

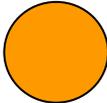
## Internal Audit

# Contract Management Final Report March 2016

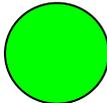
**Distributed to:**

- Chief Operating Officer
- Interim Commercial & Customer Services Director
- Head of Procurement, CSG
- Adults and Communities Director
- Head of Customer Strategy & Programmes
- Partnership Relationship Manager
- Registrars IAA Manager
- Head of Service Commissioning and Business Improvement, Family Services
- Strategy, Insight & Commissioning Manager, Family Services

**Registrars Inter-Authority Agreement**

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

**Young Carers Contract**

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.

The purpose of this audit was to review controls in place to mitigate key risks, in the areas of **governance and reporting** and **risk and issue management**, for two Council contracts.

- **Registrars** - the Registration and Nationality Service is responsible for the registration of births, deaths and still-births, the formalities for marriage and civil partnerships and for citizenship ceremonies and is a shared service that is delivered across the London Boroughs of Brent and Barnet by Brent Council.

The Inter-Authority Agreement between the Council and Brent has been managed by the Commissioning Group since being transferred from Adults and Communities in April 2015. Since taking responsibility for Registrars the Commissioning Group have sought to formalise governance arrangements using the contract management toolkit and to introduce performance monitoring, which we were unable to confirm were in place at the time of handover. It is recognised that this is work in progress.

- **Young Carers**, managed by Family Services. The aim of the contract is to engage and support young carers across the borough and it has an annual spend in the region of £115,000.

These contracts were selected from the list of auditable units across the Council that are provided via a contract and represent examples of a Strategic (Registrars) and Operational (Young Carers) contract as per the SCOT (Strategic, Critical, Operational and Transactional) framework used by the Council to analyse its contracts.

### 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)

We identified the following areas of good practice:

- **Young Carers contract** – we found that the Contract Management toolkit had been utilised and that governance arrangements were in line with those required by the Council’s Contract Management Manual.

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

Registrars Inter-Authority Agreement

- **Contract Management and Governance, Operating Effectiveness** - we identified areas where the Registrars contract management and governance should be improved. For example the contract management toolkit had not been fully utilised and contract monitoring meetings did not occur in line with the requirements of the Inter-Authority Agreement (Priority 1).
- **Risk and Issue Management, Control Design** - we identified areas where the Registrars contract risk and issue management controls should be improved. We found that the risk and issue management process set out in the Inter-Authority Agreement had not been complied with in practice. In addition, risks and issues in relation to the agreement were not formally documented in registers, as required by the Council’s Contract Management Manual, or within the Council’s risk management system (Priority 1).

Young Carers contract

- **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 them, such as mitigating actions required, action owners or due dates (Priority 2).

Area of Scope	Adequacy of Controls	Effectiveness of Controls	Number of Recommendations Raised		
			Priority 1	Priority 2	Priority 3
<b>Governance and reporting</b>		Registrars only	1	0	0
<b>Risk and issue management</b>		N/A	1	1	0

<b>Acknowledgement</b>	We would like to thank management and staff of the Registrars and Young Carers contract management teams for their time and co-operation during the course of the internal audit.
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## 2. Detailed findings – Registrars

### 2.1 Contract Management and Governance, Operating Effectiveness

P	Detailed finding	Risk	Recommendation
1	<p>We identified areas where the Registrars contract management and governance should be improved. We noted the following:</p> <p><u>Contract Management</u> In November 2014 the Council introduced a corporate approach to managing contracts, which included the production of a contract manual and toolkit template for contract management teams to utilise. We found that this was not in place for the Registrars contract, as is required for strategic contracts, and as such we were unable to determine how the Council intended to effectively monitor the contract.</p> <p><u>Governance</u> We reviewed the Inter-Authority Agreement, dated 16<sup>th</sup> April 2014 between the Council and Brent and found that it set out the following governance arrangements:</p> <ul style="list-style-type: none"> <li>• The Strategic Monitoring Board (SMB) will take place quarterly as a minimum and will discuss all aspects of the delivery of the service, as well as compliance with regulation and include senior level oversight for consultation, discussion and resolution of any issues; and</li> </ul>	<p>If contract management and monitoring tools are not utilised and governance meetings do not take place, management may not be able to govern effectively or with confidence that decisions are taken by the required parties based on complete, accurate and timely information.</p>	<p><b>Recommendation 1</b></p> <p>a) The Council should introduce the contract management toolkit and utilise it to manage, monitor and drive performance of the Registrars contract; and</p> <p>b) Management should ensure that the governance arrangements set out within the Inter-Authority Agreement are complied with in practice and that SMB meetings are minuted in order to note the discussions held and monitor any actions required.</p>

**2.1 Contract Management and Governance, Operating Effectiveness - continued**

P	Detailed finding	Risk	Recommendation	
1	<ul style="list-style-type: none"> <li>Brent are required to keep minutes of these meetings and will fully record all decisions taken by the members, which must be made by senior officers from both the Council and Brent.</li> </ul> <p>However we were not provided with evidence to demonstrate that these meetings had consistently occurred in practice and found that the Council were not provided with minutes in order to note the discussions held, any actions required or decisions taken.</p>			
Management Response			Responsible Officer	Deadline
The performance of this contract was reported to the PCM Committee for the first time in February 2016. It is accepted that this a contract were the toolkit still needs to be fully implemented.			Partnership Relationship Manager	31 <sup>st</sup> May 2016

## 2.2 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.</p> <p>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>The Inter-Authority Agreement states that:</p> <ul style="list-style-type: none"> <li>• The Strategic Monitoring Board (SMB) shall consider all matters of risk and implement full mitigations;</li> <li>• Ensure that there is a fully managed risk register in place and that a full assessment of risks are included in the annual service plan;</li> <li>• The Head of Service and Contract Manager shall review the service risk register on a monthly basis; and</li> <li>• A report summarising key risks shall be presented to the quarterly SMB meetings.</li> </ul> <p>We were not provided with evidence to demonstrate that these activities occurred in practice.</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><b>Recommendation 2</b></p> <ul style="list-style-type: none"> <li>a) The Council should ensure that the risk management process set out within the Inter-Authority Agreement is complied with in practice;</li> <li>b) Management should utilise the risk and issues register templates within the Contract Toolkit and ensure that Registrars risks and issues are recorded, assessed, mitigated and managed. This information should then be regularly monitored and updated; and</li> <li>c) SMB meetings should be minuted so that discussions held and actions required in order to manage risks and issues are recorded and can therefore be monitored.</li> </ul>

**2.2 Risk and Issue Management, Control Design – continued.**

P	Detailed finding	Risk	Recommendation	
	<p><u>Risk and Issue Registers</u></p> <p>The Contract Toolkit had not been utilised and risk and issue registers were not in place for the Registrars contract in order to capture, monitor and manage risks or issues facing the Council. In addition, contract specific risks were not recorded in the Council’s risk management system (JCAD).</p> <p>Interviewees stated that risks and issues were raised informally and discussed at contract monitoring meetings. However we were not provided with evidence to demonstrate that these meetings had consistently taken place and found that the council were not provided with minutes in order to note discussions held or track any action required.</p> <p>We reviewed the Registrars Quarterly Performance report dated 20/01/2016, prepared by Brent, and found that it included a number of issues, for example:</p> <ul style="list-style-type: none"> <li>• Lower than expected income generation for nationality and weddings;</li> <li>• Delays in the registration of death appointments;</li> <li>• An increase in the amount of time taken to complete citizenship appointments; and</li> <li>• Additional birth registrations resulting from the closure of Chase Farm Hospital.</li> </ul> <p>However we noted that this document did not analyse the impact of these issues on the Council or set out a clear plan of action required to address them where appropriate.</p>			
<b>Management Response</b>			<b>Responsible Officer</b>	<b>Deadline</b>
Accepted			Partnership Relationship Manager	31 <sup>st</sup> May 2016

### 3. Detailed findings – Young Carers contract

#### 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 risks, for example;</p> <ul style="list-style-type: none"> <li>• Risk description &amp; consequences,</li> <li>• Risk impact, likelihood and proximity;</li> <li>• Mitigating actions required;</li> <li>• Risk and action owners; and</li> <li>• Due dates or escalation routes.</li> </ul>	<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><b>Recommendation 3</b></p> <p>a) Management should fully utilise the risk and issues register templates within the Contract Toolkit and ensure that key contract risks and issues are fully recorded, assessed and mitigated. This information should then be regularly monitored and updated; and</p> <p>b) Management should consider whether this recommendation is applicable to other Family Services contracts, particularly those which are of a higher value or are more complex in nature.</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"> <li>• Clear descriptions of the issue;</li> <li>• Agreed actions required to resolve the issue;</li> <li>• Owners of agreed actions; and</li> <li>• Target dates for resolution.</li> </ul>			
Management Response			Responsible Officer	Deadline
Risks and issues are identified as part of contract monitoring but a focussed approach will be taken to recording key risks and issues within the contract monitoring toolkit.			Strategy, Insight & Commissioning Manager, Family Services	30 <sup>th</sup> September 2016

Timetable	
Terms of reference	17/02/2016
Fieldwork completed	17/03/2016
Draft report issued	17/03/2016
Management responses received	31/03/2016
Final Report Issued	31/03/2016

## **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.