

## Audit Recommendations with Management Response and additional comments for A&S Committee.

Ref	Observation	Risk / Opportunity	Priority Level	Recommendation	Managers Comments	Action by Date Responsible Officer	Additional Comments for A&S Committee
1	<p>A review of the CMF documents by Internal Audit highlighted potential areas for improvement or enhancement:</p> <ul style="list-style-type: none"> <li>i. Cross reference to the Risk Management Procedures so that officers are aware of how to assess risk and determination of the level of contract management;</li> <li>ii. Officers to fully explain how they have determined the level of contract management on the Contract Management Form;</li> <li>iii. Make clear within the CMF the oversight and monitoring process by first and second line of defence;</li> <li>iv. Highlight the requirement for contract risks to be included as a standard agenda item on supplier contract management meetings.</li> </ul>	Officers are not fully aware of their contract management roles and responsibilities resulting in poor contract performance, financial losses, and reputation damage.	M	The CMF should be updated to reflect the enhancements identified by Internal Audit.	<p>Recommendation agreed the Contract Management Framework will need to be revised following the Procurement Bill coming into law in Spring 2024, which is likely to involve significant change to our framework.</p> <p>However, these changes suggested can be incorporated into the CMF, with approval from the Strategic Director of Resources.</p> <p>The current Procurement Strategy is under review and due for approval at S&amp;R Committee in November 2023, and the current Risk Management Framework is under review and due for approval at A&amp;S Committee also in November. It is proposed to incorporate reference to the CMF in both revisions of strategy and framework to unify all 3 areas, this will include the role of the contract manager, the role of LMT and details about the 2<sup>nd</sup> line of defence processes</p>	<p>As a result of the new Procurement Bill the CMF will need to go back to A&amp;S Committee after the bill comes into force in Spring 2024</p> <p>The minor amendments can be incorporated in the CMF with approval from the Strategic Director of Resources in November 2023 after the Procurement Strategy and associated framework and the Risk Management Framework have been approved at their respective committees</p>	<p>The Procurement Bill became law in October 2023. The Procurement Act 2023 is due to be fully in force in October 2024. The CMF will be amended to reflect the requirements of the Act and be approved at A&amp;S Committee.</p> <p>The amended CMF is being presented to A&amp;S Committee for approval.</p>

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2	There are live contracts which pre-date the CMF and therefore not subject to compliance with the Council's corporate policy and procedures.	The criticality of these contracts to the Council should be considered to ensure that any key risks are identified, understood and where appropriate, action taken to mitigate them.	M	Consideration should be given to identifying any pre-existing contracts which many benefit from a CMF compliance review. Criteria could be based on value, sensitivity or length of time the contract has remaining.  The criticality of the contract should be recorded on the 'internal use only' part of the Contracts Register.	Consideration needs to be given to this recommendation in terms of the criteria to be applied for contracts to comply with the CMF. Length of time remaining in the contract will form an important part of this consideration.  A proposed approach will be discussed at the next Corporate Governance Group meeting in October, including an implementation timetable  Subsequent guidance and communication for officers will need to be produced and promoted	End of Q3 / start of Q4 to coincide with changes to the CMF, Procurement Strategy and Risk Management Framework	The Corporate Governance Group considered this recommendation at the meeting held on 5 October and agreed that initially only pre-existing contracts valued over the UK threshold will need to complete a contract management plan form and comply with the corporate guidance. Consideration will need to be given to the remaining length in time of the contract.
3	A review by Internal Audit of the contract management training provided by the Policy and Governance team to LMT, and starters was undertaken. This highlighted that the training was not focused on the differing roles and responsibilities, such as contract management (Contract Managers) and oversight and monitoring (contract owners – LMT).  Procurement and contract management induction training is not tailored to specific job roles.	Inefficient use of resources resulting in increased costs.  Officers do not fully understand their roles and responsibilities for the management of contracts resulting in contract failures, additional costs, adverse publicity, and loss of reputation.	M	The ongoing review of corporate induction provides an ideal opportunity for the Council to consider how contract management training could be better tailored, particularly for those officers with roles and responsibilities in this important area of work.	Recommendation agreed.  The new Corporate Induction days begin in October. It is agreed for the P&G Team to have a specific procurement training slot for all new starters as part of the new Induction days. This approach means that the P&G team will no longer co-ordinate their own procurement training for new starters thereby reducing the risk of anyone being missed.	October 2023 HR & P&G Team Also due to the changes to the CMF, Procurement, Risk Management frameworks and the new Procurement Bill that a significant amount of training for all officers and members is being proposed.	The initial induction day has taken place and included a session on procurement and contract management.  Further training is being planned for relevant officers and members following the approval of the Procurement Strategy and the amended Contract Management

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	<p>Six LMT officers advised Internal Audit that they did not perform any contract management oversight and monitoring. Reliance instead was placed on Internal Audit reports, Contract Managers advising them of any issues, and awareness of supplier contract meetings.</p> <p>The starter induction procurement and contract management training material have just one page on contract management. Areas such as assessing the criticality of a contract, supplier relationship management, and risk management are not covered in the training material.</p>			<p>Consideration should be given to the benefits of developing more specific contract management training packages for officers who are:</p> <ol style="list-style-type: none"> <li>i. Contract Managers who manage contracts; and</li> <li>ii. Contract Owners who perform the oversight and monitoring role.</li> </ol>	As part of the new Induction approach, specific training will be provided to new starters of grade 5 and above to take them through, procurement, contract management and risk management in more detail.		<p>Framework to take place in Q4 23/24.</p> <p>Specific training for new starters of grade 5 and above is being developed.</p>
4	<p>The Policy and Governance team have commenced their second line of defence review. As at 31<sup>st</sup> March 2023 two quarterly reviews of a sample of contracts were complete.</p> <p>A review by Internal Audit of the five checks performed highlighted:</p> <ol style="list-style-type: none"> <li>i. The selection is based on contract values rather than risk criticality of the contract to the Council which would be a better</li> </ol>	Contracts are not effectively managed resulting in increased costs, poor service delivery and adverse publicity.	M	<p>Consider the benefits of updating the second line of defence regime checks to include verification of compliance with the CMF and substantiation of Contract Manager / Owner assessments.</p> <p>In addition, any pre-existing contracts which are deemed</p>	<p>The Second Line of Defence checks can be strengthened, however there will always be an element of self-assessment. As set out in the current Second Line of Defence process, the self-assessment will always be followed up by P&amp;G team for accuracy.</p> <p>Also proposed to review at the Corporate Governance Group in October</p>	As previously mentioned, changes to CMF, Procurement and Risk Management once approved will be promoted to officers end of Q3 / start of Q4	<p>It is intended to widely promote and provide training following the changes to the CMF, Procurement and Risk Management Frameworks to officers and members.</p> <p>Non-compliance with the frameworks will continue to be raised through the manager's dashboards and through the Corporate Governance Group.</p>

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	<p>and more effective determinate;</p> <p>ii. One check is to confirm the contract is on the Contracts Register, but as the selection is made from the Contracts Register the result is always going to be positive;</p> <p>iii. Two of the checks performed relate to procurement, and another is for data storage; and</p> <p>iv. The Contract Manager / Owner self-assess compliance with the CMF.</p>			<p>to be of key important (rec 2 above) should be subject to checks to ensure risks are suitably managed.</p> <p>Undertake a periodic exercise to identify those creditors whereby cumulative payments require a contract and compare to the Contract Register to ensure that contracts or framework agreements are in place. Also that they are recorded, providing assurance that the Contract Register is complete.</p>			
5	<p>The Contract Management Form is a key document that is completed by the Contract Manager. It shows the risk criticality of the contract and the key contract elements such as key performance indicators, contract risks and supplier management meetings.</p> <p>The form is not formally verified and approved by the Contract</p>	<p>Loss of accountability and ownership resulting in mismanagement of the contract and financial losses.</p> <p>Poor contract management is not identified</p>	M	<p>The Contract Owner should formally approve the completed Contract Management Form as evidence of their agreement with the information reported and acknowledgement</p>	Agreed	Q3/Q4 in line with proposed changes to other frameworks	<p>The Contract Management Plan form has been amended to incorporate sign off by the Contract Manager's Head of Service or their Service Manager.</p>

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	<p>Owner as agreement of the information recorded and contract criticality. Also, that the Contract Manager has been trained and is appropriately experienced to manage the level and complexity of the contract.</p> <p>The CMF states that a Contract Management Form should be completed once the criticality of the contract has been assessed, which indicates it should be completed for all contracts over £25k. However, the Policy and Governance Checklist indicates that the form is only required for contracts with a value of £75k or over.</p> <p>A review of the Policy and Governance quarterly 2<sup>nd</sup> Line of Defence contract management checks highted that the risk criticality of the contract had been recorded in just two out of the five completed Contract Management Forms.</p> <p>The Contract Management Forms were also not always fully completed by the Contract Manager.</p>	resulting in non-compliance with the CMF, financial losses, and adverse publicity.		<p>of their accountability.</p> <p>A Contract Management form should be completed for all contracts over £25k, and the CMF clearly updated to reflect this.</p> <p>As part of the revision of the CMF the Corporate Governance Group should consider how it can further embed the requirements within the organisation. This is to ensure that Contract Management Forms are being fully and accurately completed, including the consistent evidencing of risk assessments.</p>	The value at which a Contract Management Form should be completed will be discussed by the Corporate Governance Group at its meeting in October and the CMF will be updated following decisions made.	End of Q3 / Q4	The CGG reviewed at the meeting in October and agreed that the threshold should be increased from £25k to £75k which links to the existing financial threshold where formal tendering is required, this is for contracts valued at £75,000 and over.
6	No contract management risks were recorded on the Council's Performance and Risk Management System. However, we note that at the time of this	Contract risks are not managed resulting in financial and reputational	M	The implementation of Pentana Risk provides an ideal opportunity to determine any	Agreed, a risk identifying non-compliance with the corporate guidance has been added to Ideagen (formerly Pentana).	Completed	Completed

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	review, the Council was moving from the legacy performance management system, Excelsis, which was not well used by Manager's to the new, Pentana Risk system.	exposure and non-achievement of Council objectives.		contract management risks which should be recorded on the risk management system, together with the mitigating controls and risk appetite. Risks may include area such as supply chain disruption, the impact of inflation and borrowing costs.	As part of the review of other frameworks this will be incorporated in the CMF to unify the approach to managing risks in contracts, for approval by the Strategic Director of Resources	End of Q3 / Q4	Identification and management of contract risks will be incorporated in the updated risk management framework guidance and included in the officer training.
7	We have identified that not all new starters have received training. In addition, Human Resources do not maintain a complete record of temporary, contract and agency staff.	Officers do not fully understand their roles and responsibilities for the management of contracts resulting in poor contract management, increased costs, adverse publicity, and adverse publicity.  Temporary, contract and agency officers may not receive the appropriate, mandatory training or awareness of Council policies and rules	M	Contract management training requirements should be revisited, and consideration given to the benefits of a more specific, targeted, approach. The outcome of this review should be discussed with HR as it is important that the Policy and Governance team can rely on the lists provided.  Ideally this can also link in with the review of the Council induction programme which	See Managers Comments Section 3. Officers of Grade 5 and above will be provided with detailed training on procurement, contract management and risk management as part of the Induction events organised by HR.  Also due to the changes to the CMF, Procurement, Risk Management frameworks and the new Procurement Bill that a significant amount of training for all officers and members is being proposed.	October 2023 P&G Team and HR  End of Q3 / Q4	The P&G Team continue to work with Finance colleagues to ensure that all new starters have procurement and contract management induction training. This is now covered in the Corporate Induction days; however this will still be monitored by the P&G Team and no access provided to SW Procurement Portal until officers have attended the Induction Day.

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		resulting in regulatory breaches, adverse publicity, and loss of reputation.		we understand to be underway.			
8	<p>A global email was issued by the Policy and Governance team to LMT officers in May 2022 advising them of the new CMF. The notification provided a link to the CMF documentation, advised them to cascade details to their managers, and also invited LMT to contact the team to arrange training for their officers.</p> <p>Some Service areas such as Canals, The Pulse, Building Control and Community Services have not taken up the opportunity of such training (as at 31<sup>st</sup> March 2023).</p> <p>Of the 15 out of 18 LMT officers who responded to Internal Audit's questionnaire on CMF awareness and training:</p> <ul style="list-style-type: none"> <li>i. One LMT officer responded they were not aware of the CMF; and</li> <li>ii. Eight indicated that they had not or could not remember receiving contract management training.</li> </ul>	Officers may not be fully aware of their responsibilities. This could result in poor management of contracts and financial losses, non-compliance with Contract Rules and or Government legislation, adverse publicity, loss of reputation and poor customer service.	M	Appropriate refresher contract management training (focused on officer role and responsibilities) should be provided to all existing Contract Managers and Contracts Owners.	Also due to the changes to the CMF, Procurement, Risk Management frameworks and the new Procurement Bill that a significant amount of training for all officers and members will be provided following approval of the revised Procurement Strategy in November 2023.	End of Q3 / Q4	As mentioned previously comprehensive training for officers and members is being developed for Q4 23/24

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9	<p>The Council's Policy Development and Review Framework was first published in September 2021, which included a Policy template for officers to use.</p> <p>This Policy template has not been fully adopted and applied by the Policy and Governance team for the CMF. Specific omissions are a separate schedule to detail document responsibility, version control, and Policy and document review and approvals.</p>	Best practice and the latest version of a policy or procedure may not be followed.	L	Consider the matters highlighted and update the CMF and any associated documents as deemed appropriate. The Strategic Director of Resources has delegated authority to make minor amendments.	To be completed as part of the minor changes to the CMF to be agreed by the Strategic Director of Resources	End of Q3 /Q4	The updated CMF presented to A&S Committee for approval includes the policy in the corporate format.