadsheet with pivot tables has been designed for the recording of staff time on projects, which the team is now using. The information is being presented to the JPB to allow them to monitor time spent by the procurement team.  The spreadsheet has seen a shift in the time spent by the Procurement team, with more time being spent working with DCC staff than FCC staff, and the Regional Procurement work has diminished.		
1.6	At the start of every year, the dates for the JPB will be entered into board members diaries and agendas and minutes provided prior to each meeting.	Legal and Procurement Operations Manager – DCC & FCC	Complete – ongoing
Follow Up Results	Dates for the forthcoming year are agreed by the JPB and entered into the relevant members / officers diaries. Since the Legal and Procurement Operations Manager came into post in August 2017, she has made sure an agenda is circulated prior to each meeting and minutes are typed up and circulated after each meeting.		



1.7	The JCPU will consider reports that show expenditure by category and aggregate spend by service/authority to identify off-contract spend and identify areas for collaboration.	CPU Business Partners - DCC / FCC  Legal and Procurement Operations Manager - DCC / FCC	Complete
<b>Follow Up Results</b>	This role is currently being performed by the Procurement Business Partners, who identify contract spend, potential collaborative work and provide a report to the Legal and Procurement Operations Officer for discussion at the next planned JPB meeting. It was agreed this would be the best use of the JPB's time allowing them to look at why collaboration has not happened.		
1.8	In order for the JCPU to advise whether collaborative procurement can take place, the following information will be captured and held:  f. the actual and potential collaborative procurements;  g. details of any potential instances of collaboration which Services decline to take forward collaboratively;  h. up to date information around contracts coming to an end across DCC/FCC in so far as the information is recorded on Proactis; and  i. collaborative procurements with an approval made to the relevant Council//Service.	Legal and Procurement Operations Manager - DCC / FCC  JPB - DCC / FCC	Complete
<b>Follow Up Results</b>	Procurement Business Partners review contracts due for renewal/award to establish if a collaborative contract can be completed. The Legal and Procurement Operations Manager will report the findings to the JPB along with other monitoring options for them to consider and feedback the outcome to the Procurement Business Partners.		

<b>Risk Issue 2</b>	<b>Limited high level corporate and political buy-in to the delivery of the joint service resulting in lack of prominence of service objectives across the two Councils</b>		
<b>Underlying Weakness</b>	<p>Shortfalls with procurement activity within services were identified and listed in the Procurement Strategy 2016. Despite a procurement transformation programme to coincide with the launch of the strategy (consisting promotion of the strategy and revised CPRs and training to staff within services on procurement), these issues remain. We have broken down this root cause to the following underlying weaknesses:</p> <ul style="list-style-type: none"> <li>• Culture change (to ensure the achievement of service objectives detailed in the 2014 business case) is not driven by Senior Management and cascaded through the management structures within each Council. Lack of necessary leadership to gain buy-in and drive through the improvement required with procurement activity within services (2.1).</li> <li>• Uncertainty within services around the role of the Procurement team (2.2). Move from an advisory function to a more supporting role with greater focus on compliance with CPRs is a recent change and will require a culture change within both councils.</li> <li>• Limited consideration of the scope for collaborative procurement at the planning stage of procurement exercises (whether collaborative procurement between services within the same council or across the two councils) (2.3).</li> <li>• Inconsistent use of the Proactis corporate contract register by services. Lack of contract information is impeding the identification of areas in which collaborative procurement could deliver efficiencies (2.4).</li> <li>• Confidence around use of the Proactis system (including the contract management module) is limited within those services where procurement is not carried out on a regular basis (2.5).</li> </ul>		
<b>Action (Ref)</b>	<b>Agreed Management Action</b>	<b>Responsibility &amp; Deadline</b>	<b>Status</b>
2.1	The JPB need to raise the profile of the JCPU in both Councils. Legal and Procurement Operations Manager and Head of Legal and Democratic Services and HR (at DCC) and Legal and Procurement Operations Manager and Chief Officer (Governance) (at	Officers of the JPB	In progress – Revised date of 31/12/19

	<p>FCC) to attend Senior Leadership Team /Corporate Leadership Team to discuss procurement and the need to collaborate.</p> <p>The JCPU to provide a procurement activity report for each Service Challenge (DCC) broken down to the individual services.</p>	<p>Chief Officers (FCC) / SLT and Middle Managers (DCC)</p> <p>Legal and Procurement Operations Manager</p>	
<b>Follow Up Results</b>	<p>The Legal and Procurement Operations Manager requested attendance at SLT/CLT in each Council in July 2018 to raise the profile of the Procurement team. The Legal and Procurement Operations Manager is due to attend the SLT/CLT at each authority once the Procurement strategy has been agreed, which should be approved by September 2019.</p> <p>The Legal and Procurement Operations Manager has contributed to each service's Service Challenge and provided a procurement activity report.</p>		
<b>2.2</b>	<p>CPU Business Partners will attend Service Senior Management Team meetings quarterly.</p> <p>The Legal and Procurement Operations Manager will attend Senior Leadership Team/Chief Officer Team six monthly.</p> <p>The Legal and Procurement Operations Manager will consider marketing options that are available at each of the Councils to promote the CPU.</p>	<p>Procurement Operations Manager - DCC / FCC</p>	<p>Complete in DCC. FCC still need to complete the marketing exercise. September 2019</p>
<b>Follow Up Results</b>	<p>The Procurement Business Partners now attend the Service Senior Management team meetings on a quarterly basis.</p> <p>The Legal and Procurement Operations Manager is due to attend a future SLT meetings once the Procurement Strategy has been approved.</p> <p>The Legal and Procurement Operations Manager has used available marketing options in DCC, but has not been able at FCC due to marketing staff not assisting her.</p>		
<b>2.3</b>	<p>The commissioning form will be amended to ask Services if they have considered collaborative procurement across DCC/FCC, and across internal services.</p>	<p>Legal and Procurement</p>	<p>Complete</p>

	<p>If a collaborative procurement is not considered, the reason should be recorded on the commissioning form.</p> <p>If, in the opinion of the CPU, a collaborative procurement is possible but is not being pursued, this is reported to JPB by the Legal and Procurement Operations Manager.</p>	<p>Operations Manager - DCC / FCC</p>	
<p><b>Follow Up Results</b></p>	<p>This has been addressed by the introduction of a form that all staff need to complete when procuring goods and services.</p>		
<p><b>2.4</b></p>	<p>CPU will be responsible for getting contracts sealed/signed, scanning into Proactis and notifying the contract manager. CPU will then pass the contract over to the contract manager which will prompt the contract management module to be used.</p> <p>Proactis functionality will be used to send an automated chaser to contract managers about contract expiry dates and the need to take action to ensure service continuity. This should also reduce the need for exception/extension reports because of the advance warning of a contract expiry date.</p>	<p>CPU/Business Partners - DCC / FCC</p>	<p>Complete - Ongoing.</p>
<p><b>Follow Up Results</b></p>	<p>DCC: contracts are prepared and completed by CPU and sent to the supplier and, on return, the contracts are scanned into Proactis contract management module.</p> <p>At FCC, there has been resistance from support services in getting contracts prepared ready for dispatch to the supplier. It has been agreed by the Chief Officer Governance that CPU will prepare an electronic version of the contract and send it to the Service, and that it is a Service responsibility to ensure the contract is completed and a scanned copy sent to CPU for uploading to Proactis.</p> <p>There is functionality within the contract management module on the Proactis system to set up tasks whereby the Contract Manager can set up tasks, deadline for completion and send a reminder to the named officer for the upcoming tasks. This is reliant on Contract Managers setting up tasks as reminders to themselves. The Legal and Procurement Manager is aware of officers in ICT who are using the task function for ICT contracts but not aware of other officers using this functionality.</p>		

<b>2.5</b>	CPU to provide contract monitoring training for Services/contract managers during the next 12 months.	CPU Strategic Business Partner – DCC / FCC	Complete – Ongoing
<b>Follow Up Results</b>	The Procurement Systems Officer and Data Analyst has provided training during the last 12 months, unfortunately staff attendance at the training sessions has been poor. This is an area that will be ongoing and the Procurement Systems Officer and Data Analyst will continue to offer the training during the next 12 months.		

## Report Recipients

- Head of Legal HR and Democratic Services
- Legal Services Manager
- Legal and Procurement Operations Manager
- Lead Member for Finance, Performance & Strategic Assets
- Corporate Governance Committee
- Strategic Planning & Performance Officer

## Internal Audit Team

Bob Chowdhury	Senior Auditor	01824 706988 Bob.Chowdhury@denbighshire.gov.uk
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## Key Dates

Follow up review commenced	May 2019
Follow up review completed	May 2019
Reported to Corporate Governance Committee	05 June 2019