

## AUDIT COMMITTEE

<b>Date of Meeting</b>	Wednesday 20 November 2019
<b>Report Subject</b>	Contract Management
<b>Cabinet Member</b>	Cabinet Member for Corporate Management and Assets
<b>Report Author</b>	Chief Officer (Governance)
<b>Type of Report</b>	Operational

### EXECUTIVE SUMMARY

The Internal Audit Service undertook a further review of contract management in January 2019. The review found that, as a function, contract management is undertaken in each portfolio rather than centrally, and that there were differences in approach between services that had an impact on the quality of contract management across the Council as a whole. There are pockets of good practice within the Council and there also areas where contract management practice could be improved. The report sets out a minimum requirement for effective contract management and each Chief Officers has agreed to review practice within their portfolio and put in place an action plan to address any gaps.

The audit report also contained findings on the central systems that were implemented following the last Procurement audit review undertaken in January 2018:

- a) a central register of contracts over £25,000 in value has been created, though it is not possible to ascertain whether every eligible contract that should has been recorded;
- b) further training on contract management is required; and
- c) further investigation is needed to see whether a central record of contractor performance is required.

### RECOMMENDATIONS

1	That the Internal Audit Service be asked to monitor the delivery of portfolio action plans to improve contract management and to undertake the further investigations identified within the report.
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## REPORT DETAILS

1.00	CONTRACT MANAGEMENT
1.01	<p>Contract management is undertaken within each service/portfolio rather than by the Joint Procurement Service. This is so that the contracts are integrated with directly delivered services and so that the contract managers are embedded with similarly qualified professionals. A consequence of this dispersed approach is variation between services in the quality of how well the contract management function is undertaken.</p>
1.02	<p>The audit report has identified the minimum common standards that are required for effective contract management, and each Chief Officer has agreed to review practice within their portfolio against those standards. An action plan will then be put in place to address any areas that require strengthening. The deadline for the creation of the action plans is 31<sup>st</sup> December 2019, though the remedial actions may take longer to fully complete. Progress against, and completion of, those action plans will be monitored.</p>
1.03	<p>An audit of Procurement in 2017/2018 (reported to Committee in January 2018) identified the need to establish a central register of contracts. Since then all contracts over £25,000 in value have been recorded on Proactis. Purchase Orders over that value cannot be placed unless there is evidence of a written contract. The recent audit found possible evidence that this process is not being routinely or rigorously applied. Some exemptions have been given to this process where there would be service detriment to enforce it too rigidly provided and so further investigation is needed to establish whether the gaps in the register are exemptions or failures in the system.</p>
1.04	<p>Following the introduction of revised Contract Procedure Rules in 2017/2018 training was given on the rules and the requirements of contract management. Since then training has been offered on the use of the Proactis contract management module. However, further training will clearly be required to assist Chief Officers in ensuring that their contract managers are adequately trained. A mandatory programme of contract management will therefore be devised.</p>
1.05	<p>Contract managers frequently use proprietorial software systems (such as Paris, Tranman or Techforge) for recording the results of contract management meetings. This enables the information to be used for service delivery but does mean that it is not available to contract managers in other services who might utilise the same contractor (see below). It is possible that another service might unwittingly consider employing a contractor who has performed poorly for another service. Given the diverse range of functions undertaken by the Council, and the reasons for which the Council engages contractors, it is more likely that most contractors will be of a specialist nature and thus only employed by one service.</p>

	Further analysis is therefore needed to establish whether different services do engage the same contractors.
1.06	The actions within the report's recommendations will be tracked through the usual mechanisms.

<b>2.00</b>	<b>RESOURCE IMPLICATIONS</b>
2.01	The management actions within the report can be accommodated within existing resources.

<b>3.00</b>	<b>CONSULTATIONS REQUIRED / CARRIED OUT</b>
3.01	None.

<b>4.00</b>	<b>RISK MANAGEMENT</b>
4.01	Failure to address the findings in the Internal Audit risks the continuance of non-compliance with our rules and increases the potential for poorly performing contractors to continue to deliver under-performing services without consequence.

<b>5.00</b>	<b>APPENDICES</b>
5.01	Appendix A – Internal Audit Report

<b>6.00</b>	<b>LIST OF ACCESSIBLE BACKGROUND DOCUMENTS</b>
6.01	None  <b>Contact Officer:</b> Gareth Owens, Chief Officer (Governance) <b>Telephone:</b> 01352 70 2344 <b>E-mail:</b> gareth.legal@flintshire.gov.uk

<b>7.00</b>	<b>GLOSSARY OF TERMS</b>
7.01	<b>Contract Procedure Rules</b> – rules and procedures that ensure that contracts are awarded based on open and transparent competition.