

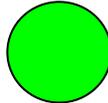
Internal Audit

Contract Management Final Report August 2015

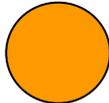
Distributed to:

- Chief Operating Officer
- Commercial & Customer Services Director
- Head of Procurement, CSG
- Partnership Relationship Manager
- Community Wellbeing Assistant Director
- Head of Care Quality, Adults & Communities
- Contract Manager Premier Partnerships, CSG Procurement

2014/15 Follow up and Premier Partnerships Contract

Audit Opinion	None	Limited	Satisfactory	Substantial
Previous reviews not applicable, no direction of travel.				

Home Care Contracts

Audit Opinion	None	Limited	Satisfactory	Substantial
Previous reviews not applicable, no direction of travel.				

1. Executive Summary

Introduction

As part of the 2015/16 Internal Audit Plan, agreed by the Audit Committee in April 2015, we have undertaken a review the Council's contract management arrangements.

Background & Context

In November 2014 the Council introduced a corporate approach to managing contracts, which included the production of a contract management toolkit and templates, supported by contract management training sessions for key staff members.

In January 2015 we completed a review of the contract management approach and the role of Procurement Board. This received a 'Satisfactory Assurance' rating with two findings noted: Procurement Board Contract Monitoring (priority two); and Benefits Realisation (priority two).

The purpose of this review was to follow up the findings from the January 2015 audit and to review controls in place to mitigate key risks, in the areas of risk management, issue management and conflict resolution and stakeholder management, for a sample of three further contracts:

- Two of the contracts for Home Care (Enablement and MiHomecare), managed by Adults & Communities. For the 2014 calendar year the Enablement contract spend was approximately £1.5m and MiHomecare was £2m; and
- Premier Partnerships, a contract to broker training on behalf of the Council, managed by the central procurement team (part of CSG). For the financial year 2014/15 the contracts spend was approximately £200k.

Corporate objectives and risks

Strong contract management supports all four of the strategic objectives in the Corporate Plan 2015 – 2020. The Council, working with local, regional and national partners, will strive to ensure that Barnet is a place:

1. of opportunity, where people can further their quality of life;
2. where people are helped to help themselves, recognising that prevention is better than cure;
3. where responsibility is shared, fairly; and
4. where services are delivered efficiently to get value for money for the taxpayer.

Key Findings (informing Audit opinion)

2014/15 Follow Up

We found that one of the two findings noted in our January 2015 report (Benefits Realisation) had been fully implemented and that the other (Procurement Board Contract Monitoring) finding had been partially implemented, with full implementation expected by September 2015. Please see section four for full details.

2015/16 Review

We identified the following areas of good practice:

- **Benefits Realisation** - Management have produced guidance for contract managers on benefits realisation. This includes an explanation of each of the benefits management phases required and a benefits realisation plan template, for contract managers to utilise. This was supported by additional training sessions on benefits realisation for contract managers.

We identified the following issues as part of the audit, resulting in one priority one, two priority two and one priority three recommendations:

Home Care Contracts

- **Risk and Issue Management, Control Design** - we identified areas where the Home Care contracts risk and issue management controls should be improved. We found that the contracts did not contain a risk and issue management process, which set out how the Council and the suppliers intended to manage and escalate risks or issues. In addition, risks and issues in relation to the contracts were not formally documented in risk or issue registers or the Council’s risk management system (Priority 1).
- **Stakeholder Management, Control Design** - we found that a stakeholder communications plan had not been developed as required by the Council’s Contract Management Manual, to ensure that stakeholders are identified, analysed and effectively engaged with on a regular basis (Priority 2).

Premier Partnerships

- **Risk and Issue Management, Control Design** – contract risks and issues had been identified at a high level, however they did not include all the information required to effectively manage risks and issues, such as mitigating actions required, action owners or due dates (Priority 2).
- **Stakeholder Management, Control Design** - we found that a stakeholder communications plan had not been developed as required by the Council’s Contract Management Manual, to ensure that stakeholders are identified, analysed and effectively engaged with on a regular basis (Priority 2).

Area of Scope	Adequacy of Controls	Effectiveness of Controls	Number of Recommendations Raised		
			Priority 1	Priority 2	Priority 3
Risk and Issue Management		N/A	1	1	0
Stakeholder Management and Communication		N/A	0	2	0

Acknowledgement	We would like to thank management and staff of the Premier Partnerships and Home Care contract management teams for their time and co-operation during the course of the internal audit.
------------------------	--

2. 2015/16 review detailed findings – Home Care contracts

2.1 Risk and Issue Management, Control Design

P	Detailed finding	Risk	Recommendation
1	<p>The Contract Management Manual states that contract risks and issues need to be identified, analysed and managed; recorded in risk and issue registers and regularly reviewed at contract monitoring meetings. The Contract Toolkit which supports the manual also includes template risk and issue registers, which set out the level of information contract managers are expected to record to effectively manage risks and issues. We noted the following:</p> <p><u>Risk and Issue Management Process</u></p> <p>We found that neither of the Home Care contracts reviewed (Enablement and MiHomecare) had a documented approach to contract risk management and escalation. We were therefore unable to identify how both the Council and the suppliers intended to manage and escalate contract related risks and issues. In particular the contracts did not include:</p> <ul style="list-style-type: none"> • Defined roles and responsibilities for those involved; and • Documented thresholds or escalation routes for risks and issues. <p><u>Risk Management</u></p> <p>The Contract Toolkit had not been utilised and risk registers were not in place for either of the Home Care contracts in order to capture, monitor and manage risks facing the Council. In addition contract specific risks were not recorded in the Council's risk management system (JCAD).</p>	<p>If risks are not identified, assessed and managed effectively, risks may materialise resulting in the service objectives not being achieved.</p> <p>Once identified, issues may not be monitored on a regular basis and resolved in a timely manner, which may result in overspending, delay or the service objectives not being achieved.</p>	<p>Recommendation 1</p> <ol style="list-style-type: none"> A risk and issue management process should be introduced for both the Enablement and MiHomecare contracts to ensure that risks and issues are consistently and effectively recorded, monitored, escalated and resolved in a timely manner. Management should utilise the risk register template within the Contract Toolkit and ensure that Enablement and MiHomecare risks are recorded, assessed and mitigated. This information should then be regularly monitored and updated. Management should utilise the issue register template within the Contract Toolkit and ensure that Enablement and MiHomecare issues are recorded, monitored and managed. This information should then be regularly monitored and updated. Management should consider whether these recommendations are applicable to the other Home Care contracts.

2.1 Risk and Issue Management, Control Design – continued.

P	Detailed finding	Risk	Recommendation	
	<p>Interviewees stated that risks were discussed at contract monitoring meetings. However contract risk was not a standing agenda item for either of the contracts (as required by the Contract Manual) and the minutes of meetings did not specifically reference risk.</p> <p><u>Issue Management</u></p> <p>The Contract Toolkit had not been utilised and issue registers were not in place for either of the Home Care contracts in order to capture, monitor, and manage contract issues.</p> <p>Interviewees stated that issues were raised informally and at contract monitoring meetings. However we reviewed the minutes of these meetings and found that they did not include all information required to effectively manage issues, for example:</p> <ul style="list-style-type: none"> • Clear descriptions of the issue; • Agreed actions; • Owners of agreed actions; and • Target dates for resolution. <p><i>We note that the department has recently been restructured to facilitate good contract management and that management intend to populate the Contract Toolkit for the Enablement contract as part of the handover to the new contract manager, who joined the Council at the end of July 2015.</i></p>			
Management Response			Responsible Officer	Deadline

<p>Though on-going review of contract risk was undertaken by the contract manager and escalated as appropriate to senior management, it is acknowledged that this was not formalised appropriately and did not meet corporate standards. Both the structure of the Care Quality Service, staff absence and resourcing issues continued to negatively impact on the ability of the service to adequately manage contract risk within the agreed framework.</p> <p>Following the restructure of the service, a comprehensive programme of recruitment and the appointment in May of the new Head of Service, the category teams are now undertaking a roll out of the Corporate contract management framework and monitoring toolkit on a phased basis.</p> <p>The service works with more than 400 contracts and will be focusing initially on the key strategic and critical contracts. Toolkits are currently being completed for both MiHomecare and Housing and Care 21.</p> <p>Further training has been commissioned for September to embed the approach and test the understanding of staff who are all currently completing toolkits for key services.</p> <p>Risk is now a standing item at all contract meetings and will be recorded appropriately within the contract toolkit with risk and issue management clearly documented.</p> <p>Service Managers will be working through completed toolkits in staff supervision and escalating to the Head of Service for sign off.</p>	<p>Head of Care Quality, Adults & Communities</p>	<p>31st August 2015</p> <p>30th Sept 2015</p> <p>Completed</p> <p>31st Oct 2015</p>
---	---	--

2.2 Stakeholder Management, Control Design

P	Detailed finding	Risk	Recommendation	
2	<p>The Contract Management Manual states that contract managers should develop a stakeholder communication plan to ensure that stakeholders are aware of what has been agreed within the contract and that their expectations are fully managed. The manual sets out a number of key areas which should be included and the Contract Toolkit provides a template to assist with stakeholder mapping.</p> <p>We found that neither of the Home Care contracts reviewed (Enablement and MiHomecare) had developed stakeholder communications plans or utilised the template within the Contract Toolkit to:</p> <ul style="list-style-type: none"> • Identify all relevant stakeholders; • Identify their interest in the contract and the impact it may have on them (for example it may be they are an end user affected by a change in service due to the contract or a senior manager who needs to understand key risks/issues); and • Decide the appropriate communication methods and frequency taking the above into account (this may be face to face discussions through to email updates). 	<p>The key contract stakeholders may not have been identified, analysed, effectively engaged and monitored to ensure that stakeholders are fully engaged and understand how the contract affects them and what is required from them in order to maximise the planned contract benefits.</p>	<p>Recommendation 2</p> <p>a) Management should ensure that the Enablement and MiHomecare contracts develop stakeholder communications plans and utilise the template within the Contract Toolkit in order to:</p> <ul style="list-style-type: none"> • Identify all relevant stakeholders; • Identify their interest in the contract and the impact it may have on them; and • Decide the appropriate communication methods and frequency taking the above into account. <p>b) Management should consider whether this recommendation is applicable to the other Home Care contracts.</p>	
Management Response			Responsible Officer	Deadline
<p>As outlined above, although this process was undertaken informally, the service has now taken steps to ensure that this is suitable reflected and documented within the toolkit.</p> <p>Using the Contract Toolkit, stakeholder communications plans are currently being completed for both MiHomecare and Housing and Care 21.</p> <p>The roll out of the toolkit and completion of stakeholder communications plans for all strategic and critical contracts is being currently being undertaken and will be completed on a phased basis.</p>			<p>Head of Care Quality, Adults & Communities</p>	<p>31st August 2015</p> <p>31st January 2016</p>

3. 2015/16 review detailed findings – Premier Partnerships

3.1 Risk and Issue Management, Control Design

P	Detailed finding	Risk	Recommendation
2	<p>The Contract Management Manual states that contract risks and issues need to be identified, analysed and managed; recorded in risk and issue registers and regularly reviewed at contract monitoring meetings. The Contract Toolkit which supports the manual also includes template risk and issue registers, which set out the level of information contract managers, are expected to record to effectively manage risks and issues. We noted the following:</p> <p><u>Risk Management</u></p> <p>The Contract Toolkit has been utilised and risks identified at a high level, however they were documented within the high level summary section of the toolkit and did not include all the information required to effectively manage the risk, for example;</p> <ul style="list-style-type: none"> • Risk description & consequences, • Risk impact, likelihood and proximity; • Mitigating actions required; • Risk and action owners; and • Due dates or escalation routes. <p>Interviewees stated that risks were discussed at contract monitoring meetings. However contract risk was not a standing agenda item (as required by the Contract Manual).</p>	<p>If risks are not identified, assessed and managed effectively, risks may materialise resulting in the service objectives not being achieved.</p> <p>Once identified, issues may not be monitored on a regular basis and resolved in a timely manner, which may result in overspending, delay or the service objectives not being achieved.</p>	<p>Recommendation 3</p> <p>a) Management should fully utilise the risk register template within the Contract Toolkit and ensure that Premier Partnerships contract risks are fully recorded, assessed and mitigated. This information should then be regularly monitored and updated.</p> <p>b) Management should utilise the issue register template within the Contract Toolkit and ensure that Premier Partnerships contract issues are fully recorded, monitored and managed. This information should then be regularly monitored and updated.</p>

3.1 Risk and Issue Management, Control Design – continued.

P	Detailed finding	Risk	Recommendation	
	<p><u>Issue Management</u></p> <p>The Contract Toolkit has been utilised and issues identified at a high level, however they were documented within the high level summary section of the toolkit and did not include all the information required to effectively manage the issue, for example:</p> <ul style="list-style-type: none"> • Clear descriptions of the issue; • Agreed actions required to resolve the issue; • Owners of agreed actions; and • Target dates for resolution. 			
Management Response			Responsible Officer	Deadline
The recommendations are accepted. In terms of Risk and Issue Management we will to comply with the requirement for listing mitigating actions against risks			Contract Manager Premier Partnerships	31 st December 2015

3.2 Stakeholder Management, Control Design

P	Detailed finding	Risk	Recommendation	
2	<p>The Contract Management Manual states that contract managers should develop a stakeholder communication plan to ensure that stakeholders are aware of what has been agreed within the contract and that their expectations are fully managed. The manual sets out a number of key areas which should be included and the Contract Toolkit provides a template to assist with stakeholder mapping.</p> <p>We found that Premier Partnerships had not developed a stakeholder communications plan or utilised the template within the Contract Toolkit to:</p> <ul style="list-style-type: none"> • Identify all relevant stakeholders; • Identify their interest in the contract and the impact it may have on them (for example it may be they are an end user affected by a change in service due to the contract or a senior manager who needs to understand key risks/issues); and • Decide the appropriate communication methods and frequency taking the above into account (this may be face to face discussions through to email updates). 	<p>The key contract stakeholders may not have been identified, analysed, effectively engaged and monitored to ensure that stakeholders are fully engaged and understand how the contract affects them and what is required from them in order to maximise the planned contract benefits.</p>	<p>Recommendation 4</p> <p>Management should ensure that the Premier Partnership contract develops a stakeholder communications plan and utilises the template within the Contract Toolkit in order to:</p> <ul style="list-style-type: none"> • Identify all relevant stakeholders; • Identify their interest in the contract and the impact it may have on them; and • Decide the appropriate communication methods and frequency taking the above into account. 	
Management Response			Responsible Officer	Deadline
<p>We accept this recommendation and will work with Premier Partnership to develop a Stakeholder Management and Communication Plan.</p>			<p>Contract Manager Premier Partnerships</p>	<p>31st December 2015</p>

4. 2014/15 Follow Up of Recommendations

Code to ratings:

Shading	Rating	Explanation
	Implemented	The recommendation that had previously been raised has been reviewed and was considered implemented.
	Partly Implemented	Aspects of the recommendation had been implemented however not considered implemented in full.
	Not Implemented	There had been no progress made in implementing this recommendation.

Finding	Recommendation	Response from Management (Jan 2015)	Audit Assessment July 2015
<p>Benefits Realisation The Council introduced contract management guidance in November 2014 to help improve and bring consistency to contract management activity across the Council. We reviewed this guidance and found that it did not include guidance on the creation of benefits management strategies and processes. Such guidance would help contract management teams identify how they intend to manage and demonstrate the delivery of the benefits on which the initial contract investment decisions were made.</p>	<p>The contract management guidance should be updated to include guidance to contract managers in relation to monitoring the realisation of planned benefits, this should include:</p> <p>a) The requirement for contract management teams to agree and document a benefits management process, to ensure that the realisation of planned benefits is monitored regularly and threats to the achievement of planned benefits escalated appropriately; and</p> <p>b) The suite of templates should be updated to include a benefits realisation plan (this template could be taken from the Corporate Project Management Toolkit and adapted for contracts).</p>	<p>The guidance will be updated to ensure it includes the monitoring of the realisation of planned benefits.</p>	<p>Implemented</p> <p>Management have produced guidance for contract managers on benefits realisation which includes:</p> <ul style="list-style-type: none"> • An overview of the importance of benefits management and case studies; • Types of expected benefits, in a contract context; • Explanations of the phases within the required benefits management process; and • Benefits realisation plan template, for contract managers to utilise. <p>This was supported by the introduction of additional training sessions on benefits realisation for contract managers.</p>
<p>Procurement Board Contract Monitoring</p>	<p>a) Minutes should accurately reflect</p>	<p>Due to a restructure a</p>	<p>Partly Implemented</p>

Finding	Recommendation	Response from Management (Jan 2015)	Audit Assessment July 2015
<p>The Council has introduced a contract management checklist for contract managers to complete and submit to Procurement Board. This should allow the board to challenge the management of key contracts and to provide support to contract managers, as required.</p> <p>We reviewed the three most recent contract checklists and corresponding minutes of the Procurement Board meetings to determine whether these were operating in practice. We noted inconsistencies, for example:</p> <ul style="list-style-type: none"> The Medicare contract submitted to the May 2014 Board was rated as having a 'high' score for risk to the Council and a 'poor' score in relation to contract management. The minutes of the meeting stated that a member of the procurement team would look to improve the management of the contract, however this was not recorded as a formal action and progress on this was not reported at the subsequent meetings. <p>There is therefore inconsistency in the routine recording of actions to address contract management issues identified by Procurement Board.</p>	<p>discussions held and the actions required to address any issues should be recorded and assigned owners; and</p> <p>b) Progress against required actions should then be routinely monitored until completion.</p>	<p>new minute taker for the Procurement Board has been appointed so this is an opportune time to refresh their duties and so ensure that Minutes accurately reflect discussions held, the actions required and note progress against these actions.</p>	<p>We reviewed the minutes of the March, April and May 2015 Procurement Board meetings and found that there still appeared to be inconsistency in the routine recording of actions. For example, it was not clear from the minutes where specific actions were required, who was responsible for them and when action was required, to allow the board to effectively manage and monitor the completion of actions.</p> <p>Since our last review a new minute taker has been appointed and that the Procurement Board Chair intends to work closely with them to ensure that minutes accurately reflect discussions held and the specific actions required.</p> <p><i>We note that the current Chair is due to leave the Council and should ensure that the new Chair picks up this responsibility.</i></p> <p>Revised Implementation Date: 30th September 2015</p>

Timetable	
Terms of reference	02/06/2015
Fieldwork completed	03/08/2015
Draft report issued	04/08/2015
Management responses received	27/08/2015

Final Report Issued	27/08/2015
---------------------	------------

Appendix A: Statement of Responsibility

We take responsibility for this report which is prepared on the basis of the limitations set out below:

- The matters raised in this report are only those which came to our attention during the course of our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made.
- Recommendations for improvements should be assessed by you for their full impact before they are implemented.
- The performance of internal audit work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices. We emphasise that the responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by internal audit should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity.
- Auditors, in conducting their work, are required to have regards to the possibility of fraud or irregularities. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud.
- Internal audit procedures are designed to focus on areas as identified by management as being of greatest risk and significance and as such we rely on management to provide us full access to their accounting records and transactions for the purposes of our audit work and to ensure the authenticity of these documents.
- Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system.

Appendix B: Guide to assurance and priority

The following is a guide to the assurance levels given:

	Substantial Assurance	There is a sound system of internal control designed to achieve the system objectives. The control processes tested are being consistently applied.
	Satisfactory Assurance	While there is a basically sound system of internal control, there are weaknesses, which put some of the client's objectives at risk. There is evidence that the level of non-compliance with some of the control processes may put some of the system objectives at risk.
	Limited Assurance	Weaknesses in the system of internal controls are such as to put the client's objectives at risk. The level of non-compliance puts the system objectives at risk.
	No Assurance	Control processes are generally weak leaving the processes/systems open to significant error or abuse. Significant non-compliance with basic control processes leaves the processes/systems open to error or abuse.

Priorities assigned to recommendations are based on the following criteria:

1 - High – Fundamental issue where action is considered imperative to ensure that the Council is not exposed to high risks; also covers breaches of legislation and policies and procedures. Action to be effected within 1 to 3 months.

2 - Medium – Significant issue where action is considered necessary to avoid exposure to significant risk. Action to be effected within 3 – 6 months.

3 - Low – Issue that merits attention/where action is considered desirable. Action usually to be effected within 6 months to 1 year.