F4. CA07-2023 – Procurement

Audit Opinion	LIMITED
Prospects for Improvement	GOOD

Key Strengths

- Policy documents are appropriately detailed and make clear the mandatory principles and regulations on spending the Councils money to which all staff must adhere.
- Guidance documents under the banner of "how to buy anything" set out in sufficient detail the complete process for procuring at various spend levels including what needs to be done by whom, approvals process, and how to request for support from the appropriate team within Strategic Commissioning. There are also additional supporting documents available to staff to provide further advice on matters that may impact procurement activity.
- Proposed revisions to the Council's Contract Standing Orders "Spending the Council's Money" have been presented at and approved by Governance and Audit Committee and County Council.
- Use of the Kent Portal for procurements over £25k enables a view of all current procurement activity in progress.
- A Contract Management System (CMS) is in use and is capable of recording key information regarding awarded contracts.
- The Procurement and Commercial team have undertaken activity to review the CMS for records completeness and communicate with departments where information is found to be missing or out of date.
- Management Information packs are produced for Corporate Management Team (CMT) providing information regarding current procurement activity by Directorate.
- Cantium accounts payable procedures require that Invoices are not paid without a valid associated Purchase Order.
- The £25k plus purchase requisition procedure includes checks to ensure that Purchase Orders are linked to contracts and that notices of contracts awarded have been published.

Areas for Development

- At the time of audit, some services have direct access to the CMS system to add contract records themselves whilst others will have records added by the Commercial Team on their behalf. Perceptions across departments as to what constitutes a contract is likely to be impacting on what is being added to the CMS and assurance cannot be provided that all contracts are being added or that records being input are accurate. **Medium**
- The CMS system can store related contract information documents however, this functionality is not currently used. Individual teams store tender, scoring and contract documents in their own areas. **Medium**
- Sample testing identified that, for some procurements, not all documents had been retained and stored consistently in one central location. **Medium**
- There are currently no monitored central KPI's in relation to adherence to procurement procedures, the recording of contracts or storage of associated documents. **High**
- Ongoing contract management including operational and commercial performance is the responsibility of the assigned contract manager or team, each contract is therefore managed on an individual basis. There are no universal KPI's in relation to performance. **High**
- Oracle system does not have capacity to record contract numbers or values, subsequently automated tracking of spend against contracts as PO's are raised and invoices processed is not possible. Reliance is placed on individual contract owners monitoring of PO's being raised against contracts. **High**
- The £25k plus procedure for raising Purchase Orders does include the Commercial and Procurement Team verifying that procurement procedures have been followed, and that the Purchase Requisition is linked to a contract, however the procedure for generating Purchase Orders for less than £25k is less robust and assurance cannot be provided that all Purchase Orders raised are linked to current or valid contracts. **High**
- Internal Audit have identified from other areas of activity, procurements that have not been compliant with documented procurement procedures, either through the failure to go out to tender or failure to obtain relevant sign off for a single source tender. This has not been raised as an issue in this report as it has been covered separately in other audit engagements.

F4. CA07-2023 –Procurement

Prospects for Improvement

Our overall opinion of **Good** for Prospects for Improvement is based on the following factors:

- Appropriate management responses and action plans have been developed in response to the issues raised.
- The new Commercial and Procurement Division, and the revised rules for procurement and contracting enable a greater emphasis to be placed on record keeping and contract management activities.
- Consideration is being given to the automation of some processes as part of the planned implementation of the new Enterprise Business Capabilities (EBC) system.

Summary of Management Responses

	No. of Issues Raised	Mgt Action Plan Developed	Risk Accepted & No Action Proposed
High Risk	2	2	NA
Medium Risk	2	2	NA
Low Risk	0	0	NA

F6. RB21-2023 – Contract Extensions

Audit Opinion	LIMITED
Prospects for Improvement	VERY GOOD

Key Strengths

- Financial Regulations and Contract and Tendering Standing Orders include the strategic roles and responsibilities for managing and signing contracts.
- There is a Commissioning Handbook in place, which includes guidance on managing contracts including contract variations/extensions and was approved by the Corporate Management Team.
- There is contract management training, including contract variations/extensions, for those involved in managing contracts.
- There is an approved Scheme of Delegation for approving contract variations, including contract extensions.

Areas for Development

- Testing found that 60% of contract extensions had been approved in accordance with the Scheme of Delegation Matrix however the remaining 40% had not been approved in accordance with the Matrix (approved by Directors however, this should have been undertaken by Corporate Directors). **High**
- Testing found that the contract extensions risk assessment template was not routinely completed. For the 40% of the contracts (contract values £120m and £3.3m) where the template had not been completed, the contract extension risks were not identified, documented, and reviewed prior to the approval of contract extensions. **High**
- The information contained in the contracts register was not always up-to-date and key information was not documented. **High**
- Testing found that for 80% of contract extensions the Contract Extension Change Control "CCN" template to approve a contract extension was not completed. **Medium**
- There is no monitoring and reporting of which staff have completed and not completed the Commissioning Standard Team's contract management training. **Medium**

- Sample testing established that contract extensions' review and decision dates to extend the original contracts were between 2 and 6 months in advance of the contracts' end date. This did not allow sufficient time to enable a full re-procurement to be undertaken if this was required. **Medium**

Prospects for Improvement

Our overall opinion of **Very Good** for Prospects for Improvement is based on the following factors:

- Management have agreed with all the issues identified in this audit review and provided very detailed and comprehensive actions to strengthen the controls in managing contract extensions. Internal Audit are satisfied that these actions will be addressed appropriately by management.

- Management have provided realistic timescales to implement the actions required to control the risks identified.

Summary of Management Responses

	No. of Issues Raised	Mgt Action Plan Developed	Risk Accepted & No Action Proposed
High Risk	3	3	NA
Medium Risk	3	3	NA
Low Risk	0	0	NA