

Committee report: 2020/21 Procurement Internal Audit Update
Appendix 1

Arrangements for Letting Contracts

| Risk | Priority | Response | Update |
|---|-----------------|---|--|
| There are no internal contracts register of all contracts held by the Council and hence, does not have effective oversight of all procurement activity. | 1 | To be captured as part of the ERP review. To implement any interim arrangements would take a significant amount of time and resources. | ERP programme slipped not likely to be implemented until late 2023 |
| Where contracts are not procured through HPCS, there is an increased risk of inconsistencies and bias in the procurement process. Additionally, this represents non-compliance with CSOs. | 2 | The Financial Administration team are now rejecting requests to set up contracts that should have gone through HPCS, unless approved by Strategic Procurement. The contracts will now be set up through HPCS. | Complete |
| Procurement Initiation Forms are not always completed to request for assistance from Strategic Procurement. | 2 | Strategic Procurement Officers have been reminded of the requirement for a PIF prior to undertaking a procurement. | Complete |
| Financial or credit checks are not always completed on the preferred bidder, and this is an essential requirement for contracts valued at £160k or above | 1 | Recommendations accepted. We are currently looking at automated credit checks as part of the new procurement solution. | Partially complete, will be completed as part of the procurement technology due to be implemented in late 2023 |

| | | | |
|--|---|--|---|
| Signed contract not in place for all contracts | 2 | <p>The intention going forward is to have a contract management solution that will facilitate electronic signatures and retain all contracts in a central repository.</p> <p>The service areas are currently responsible for managing and storing their own contracts; therefore, this would need to re-enforce with officers and Directors.</p> | <p>Partially complete.</p> <p>Strategic Procurement have advised all commissioners and emphasised the requirement as part of the HPCS user training.</p> <p>ERP programme will pick up provision of a central repository for contracts</p> |
| Where contract awards over £25k are not published on Contract Finder, there is non-compliance with Public Contracts Regulations (PCR) 2015. These regulations are in place to protect public money and non-compliance may result in financial penalties imposed on the Council leading to reputational damage. | 2 | <p>Automatically posting new contracts to Contracts Finder will be a requirement of the new procurement solution.</p> <p>Posting to Contracts Finder is part of the current HPCS user training to reinforce the requirement.</p> | <p>Strategic Procurement is emphasising the need to update Contracts Finder as part of the HPCS and Procurement training.</p> <p>Functionality in the new procurement technology which scheduled to be implemented in late 2023 under the ERP programme will automate this.</p> <p>Consideration is also being given to a new Procurement operating model with new responsibility for over £25k spend</p> |

Contact Management

| Risk | Priority | Response | Update |
|--|----------|--|--|
| There is a lack of consistency in how contracts were managed and reported on. This included performance and budget monitoring. | 2 | Whilst Strategic Procurement have led on producing a contract management toolkit, we are not currently resourced to provide training across the Council. Funding would be required to bring in the resources to undertake this activity. There is a lack of technology that enables effective contract management, this will be addressed in the ERP review project. | Strategic Procurement are undertaking ad-hoc support of contract management to the services Technology should be introduced in late 2023 to support the contracts management function |
| Despite the Code of Practice stating HPCS was the dedicated contract management portal, it was highlighted the contract management module was not available. Hence, there was not a structured approach to management and no central location for storing documentation. | 2 | Whilst it is not the responsibility of Strategic procurement to monitor contracts, this sits with the Director/service area, Strategic Procurement has recognised there is a gap in the technology we have and has requested functionality of retaining a central database for service reviews and contract performance. | The ERP and contract management technology review is ongoing and a solution capable of supporting audit recommendation anticipated for late 2023 |

| | | | |
|--|---|--|---|
| Whilst the Code of Practice states that contracts must contain a contract management clause, this was not always included. | 1 | Strategic Procurement does not have sight of procurement or contracts below £160k, this is undertaken by the Service Areas. Strategic Procurement has provided standard contract templates to be used for below £160k. To review contracts valued between £10k and £160k would require a change in the operating model to review over 600 contracts per year in this range. | A review of the Strategic Procurement operating model |
| Purchase orders are not always raised in advance and there is a history of issues with retrospective purchase orders. | 2 | This activity is within the remit of the compliance manager in the Finance Administration team. Strategic Procurement does not have the capacity to undertake this activity and would be moving away from the operating model agreed in 2017 | |

Contract Waivers

| Risk | Priority | Response | Update |
|--|----------|---|---|
| <p>Whilst there is a clear rationale for granting waivers in the Code of Practice, we identified waivers in the audit sample which were non-compliant with the Code.</p> | 1 | <p>The two waivers identified as non-compliant would have been reviewed by the SSC who typically comment on reports below £160K and provide the necessary education.</p> <p>Waiver training will be added to the HPCS training programme and the SPPs will be reminded of the need to ensure understanding and compliance of the criteria to justify use of for waivers.</p> <p>Waivers over £160K or those with a value less than £160k which are reviewed by SP are challenged to ensure compliance either due to the circumstances or that the appropriate justification is contained within the written report.</p> | <p>Complete: Waiver training has been added to the HPCS training programme and SPPs have been reminded of the need to justify waivers in accordance with CSO.</p> |

| | | | |
|---|---|--|---|
| There is no central register of waivers and hence, no ability for the Council to know the value of spend where the Contract Standing Orders have been waived. As a result, there is no reporting on total spend or any waivers which are inappropriate. | 1 | Strategic Procurement will review the possibility of maintaining a central shared file based on the current files used by the two SPPs. We will also discuss with SCC to determine whether they can access the shared file. | Partially completed: A shared document will be used as a central register of waivers. Functionality has been requested of the procurement technology being implemented in late 2023 |
| Out of the waivers sampled, we found that two did not have signed contracts and hence, there is a risk that contract formalities may not have been agreed. | 1 | Strategic Procurement does not maintain oversight as to whether contracts have been signed, this is undertaken by the service areas. To provide monitoring, an additional resource would be required, as the waiver process is manual and separate from the contract creation which is controlled by the service. | Monitoring functionality will be considered as part of the procurement technology being implemented in late 2023 |
| There has been no specific training on waiving the CSOs. | 1 | Waiver training will be added to the HPCS training programme and the SPPs will be reminded of the need to ensure understanding and compliance of the criteria to justify use of for waivers. | Complete: Specific training is provided as part of the HPCS user training. |
| | | | |