

Slough Borough Council

Common Themes identified from Internal Audits
on Contract Management from 2012 to 2015

Common Themes from the Internal Audits on Contract Management at Slough Borough Council

This paper sets out the common weaknesses identified during the twelve contract management audits that have been completed at Slough Borough Council from 2012 to 2015 where a formal assurance opinion has been provided. A significant number of reports were issued with a negative audit opinion, and a number of common areas of weaknesses were identified. Recommendations were made to address these weaknesses in the individual reports and hence action taken by management to implement recommendations may have addressed the specific areas we have identified. As a consequence, this report draws together a summary of the themes and weaknesses we have identified in our work on contract management since 2012, but the report is not necessarily a reflection on the current control framework. We have summarised the reports by assurance category below:

Internal Audit Contract Management Reports

No Assurance (Red)

- Contract Management- Block Nursing Contracts (12/13)
- Contract Management (12/13)
- Contract Management and Third Party Procurement- Atkins Limited (13/14)
- Contractual Management Arrangements- Amey Plc (13/14)
- Data Quality- Performance Indicators within Contracts (14/15)
- Educational Services- Contract Management Arrangements (14/15)
- arvato Performance Management- Phase I and II (14/15)

Some Assurance (Amber/ Red)

- Atkins Limited- Contract Management (14/15)

Reasonable Assurance (Amber/ Green)

- Leisure Services (12/13)
- Thames Valley Transactional Hub- Contractual Performance Management Phase I (12/13)
- Supporting People Contract Management (12/13)

Substantial Assurance (Green)

- Thames Valley Transactional Hub- Governance Structure (Phase I) Set Up Arrangements (12/13)

This paper has been developed to highlight the impact of these issues, and suggested controls which could be put in place to manage and mitigate the associated risks. It is therefore recommended that Slough Borough Council should consider whether any of the control weaknesses highlighted below are still prevalent within their control environment, and if so, to implement solutions suggested within this paper. Internal Audit will be available to offer any further advice or support to assist in the development of suitable controls, or with regards to advice on any wider internal control issues. Note: we have not included the results of any of our advisory reviews on contract management within this paper, although it should be noted that no additional significant weaknesses were identified as part of these audits outside of what has been highlighted within this paper.

Area 1: Governance Arrangements

Topic: Six audits identified weaknesses in governance arrangements for contract management at the Council. Of these, three distinct themes were identified;

- Lack of clear terms of reference for committees / groups delegated oversight responsibilities for contract management,
- Meeting minutes not capturing the level of detail require to assess the issues reported and subsequent discussions held,
- General weaknesses in contract governance arrangements.

Area 2: Provider Contracts and Service Specifications

Topic: Five audits found weaknesses in the contracting process at the Council. Of these, two distinct themes were identified;

- Lack of detail within provider contracts, including contract value and duration, to the contract not being aligned to relevant legislation and standards;
- Review period was not effectively captured, preventing key improvements to be captured within the contract through its duration.

Area 3: Key Performance Indicators

Topic: Four audits identified weaknesses in Key Performance Indicators agreed with providers. Of these, three distinct themes were identified;

- Lack of defined or sufficiently robust key performance indicators to enable effective monitoring of provider performance,
- Insufficient mechanisms in place for reporting and monitoring performance against KPIs,
- Lack of effective review of KPIs to ensure that they were still fit for purpose.

Area 4: Strategy and Planning

Topic: Four audits found that there was a lack of key strategic documents and plans in place covering contract management in place.

Area 5: Policies and Procedures

Topic: In eight audits we identified a lack of standard operating procedures in place for contract management.

This covered the processes for the Council in monitoring contracts, including the validation of key performance indicators.

Area 6: Workforce and Capacity

Topic: Across two audits undertaken in 2014/15, which highlighted a lack of capacity to deliver the contract management requirements of the Council.

Area 7: Provider Non-compliance against Contract Requirements

Topic: We identified an instance where non-compliance against contractual requirements was identified, in respect of the revision of KPIs with no prior agreement to do this

Area 8: Data Validation

Topic: Seven audits highlighted weaknesses in the data validation processes at the Council. Of which, two key issues were identified;

- lack of validation processes for key performance indicators,
- weaknesses in the process for the validation of invoices and payments.

Area 9: Performance Reporting

Topic: Seven audits identified a lack of effective performance reporting against key contractual performance requirements

Area 10: Performance Monitoring

Topic: In four audits weaknesses were identified through the performance monitoring arrangements within the Council, whereby the Council demonstrated insufficient performance monitoring arrangements, at an operational level, for contracts with providers.

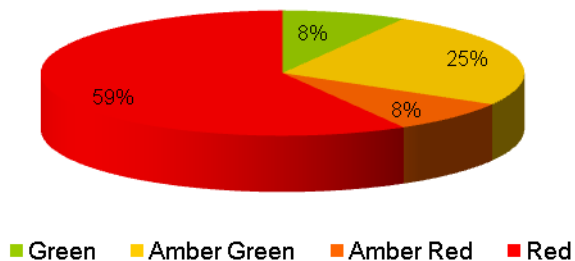
Area 11: Value for Money

Topic: In six audits, it was highlighted that the Council may not be achieving value for money through contracts, through lack of appropriate benchmarking to ensure that contracts are cost effective and deliver an efficient service.

Summary of performance

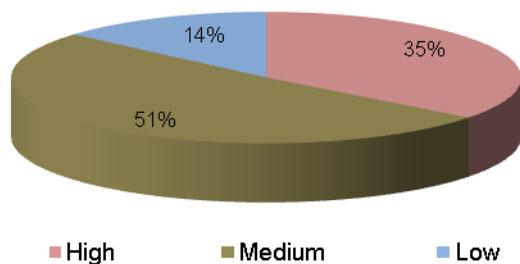
The following pie charts show the assurance opinions provided in contract management audits conducted from 2012/13 to 14/15, and the same information, split by recommendation category.

Assurance Levels 2012/13 to date



AUDITS	GREEN	AMBER GREEN	AMBER RED	RED
NUMBER	1	3	1	7
PERCENTAGE	8%	25%	8%	59%

Recommendation categorisations to date:



	HIGH	MEDIUM	LOW	TOTAL
RECOMMENDATIONS RAISED	39	56	15	110
% OF RECOMMENDATIONS	35%	51%	14%	100%