

Other Bodies/Individuals

Paul White, County Procurement Manager

FINAL DECISION YES

SUGGESTED NEXT STEPS:

Details to be specified

Further consideration by
this Committee

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To Council

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To Cabinet

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To an O & S Committee

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To an Area Committee

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Further Consultation

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Audit and Standards Committee – 24 February 2009

Contract Standing Orders Compliance Audit 2008/09

**Report of the Strategic Director of Performance and
Development**

Recommendation

That the Audit and Standards Committee considers the audit findings set out in this report and asks each Directorate to prepare an action plan to improve its compliance with Contract Standing Orders in line with the improvements identified in this report

1 Background

1.1 Annually an audit of compliance with contract standing orders (CSOs) is undertaken. This year's audit concentrated on checking a sample of contracts to check Authority wide compliance with CSOs. This is the same approach as in 2007/8. A review of Schools CSOs will be completed in early 2009 and the outcome reported to this committee at its September 2009 meeting.

1.2 In September 2008, all Contract Co-ordinators within Directorates were advised that the annual audit of CSOs would be carried out between the end of September and November and that it would involve a detailed review of compliance. The audit involved meeting directorate contract co-ordinators to assess the arrangements they have to ensure compliance with CSOs and to check that action had been taken to address the findings of the previous audit. Following this a sample of contracts let were reviewed against key requirements of CSOs to assess compliance. In particular, the audit reviewed whether the following key arrangements were in place:

- Planning arrangements for contracting process;
- Options appraisal;
- Arrangements for advertising;
- Shortlisting process;
- Tender opening and evaluation processes;
- Compliance with the Procurement Code of practice;
- Contract award procedure; and
- Risk Management arrangements.

2. Outcomes

2.1 Upon completion of the directorate visits, a summary of findings from each directorate was sent to each Contract Co-ordinator for consideration. The responses received have been incorporated into this report. The principal common themes and issues emerging from the 2008/9 audit process are set out below:

- The Contract Management System (CMS) was not being fully kept up to date e.g. contracts were shown as still in draft but the tendering process had been completed. There was also evidence that contracts subject to an exemption had not been recorded. This is a recurring issue and is therefore disappointing.
- A number of issues arose in connection with tender evaluation and contract award. Formal reports, detailing the background to the decision of the award, were not completed for contracts in four of the directorates and in one directorate, there were contracts that remained unsigned after they had come into force.
- Documentary evidence supporting the tendering process was not always being retained, or signed off, by the officers letting contracts.
- Risk management issues arose in two of the directorates. Risk registers had not been completed for several contracts, where it would have been appropriate to ascertain and assess the risks to the Authority, of entering into agreements with third parties.
- There are still issues in relation to compliance with the Procurement Code of Practice, the main areas being that procurement plans are not being prepared / sent to the County Procurement Manager and suppliers' insurance cover had not been checked to ensure that it was appropriate for the needs of the Authority and that it was valid.

2.2 The committee will recall that revised CSOs that simplified the procurement process became effective from 1 April 2008. However, a number of contracts reviewed during this audit were originated under the old CSOs so the benefits of simplification have still to be fully realised.

2.3 Directorates have made good progress in implementing the issues raised in previous reviews. Training has now been completed across the council with approximately 250 staff being trained over the last two years. As a result the level of knowledge of CSOs has improved considerably. However, one directorate still needs to review the use of their operating procedures, to ensure that they are fully in line with

CSOs. In addition there are still two nominated Contract Co-ordinators within two directorates.

- 2.4 The delegated nature of procurement activity means that many managers will let complex contracts infrequently. This combined with the scale of contracting and the complexity of procurement processes means that some non-compliance is inevitable. However, we should not be complacent and directorates should continue to publicise both the requirements of CSOs and, more importantly, the need to seek professional advice during procurement exercises. Directorate contract co-ordinators, in conjunction with the procurement unit, have a key role to play in ensuring that managers are appropriately supported during procurement exercises.

3 The Way Forward

- 3.1 The responsibility across all directorates for ensuring compliance with CSOs rests with the Strategic Directors and the Chief Executive. Strategic Directors will continue to promote high standards through the contracting arrangements within their directorates and will ensure that the common themes identified above, and the specific issues identified within their particular directorates, are addressed as necessary.
- 3.2 The Strategic Director of Performance and Development will continue to make arrangements to monitor the compliance of directorates with CSOs and a further audit will be undertaken during 2009/10 and will be reported to this committee in due course.
- 3.3 The issues detailed in this report can only be addressed effectively by directorates. It is suggested that each directorate is asked to prepare an action plan to improve its compliance with Contract Standing Orders particularly for the areas of improvement identified in this report.
- 3.4 The Committee is asked to consider the content of this report and decide if further action is necessary.

DAVID CARTER
Strategic Director of
Performance and
Development

Shire Hall
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2 January 2009