Internal Audit of Contract Management

First Follow Up Review

Purpose & Background Information

Our original review of Contract Management was completed in January 2020 giving a low assurance rating. This was due to a lack of coordination and central responsibility for contract management and an absence of staff training and guidance. In addition, the review found inconsistent recording of information on contract management by services including performance monitoring and risk assessments to identify and manage major risks.

In July 2020, Corporate Governance and Audit Committee identified that the original action plan contained actions which were no longer feasible given the suspension of Corporate Support Services Review at the height of the Covid-19 pandemic. A revised action plan was agreed at Corporate Governance and Audit Committee in January 2021 to provide assurance that suitable actions had been devised to address the issues identified in the original report. This first follow up review is to establish progress made in addressing those issues.

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

Limited progress has been made in addressing the actions as set out in the revised action plan agreed in January 2021. The full implementation of a number of the actions is dependent on the approval by the Senior Leadership Team (SLT) of the Contract Management Framework. At the time of our review, the draft framework had not been reported to SLT as the Head of Legal, HR & Democratic Services has had a number of competing priorities during the first half of the year most notably in recruitment for key roles. It is on the agenda for SLT on 15 July 2021. Ongoing capacity pressures and lack of dedicated contract management resource have also restricted the ability to provide the required contract management oversight, training and guidance.

Based on the extent of progress made in implementing the agreed actions we are providing a 'low' assurance."

Assurance Rating

Audit Opinion	Rating
At Final Report	Low ●
At First Follow Up	Low ●

Progress with Implementing Agreed Actions

Action Risk Rating	Actions Fully Implemented	Actions Not Implemented	Actions Not Yet Due
Critical ●	0	0	0
Major ●	3	7	3
Moderate ●	1	0	0

Contract Management Follow Up

Ref	Agreed Action	Original Issue & Risk Raised	Manager Responsible & Target Date	Follow Up Status and Comments
1.1	• Report to SLT highlighting the weakness identified with contract management and non-compliance with CPRs with a view to SLT reviewing arrangements in their own services to ensure: • All contracts are recorded on the Proactis contract management module or other suitable systems (until a decision is taken to replace it); • Signed contracts are obtained for all contracts over £25,000 and held on the Proactis system (or suitable approved contract management system); • Contract management activity is recorded in the contract management module within Proactis, or	There is a general lack of coordination and central responsibility around the way contract management is being carried out by services. Major Risk ●	Head of Legal, HR & Democratic Services / Head of Finance & Property by 28/02/2021	**Complete:** A report was taken to SLT on 18 March 2021.

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	other method as agreed corporately; • Ensure that the delivery of community benefits is monitored; • Ensure appropriate performance indicators are included within contracts with suitable monitoring of the contractor's performance; • Ensure that contract risks are considered within the procurement and contract monitoring activity. Also, that significant risks are captured on the service risk register.			
2.1	Ensure staff involved with managing contracts are suitably trained. Training will be rolled out across the council to all staff who are involved in contract management and delivered in two parts:	Lack of training and guidance has been identified as an issue for staff who carry out contract management as part of their role and this has occasionally resulted in	Interim Procurement Manager & Head of Legal, HR & Democratic Services Proactis 31/12/2020 (and ongoing thereafter);	**In progress**: Targeted training has been delivered on the Proactis Contract Management module to those who use the system. A user guide has also been circulated. Ongoing Proactis training is done on an ad hoc basis as required.

Contract Management Follow Up

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	1.Proactis Contract Management module 2.Contract management principles (to explore the use of e-learning).	non-compliance with CPRs. Major Risk 🟡	Contract Management principles underway by 30/04/2021	The Interim Procurement Manager has advised that more bespoke contract management training cannot be rolled out until SLT agree that the Contract Management Framework is the right approach. Appropriate contract management principles have yet to be devised due to time and resource constraints. Devising appropriate principles which can be easily understood and deployed by contract managers is ongoing. A quote has been sought from a training provider **Revised action date 30/10/2021**
2.2	Contract Management framework will be produced to document the stages of contract management and include a task list with the minimum recommended activities to undertaken. Scope to develop standard templates at a later stage.	Lack of training and guidance has been identified as an issue for staff who carry out contract management as part of their role and this has occasionally resulted in non-compliance with CPRs.	Interim Procurement Manager & Contract and Performance Manager by 31/03/2021	**Complete.** A detailed draft contract management evaluation framework has been devised. The framework sets out the roles and responsibilities of the contract manager, Procurement team and Head of Service. The framework stipulates the actions required by the above and includes a detailed classification matrix for critical, major and minor contracts and minimum

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		Major Risk 🟡		action required for each contract classification.
2.3	Contract Managers Forum to be set up to share best practice.		Interim Procurement Manager & Contract and Performance Manager by 31/10/2021	**Not yet due.** Discussions to be held regarding appropriate resourcing requirements and structure. Current resource capacity means that this Forum cannot be established as yet.
2.4	Once framework circulated and e-learning and training provided, guidance notes to be developed to provide staff with additional information around contract management.		Interim Procurement Manager & Contract and Performance Manager by **31/12/2021**	**Not yet due.** The framework has not yet received SLT approval and therefore has not been circulated amongst services. Discussions are ongoing about dedicated resource to ensure the delivery of additional guidance on contract management.
3.1	Procurement business partners to run a Proactis report showing a list of contracts by service area and share with service management teams in order for the Heads of Service to ensure that contracts are appropriately uploaded. Scope to include contract risk categorisation score down the	All new contracts over £25k (or renewable contracts under £25k) are now moved onto the Proactis contract management module, but services are still storing key contract management information elsewhere, if at all.	Procurement Business Partners & Heads of Service by 31/03/2021	**In progress:** Task lists are being shared with service management to highlight overdue items in relation to contract procurement and set up. Risk categorisation is not included as yet. Procurement Business Partners encourage management teams to upload signed contracts onto Proactis Contract Management, there is limited

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	line once the contract management framework is launched.	Major Risk 🟡		evidence to show that this is happening. **Revised action date: 30/10/2021**
3.2	A review of the current contract management system (Proactis) to be undertaken to establish if the system is still fit for purpose. If the current system is considered unfit, then a business case will be formed to justify replacement.		Head of Legal, HR & Democratic Services by 31/12/2021	**Not yet due.** A formal review has not taken place as yet.
4.1	Review the commissioning form to include a section on KPIs to prompt for their inclusion in relevant contracts e.g. high and medium risk/strategic contracts.	The level of performance monitoring around contracts is weak with staff not recording meetings, maintaining performance records and completing information around KPIs (key performance indicators). Major Risk 🟡	Legal & Procurement Operations Manager by 31/03/2020	**Complete.** The updated commissioning form includes a section to be completed setting out the KPIs to be used to monitor contractor performance.

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4.2	Proactis has the potential to send out reminders if monitoring is not completed/uploaded through creation of tasks. This will be included as part of the Proactis contract management training (see action 2.1).	The level of performance monitoring around contracts is weak with staff not recording meetings, maintaining performance records and completing information around KPIs (key performance indicators). Major Risk ●	Interim Procurement Manager by 30/04/2021	**Not yet implemented.** There is limited evidence that the tasks function on Proactis is being used to monitor contract performance. A sample of 6 approved contracts shows that tasks are not being created at the outset to monitor performance. While training can be delivered on this it is the responsibility of the contract manager to ensure that it is recorded and monitored. **Revised action date 30/10/2021**
5.1	Review of the contract management system confirms it has the functionality to record contract risks. Mandatory field to be added to Proactis to capture the information and enable reporting	Significant contracts in a number of cases did not have a risk assessment so that major risks identified could be managed accordingly. Without this, major risks could materialise and cause significant impact where it could have been avoided. For those contracts that had been assessed, there	Interim Procurement Manager by 31/03/2021	**Not yet implemented.** A mandatory field can be added easily, however this functionality is also dependent on the approval of the Contract Management Framework by SLT. **Revised action date 30/10/2021**

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		is little evidence to show they are updated regularly. Major Risk ●		
5.2	All risks associated with operating a contract need to be recorded on a pre-contract risk form. A Contract Management framework will be taken to SLT for approval with the view for it to be adopted for all new contracts and applied by all services.	Significant contracts in a number of cases did not have a risk assessment so that major risks identified could be managed accordingly. Without this, major risks could materialise and cause significant impact where it could have been avoided. For those contracts that had been assessed, there is little evidence to show they are updated regularly. Major Risk ●	Head of Legal, HR & Democratic Services and SLT by 31/03/2021	**Not yet implemented.** The position regarding risk assessments for significant contracts remains unchanged. There is limited evidence that pre-contract risk forms are being completed. The draft Contract Management Framework, due to go to SLT on 15 July 2021 for approval, contains provisions for pre-contract risk assessments. **Revised action date 30/10/2021**
5.3	Contract risk scores will be picked up in Proactis reports generated for service management teams to review and Heads of Service to ensure	Significant contracts in a number of cases did not have a risk assessment so that major risks identified could be managed accordingly. Without this,	Interim Procurement Manager & Heads of Service by 31/03/2021	**Not yet implemented.** Risk scoring for contracts has been devised in draft form but not yet agreed by SLT therefore it has yet to be picked up in Proactis reports to services. **Revised action date 30/10/2021**

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	that the framework is applied appropriately.	major risks could materialise and cause significant impact where it could have been avoided. For those contracts that had been assessed, there is little evidence to show they are updated regularly. Major Risk ●		
5.4	See also action 1.1, Heads of Service to ensure that any contracts deemed as a significant risk to the service or council are captured on the service risk register where appropriate.		**n/a**	**In Progress.** There are a few examples of significant or strategic contracts being captured on service risk registers. The risk of poor performance of contracted services is captured in broader terms. The approval and subsequent circulation of the framework should encourage inclusion on both contract and service risk registers.
6.1	Community Benefit Hub will monitor all community benefits centrally to coordinate and ensure that they are delivered. Links to Internal Audit review of Section 106 agreements	Currently, services are not including community benefits into contracts worth between £25k and £1m. Where it has been included, very little monitoring is being carried out. Moderate Risk ● N/a	Framework Manager - Legal, HR & Democratic Services by 31/03/2020	**Complete:** The Community Benefit Hub has been established with recent software used to monitor community benefits. Contracts above the mandatory £1m threshold include community benefits.
6.2	See also actions 1.1		N/a	N/a