

Meeting of:	Audit Committee
Date of Meeting:	Monday, 03 February 2020
Relevant Scrutiny Committee:	Corporate Performance and Resources
Report Title:	Compliance with Contract Procedure Rules
Purpose of Report:	To present to Members update on the progress made on Contract Management and its compliance with the Council's Contract Procedure Rules.
Report Owner:	Head of the Regional Internal Audit Service
Responsible Officer:	Head of Finance & Section 151 Officer
Elected Member and Officer Consultation:	No Elected Members have been consulted. Legal Services and Head of Finance.
Policy Framework:	The proposals in this report are in accordance with the policy framework and budget.
<p>Executive Summary:</p> <ul style="list-style-type: none"> ○ In 2016 Contract Management was considered to be a significant issue within the Council and since then progress has been monitored to ensure that continuing improvement are made ○ An internal audit review has recently been completed. The purpose of this audit was to ensure the Council is procuring its contracts in an efficient and effective manner and in compliance with legislation using a sample of 12 companies with high cumulative spend across the Council. A reasonable assurance audit opinion was provided. ○ Examples of compliance with the Contract Procedure Rules (CPRs) and the Procurement Code of Practice were identified within the report and it was recommended and agreed that a single, central Corporate Contract Register was implemented to ensure centralised monitoring of contracts. A prototype is in place and is currently being tested with a proposed go live date in the new financial year. ○ There is provision for the rules contained within the CPR's to be waived via Cabinet or by advanced approval from the Section 151 Officer. A procedure is in place to ensure accountability and transparency and to date, in this financial year, 22 waivers have been reviewed, challenged and actioned as appropriate by Internal Audit and the Section 151 Officer. 	

Recommendation

1. That Members note the report and in particular the continuing improvements to the Council's Contract Management Arrangements.

Reason for Recommendation

1. To keep Audit Committee informed.

1. Background

- 1.1 One of the Audit Committee's Terms of Reference is :
 - To maintain an overview of contract procedure rules, financial regulations and officers' code of conduct and behaviour and to make recommendations to Cabinet and / or Council as appropriate.
- 1.2 During 2016 Contract Management was considered a significant issue and therefore included within the Annual Governance Statement 2015/16. Reports to this Committee during 2018/19 provided assurance that significant progress had been made including the implementation of comprehensive written procedures which are easily accessible by all Members and Officers, the development of a Procurement Code of Practice, enhancement of the Procurement Strategy and a programme of training for Senior Management had been delivered and forms part of the Management Development Programme.
- 1.3 This report is to provide the Committee with assurance that contract management is compliant with the Council's policies and procedures.

2. Key Issues for Consideration

Recent Internal Audit Review

- 2.1 An internal audit review of this area has recently been completed on Internal Audit's behalf by the South West Audit Partnership (SWAP). The purpose of the audit was to ensure the Council is procuring its contracts in an efficient and effective manner and in compliance with relevant legislation. For this review 12 contracts with high cumulative spends were selected for testing.
- 2.2 It was found that elements of the Council's corporate contract management control framework is well managed. Corporate financial procedures are maintained to guide managers throughout the procurement and ongoing management of the contracts they oversee. These are reviewed regularly to

ensure ongoing compliance with relevant legislation. There are procurement frameworks available to all staff on the Council's Procurement intranet pages, so Officers can reduce the time and cost of the procurement processes. It was also found that the stand-alone contracts reviewed demonstrated best practice as they were made using standard industry contract templates, such as JCT (the "Joint Contracts Tribunal" template).

- 2.3** As a result of the work undertaken a reasonable audit opinion has been provided. It was found that elements of compliance with the Contract Procedure Rules (CPRs) and Procurement Code of Practice are well controlled however some opportunities for improvement to the Council's control framework in relation to contract management were also identified.
- 2.4** The main recommendation recognised that there is no single, central Corporate Contract Register in place and therefore no centralised monitoring of Council contracts although there are separate registers held by Procurement, Finance and Legal Teams. This recommendation has been agreed and an electronic prototype in place which the procurement team are currently testing. It is planned that this will be up and running for the new financial year.

Exemptions to Contract Procedure Rules

- 2.5** There is provision for the rules contained within the CPR's to be waived. Section 17.4 specifically relates to Waiver of CPR's. Cabinet has the power to waive any requirements within the CPR's for specific projects except where the Public Contract Regulations apply. Additionally, they may be waived or varied where the circumstances are certified in advance by the Section 151 Officer (advised as appropriate by Internal Audit).
- 2.6** The waiving of CPR's is tightly controlled and a well-established procedure is in place to ensure accountability and transparency. A register of requests is maintained and during this Financial Year 2019/20, Internal Audit have reviewed, challenged and actioned 22 waivers.

Future Audit Work

- 2.7** Contract monitoring and management and compliance with CPRs are included throughout the Internal Audit plan and provision will be made in the Annual Audit Plan 2020/21 for this work to continue.

3. How do proposals evidence the Five Ways of Working and contribute to our Well-being Objectives?

- 3.1** Effective contract monitoring and the use of a Corporate Contract Register and the correct waiver procedures will ensure that the financial plans of the Council are sustainable into the future and do not adversely impact on future generations.

4. Resources and Legal Considerations

Financial

- 4.1** There are no resource implications as a direct consequence of this report.

Employment

- 4.2** None as a direct consequence of this report.

Legal (Including Equalities)

- 4.3** The provision of an adequate and effective Internal Audit function is a legal requirement under the Accounts and Audit (Wales) Regulations 2014 as amended from time to time. There are no equalities implications as a direct consequence of this report.

5. Background Papers

None