

Internal Audit of Contract Management

Second Follow Up Review

Purpose & Background Information

Our original review of Contract Management was completed in January 2020 giving a low assurance rating due to the following issues:

- Lack of coordination and central responsibility for contract management and an absence of staff training and guidance.
- Inconsistent recording of contract management information by services including performance monitoring and risk assessments to identify and manage major risks.

This is our second follow up review to establish progress with addressing the agreed actions outstanding from the first follow up.

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

A number of areas of progress have been made since the first follow up, including the approval of the Contract Management framework by SLT, the recent establishment of the Contract Management Forum and the approval of dedicated contract management resource. The establishment of the forum and dedicated resource are both welcome enhancements. However, these will need additional time to become established. The testing and implementation of the framework has not yet been cascaded to services. Consequently, a number of actions which had potentially ambitious action dates, are not yet fully implemented. The key actions which are still outstanding include; the roll out of training on and embedded use of the framework by services and the consistent use of Proactis for recording and monitoring.

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

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Assurance Rating

Audit Opinion	Rating
At Final Report	Low ●
At First Follow Up	Low ●
At Second 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 ●	4	6	1
Moderate ●	1	0	0

Ref	Agreed Action	Issue & Risk	Manager Responsible & Target Date	Follow Up Status and Comments
1.1	<ul style="list-style-type: none"> Report to SLT highlighting the weakness identified with contract management and non-compliance with CPRs with a view to SLT reviewing 	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.

	<p>arrangements in their own services to ensure:</p> <ul style="list-style-type: none">• 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 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;			
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	<ul style="list-style-type: none"> 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	<p>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:</p> <ol style="list-style-type: none"> 1.Proactis Contract Management module 2.Contract management principles (to explore the use of e-learning). 	<p>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.</p> <p>Major Risk ●</p>	<p>Procurement Manager & Head of Legal, HR & Democratic Services</p> <p>Proactis 31/12/2020 (and ongoing thereafter);</p> <p>Contract Management principles underway by 30/04/2021 (and ongoing thereafter)</p>	<p>In progress: It is recognised that procurement and contract management training needs will vary across services.</p> <p>Proactis training and the embedded use of the system by services is still required for procurement and contract management activity. This will be partially achieved by the recently established Contract Management Forum with representatives from each service which will begin to identify training needs and potential training options. An essential first step will be cascading the framework to services and providing training on its implementation.</p> <p>While ensuring staff are suitably trained remains an ongoing and iterative process, this action remains in progress.</p>

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				Revised action date 30/04/2022 (and ongoing thereafter)
2.2	<p>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.</p> <p>Scope to develop standard templates at a later stage.</p>	<p>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.</p> <p>Major Risk ●</p>	<p>Interim Procurement Manager & Contract and Performance Manager by 31/03/2021</p>	<p>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 action required for each contract classification.</p>
2.3	<p>Contract Managers Forum to be set up to share best practice.</p>	<p>Major Risk ●</p>	<p>Interim Procurement Manager & Contract and Performance Manager by 31/10/2021</p>	<p>Complete: Contract Management Forum has been established with Chair appointed and first meeting held on 10 November. Terms of Reference to be agreed. Forward Work Programme has been drafted.</p>
2.4	<p>Once framework circulated and e-learning and training provided, guidance notes to be developed to provide staff with additional information around contract management.</p>	<p>Major Risk ●</p>	<p>Contract Management Officer by</p> <p>31/12/2021</p>	<p>In progress. The Contract Management Framework will be discussed at the inaugural Contract Management forum meeting including testing of the contract evaluation scoring.</p> <p>A new Contract Management role has received budget sign off. The holder of</p>

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				<p>this new role will be responsible for facilitating and co-ordinating contract management best practice amongst staff. In the interim period before the appointment is made, the circulation of the Contract Management Framework and initial training on this will be done by the Chair of the Contract Management Forum and the Performance and Contract Manager.</p> <p>Revised Action Date 31/03/2022 (and ongoing thereafter)</p>
3.1	<p>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.</p> <p>Scope to include contract risk categorisation score down the line once the contract management framework is launched.</p>	<p>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.</p> <p>Major Risk ●</p>	<p>Procurement Business Partners & Heads of Service by 31/03/2021</p>	<p>In progress: The Interim Procurement Manager currently runs reports at month end which Procurement Business Partners then share at service management meetings to highlight overdue tasks. Contracts over £25k are still not consistently recorded on Proactis. Risk categorisation is not included as yet, pending further testing of the Contract Management Framework. This is to be done at the recently established Contract Managers Forum.</p> <p>Revised action date: 30/04/2022</p>

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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	Closed. A formal review is not required at this stage. See actions 2.1,3.1, 4.2 and 5.1. The implementation and engagement of services in deploying the Contract Management Framework is more appropriate at this stage than reviewing Proactis.
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.
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).	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. The implementation of the Contract Management Framework and roll out to services should reinforce the need to include appropriate contract information including tasks, performance monitoring and the

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		Major Risk ●		<p>minimum requirements as set out in the framework. No notable progress has been made in addressing this action.</p> <p>Revised action date 30/04/2022</p>
5.1	<p>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</p>	<p>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.</p> <p>Major Risk ●</p>	<p>Procurement Manager by 31/03/2021</p>	<p>In progress: Contract risks field added to Proactis. The Procurement Manager will make this a mandatory field on completion of Contract Management Framework testing by the Contract Management forum. Risk assessments as set out in the Contract Management framework have not been fully rolled out across services as yet so the field for contract risks has not been made mandatory.</p> <p>Revised action date 30/04/2022</p>
5.2	<p>All risks associated with operating a contract need to be recorded on a pre-contract risk form.</p> <p>A Contract Management framework will be taken to SLT for approval with the view for it to be adopted for all new</p>	<p>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</p>	<p>Head of Legal, HR & Democratic Services and SLT by 31/03/2021</p>	<p>Not yet implemented.</p> <p>Risk Assessments at procurement stage: The position regarding risk assessments for significant contracts remains unchanged. The Commissioning Form includes a risk assessment section for services to complete at the procurement stage for</p>

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	contracts and applied by all services.	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 ●		the purposes of identifying operational, financial and reputational risks. However, a standalone pre-contract risk form containing a risk assessment has not been fully implemented. The use of the contract management framework has yet to be rolled out across services. The risk evaluation scoring is due to be tested at the Contract Management Forum before being applied at Service Level. Revised action date 30/04/2022
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 that the framework is applied appropriately.	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 ●	Procurement Manager & Heads of Service by 31/03/2021	Not yet implemented. Risk evaluation scoring for contracts is due to be tested before being applied by services and used on Proactis. This action therefore remains not yet implemented. Revised action date 30/04/2022
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.	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 ●	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 roll out of the risk evaluation scoring contained in the framework should encourage

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				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.	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	Moderate Risk ● N/a	N/a	N/a

Report Recipients

- Chief Executive Officer
- Corporate Director: Communities
- Head of Legal, HR and Democratic Services
- Head of Finance and Property/S.151 Officer
- Interim Procurement Manager
- Contracts & Performance Manager
- Strategic Planning Team Manager
- Lead Officer, Destination, Marketing & Communication
- Framework Manager Legal, HR & Democratic Services (report extract)
- Leader
- Lead Member for Finance, Performance & Strategic Assets
- Governance & Audit Committee

Internal Audit Team

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Key Dates

Review commenced	October 2021
Review completed	October 2021
Reported to Governance & Audit Committee	24 November 2021
Proposed date for next follow up	June 2022