Buckinghamshire County Council

Audit & Risk Management Service
Annual Report of the Chief Internal Auditor
2013/14

Annual Report 2013/14

Contents

1   Background

1.1   The Account and Audit Regulations 2011 require the Council to maintain an adequate and effective Internal Audit Service in accordance with proper internal audit practices. The Public Sector Internal Audit Standards 2013 (the Code), which sets out proper practice for Internal Audit, requires the Chief Internal Auditor to provide an annual report to those charged with governance, which should include an opinion on the overall adequacies of the internal control environment.

2   Responsibilities

2.1   It is a management responsibility to develop and maintain the internal control framework and to ensure compliance. It is the responsibility of Internal Audit to form an independent opinion on the adequacy of the system of internal control.

2.2   The role of the Internal Audit Service is to provide management with an objective assessment of whether systems and controls are working properly. It is a key part of the Authority's internal control system because it measures and evaluates the adequacy and effectiveness of other controls so that:

- The Council can establish the extent to which they can rely on the whole system; and

- Individual managers can establish how reliable the systems and controls for which they are responsible are.

3.   Basis of Audit Opinion

3.1   The Internal Audit Service operates in accordance with the Public Sector Internal Audit Standards; however, there are currently three areas of non-conformance with those standards:-

- The Chief Auditor has operational management responsibility for the Risk Management and Strategic Insurance functions, so is not wholly independent. The risk of conflict of interest is managed through the Risk Management Group who under the direction of the Chairman of the Regulatory and Audit Committee, monitors and reviews the adequacy and effectiveness of the risk management strategy and process; and, where audit activity is undertaken in areas where the Chief Auditor has operational responsibility, the Audit Manager reports directly to the Service Director Finance & Commercial Services (S151 Officer);

- An Internal Audit Charter is to be drafted as part of the governance framework being developed under the Future Shape Programme; and,
- A Quality Assurance and Improvement Programme is being drafted and will be presented to the Regulatory and Audit Committee with the Internal Audit Charter

3.2 The strategy for delivery of the Internal Audit Service is reviewed annually and subject to the approval of the Regulatory and Audit Committee. Internal Audit is required to objectively examine, evaluate and report on the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of resources.

3.3 The Regulatory & Audit Committee agreed the quarterly Internal Audit Plans, which focussed specifically on financial management, and corporate processes. There were no constraints placed on the scope of audit work.

3.4 A summary of the work undertaken during the year forming the basis of the audit opinion on the internal control environment is shown in Appendix 1. Summaries of the outcomes of each audit have been presented to the Regulatory and Audit Committee on a quarterly basis. Summaries of the audits completed since the last report are attached in Appendix 2.

3.5 The system for the reporting and monitoring of risk management is well embedded into the business management process. It has been subject to continuous improvement including the development of a risk management process within the programme management and contract management systems across the Council. The strategic risk register continues to be subject to regular monitoring by COMT. The profile of the Risk Management Service is good, with strong engagement on major change programmes such as Future Shape. It is routinely reporting to the Regulatory and Audit Committee through the Risk Management Group, which it also supports with agenda setting to ensure focus is on key risk areas, including major projects. The risk management system is used to inform the work of Internal Audit.

3.6 Schools continue to form part of the Internal Audit Plan. In 2013/14, a small number of school audits were undertaken. Internal Audit, in conjunction with the Finance Business Partner for Schools reviewed the S151 Officers assurance framework for financial management in schools, and identified a number of areas for improvement in the corporate management control processes. A series of workshops have been undertaken with finance staff who receive financial information from schools, and who have a monitoring and support role over schools financial management. The workshops have helped to inform the improvement plan, which includes updating the regulations and guidance for schools; clarity over roles and responsibilities; escalation routes for matters arising through the financial monitoring and processing. This work is on-going and is expected to conclude in the

autumn, with an outcome of a clear assurance framework for the S151 Officer.

3.7 Contract management is a key control process for the Council. During 2013/14, the contract management framework has continued to embed, and the Contract Management Application (CMA), has been completed, although not yet fully populated. The CMA will be a major source of assurance over contract management going forward. The Risk Management Team has assisted with the development of the CMA, including training contract managers on risk management. Internal Audit completed audits of two major contracts within Place and CYP; AMEY and Highways Contract; and, a review of contract management across a sample of contracts within AFW. In addition to the planned audits, the Business Investment Group requested an audit of the Capital Programme management.

3.8 Reliance has been placed on the monitoring of procurement activity by the Commercial Services Team, who report six monthly to the Regulatory and Audit Committee, on compliance with the Contract Standing Orders. Internal Audit has also supported the Procure to Pay project, with the CIA being on the Project Board, and the Audit Manager part of the quality assurance process, reviewing the adequacy of controls in the design of new processes and procedures. This project will be on-going during 2014/15.

3.9 A key part of the audit plan for 2013/14 was the governance audits. A review of the key control processes was undertaken, with testing at a directorate level, supported by a small sample of establishment based audits.

3.10 The audit of IT systems has been limited in 2013/14, following the retirement of the IT Auditor. External resource was commissioned to undertake a needs assessment across the IT service, and this has been followed up by an assurance mapping exercise to evaluate the quality of the management control processes in place. This work is due to be completed in Q1 2014/15, for reporting in Q2. The outcome will inform the audit activity in 14/15.

3.11 Where internal audits identify weaknesses in control, or areas for improvement, management action is agreed. The implementation of management actions is tracked by Internal Audit and reported to the Regulatory and Audit Committee. This relies on receiving positive assurance from the responsible officer reporting that actions have been completed. The tracking and management update was being undertaken using the Performance Plus Software, however the software was decommissioned in March 2014, and the new action tracking solution is not yet functional. It is expected that action tracking reports will be available again from September 2014.

3.12 In addition to the planned audits, the Audit and Risk Management Team has supported the development of the system of internal control, through

providing ad-hoc advice and guidance, and through work on specific projects, including:

- Procure to Pay Project
- Contract Management Framework
- Contract Management Application
- Future Shape Programme
- Property Mobilisation - reviewing proposals for the internal order and payments processing system.
- Payroll Project
- Annual Governance Statement
- Growth and Optimisation Gateway Review

3.13 There is an increasing demand on internal audit to provide assurance on the use of external grants. In 2013/14 the CIA has certified without qualification all six grants referred to audit.

3.14 In arriving at our opinion on the system of internal control, we have taken into account:

- The results of all audits completed in 2013/14
- Whether or not management actions have been agreed for all material areas of weakness identified.
- The effects of any material changes in the Authority's objectives or activities or risk profile.
- Whether any limitations have been placed on the scope of audit.
- The scope of internal control environment - which comprises the whole network of systems and controls established to manage BCC to ensure that its objectives are met.

3.10 In giving our audit opinion, it should be noted that assurance can never be absolute. The most that the Internal Audit Service can provide to the Accountable Officers and Committee is a reasonable assurance that there are no major weaknesses in risk management, governance and control processes. The matters raised in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

4. Opinion on the Council's Internal Control Environment Summary

> In my opinion overall Buckinghamshire County Council's overall system of internal control continues to facilitate the effective exercise of the Council's functions and provides a **reasonable** assurance regarding the effective, efficient and economic exercise of the Council's functions. It is inevitable for an organisation that continues to manage reductions in funding, and fundamental change, that capacity to maintain a good system of internal control is a risk; there are several projects that are on-going to address current weaknesses and areas for improvement within key systems. The improvements should remain a high priority for delivery as they are important for sustaining a robust system of internal control. It is reassuring to note that the importance of good governance, and effective risk management and control is recognised within the Future Shape Programme, with a work-stream being dedicate to Governance and Assurance.

4.2 This opinion is consistent with the outcomes of the individual audits, in which of the 30 opinion based audits completed 76% had opinions of "reasonable" or "substantial" assurance, and all six grant claims reviewed were acceptable. There have been seven audits with opinions of "limited" assurance; management have responded positively to these audits and have initiated appropriate action plans to address the issues raised.

5. Anti-Fraud

5.1 The Anti-fraud and corruption strategy remains current and relevant. During 2013/14 there has been an increase in the amount of reported fraud, or attempted fraud. The Council has been subject to unsuccessful, attempted procurement fraud by external fraudsters requesting changes to vendor master data. Internal controls identified the fraud before any loss occurred.

5.2 There appears to be an increase in minor fraud, which could be an indication of poor management control. The S151 Officer and the CIA have undertaken Head of Profession briefings and fraud awareness briefing to the Finance Function to remind the staff of their responsibility to be vigilant to the risk of fraud. The S151 Officer is planning similar briefings for the Managing Directors and their management teams, once the structure and shadow teams have been determined under the Future Shape project.

5.3 The National Fraud Initiative (data matching exercise) has been completed, with no major issues or concerns noted for reporting.

6.   The Audit Team

6.1 The Internal Audit Team continues to be resourced jointly with resources shared through the collaboration with Oxfordshire County Council. The structure is reviewed at least annually to ensure the right balance of skills is maintained. There is current pressure on resources created through secondments to the Future Shape project, and by a secondment to the Centre of Expertise team. This is being mitigated in the short term through bringing in external resources; however a review of resources and structure will be undertaken once the Assurance Framework under Future Shape is agreed.

6.2 It is a requirement to notify the Regulatory and Audit Committee of any conflicts of interest that may exist in discharging the internal audit activity. There is only one matter to report. The Chief Internal Auditor and the Senior Auditor who leads on counter-fraud in the team are related. To management that conflict, the CIA has no direct management of the Senior Auditor, and their line manager reports directly to the CIA's line manager on all personnel and performance matters.

Ian Dyson, *Chief Internal Auditor June 2014.*

Appendix 1 - Summary of audit outcomes for year.

Audit Methodology

For each audit an opinion was determined firstly on the framework of controls that exist for that operational area and secondly on compliance with the controls. From this an overall audit opinion is given for each audit. An opinion on the quality of risk management in place is also provided. Work has been planned and performed so as to obtain all the information and explanations which were considered necessary to provide sufficient evidence in forming an audit opinion. The range of overall audit opinions is:-

- **Substantial** - All controls are in place to give assurance that the system's objectives will be met.

- **Reasonable** - Most controls are in place to give assurance that the system's objectives will be met but there are some minor weaknesses.

- **Limited** - There are not the necessary controls in place to give assurance that the system's objectives will be met.

The following table sets out the range of opinions for risk management and the framework of controls for each audit.

	Type / Area	Audit (If highlighted, the summary has not previously been reported and is in Appendix 2)	2012/13 Overall Opinion	2013/14 Overall Opinion
1	Key Financial System	General Ledger	Reasonable	Reasonable
2	Key Financial System	Accounts Payable	Reasonable	Reasonable
3	Key Financial System	Accounts Receivable inc. Income Management	Reasonable	Reasonable
4	Key Financial System	Pensions	Reasonable	Reasonable
5	Key Financial System	Treasury Management	Reasonable	Substantial
6	Key Financial System	Payroll	Limited	Reasonable
7	Governance	Health and Safety		Reasonable

8	Governance	Review of Charges		Reasonable
9	Governance	Mobile Phones		Limited
10	Governance	Capital Programme Management		Reasonable
11	Governance	AFW Governance and Financial Management	Reasonable	Reasonable
12	Governance	Establishment Audit – Coroners Service		Reasonable
13	Governance	Establishment Audit – Community Hospital Team		Reasonable
14	Governance	CBE Governance and Financial Management	Reasonable	Reasonable
15	Governance	Establishment Audit – Drug Action Team		Reasonable
16	Governance	PPC Governance and Financial Management	Reasonable	Reasonable
17	Governance	RBT Governance and Financial Management	Reasonable	Reasonable
18	Governance	CYP Governance and Financial Management	Reasonable	Reasonable
19	Governance	Establishment Audit – Aftercare Team		Reasonable
20	Contract Audit	Amey Contract		Limited
21	Contract Audit	Highways Contract – Capital Maintenance		Limited
22	Contract Audit	AFW - Contract Management Framework		Reasonable
23	Risk	SVA – management controls – care management processes, case file management, supervision		Limited
24	Risk	CYP – Safeguarding Management Controls		Limited
25	Risk	Special Education Needs – follow up	Limited	Reasonable

26	Risk	School Admissions		Substantial
27	Schools	Mandeville School		Limited
28	Schools	Pebble Brook School		Limited
29	Schools	Iver Village School		Reasonable
30	Schools	Chiltern Gate School – Follow Up	Limited	Substantial
31	Grant Certification	6th Form Grant Funding		No opinion
32	Grant Certification	AFW – Fuel Poverty Grant		No opinion
33	Grant Certification	Public Health Grant		No opinion
34	Grant Certification	Joint Waste Committee Return		No opinion
35	Grant Certification	ADEPT Accounts		No opinion
36	Grant Certification	Families First		No opinion

Appendix 2 - Summary of completed audits not previously reported to the Regulatory and Audit Committee

Note for information:

We categorise our management actions according to their level of priority:

High	Major issue or exposure to a significant risk that requires immediate action or the attention of Senior Management.
Medium	Significant issue that requires prompt action and improvement by the local manager.

PAYROLL – REASONABLE

Our overall conclusion is Reasonable. The Payroll Team have worked hard to improve processes since the last audit. The team, working with Finance, had identified issues with the payroll accounts and a Payroll Project plan was put in place to resolve these issues. Regular update meetings have taken place lead by the Service Director (Human Resources). The issues raised as part of the project were included in audit testing where relevant and recommendations raised as necessary. The progress of the issues identified in the Payroll Project are as follows:

1. Reconciliations and reporting processes and procedures documented and mapped – reconciliations are now process mapped, procedure documents are still in the process of being updated. Management information reports map has been updated. The revised processes will be sent to Internal Audit for review and then sign off by the Section 151 Officer and HR.
2. Overview and escalation procedures documented and communicated – documents are in the process of being updated. The revised processes will be sent to Internal Audit for review and then sign off by the Section 151 Officer and HR.
3. Capacity and skills gap identified and addressed, responsibilities for each process clarified and knowledge transferred – a new Reward Manager is starting on 6 May 2014, the Interim Reward Manager will be staying on for a two month handover and succession plans are now in place.
4. Recent and historic balances – reconciliations of the payroll accounts and the bank statements are now taking place on a monthly basis; this was confirmed by Audit testing, there are still some small historic balances which are being investigated, however a decision has been taken to write off larger amounts dating back to 2005/06 and 2007/08.
5. Year end requirements – an action plan is in place for year end actions.

Eight management actions were agreed in the previous Payroll Audit report. Four of these have been actioned, of the four remaining:

- The starter's checklist is not completed in all cases, this has been restated below.
- Although the overpayments process has been reviewed there is no timeframe for chasing a lack of response to overpayments letters, this has been restated below.
- Procedures notes have not been reviewed for deductions, this has been restated below.
- There are some discrepancies between the number of payslips purchased by schools purchasing payroll services and the actual number of staff; this has been restated below as a low priority issue.

GENERAL LEDGER – REASONABLE

Our overall conclusion is Reasonable. Internal Audit identified that there is generally a sound system of internal control in place. One high priority action has been agreed regarding the user access to transaction FS01; create master data, one member of staff who has this access has two separate user names and therefore two log ins to SAP.

Other medium priority actions relate to procedures notes, locking cost centres and allocated responsibilities for cost centres and feeder systems.

Six actions were raised in the previous General Ledger audit report. Five of these recommendations have been actioned. The guidance on clearance of suspense accounts has not yet been reviewed and updated.

ACCOUNTS RECEIVABLE (INCL. CASH RECEIPTING) - REASONABLE

Our overall conclusion is Reasonable. Internal Audit identified that there is generally a sound system of internal control in place. Key accounts receivable financial framework documents; Debt Management Strategy, Financial Instruction 4 (Debt Management) and Financial Instruction 6 (Income), are not available to staff as the old ones have been removed from the Intranet and not replaced. These documents were reported on in previous audits.

The main findings relate to how debt is managed throughout the council within the services and the role of Finance. The day to day income transactions are managed appropriately except for cash receipting identified as the result of two site visits to Beaconsfield Library and Blue Badge Team.

Three management actions were agreed in the Accounts Receivable Audit 2012/13. Two of these have been actioned. There are also four management actions from previous relevant audits that have not been implemented.

ACCOUNTS PAYABLE - REASONABLE

Our overall conclusion is Reasonable. Internal Audit identified that there is generally a sound system of internal control in place. Risks are being mitigated to acceptable levels, except for the significant risks noted, and there is therefore the possibility that some objectives will not be achieved. The framework relating to the Accounts Payable System is in place and is robust. Since last year's audit additional controls have been instigated to prevent fraudulent payments by independently verifying new vendors' bank accounts and changes to vendor details.

SAP roles were examined and it was found that some officers have access to set up new vendors where their current role does not require this. An exercise to cleanse vendor data has not been carried out in the last four years. On examining a sample of 10 orders it was found that in 50% of cases the order was placed on SAP after the goods and invoice were received thereby creating a retrospective order which is contrary to Financial Instructions. Related to this it was also found that Service areas no longer receive quarterly reports from Procurement on the number of retrospective orders in their area.

The current SAP workflow for an order or invoice authorisation is based on the organisation structure, therefore if a Business Support officer places an order on behalf of their service this is workflowed to their Business Support line manager for authorisation whereas it should be authorised by an officer within the service area requesting the goods/service. From a sample of orders and invoices it was found that payment is not always made within the agreed payment terms.

Examination of management actions from previous Accounts Payable audits indicate that they have been implemented or are being progressed via the Procure to Pay (P2P) project.

GOVERNANCE AND FINANCIAL MANAGEMENT (CYP) - REASONABLE

The audit activity focussed on the following key areas:

- Authority and Governance
- Risk Management
- Financial Management
- Performance Management
- Human Resources
- Legislation
- Procurement
- Information Governance
- Project Management

- Partnerships

Internal Audit identified that there is generally a sound system of internal control in place. Risks are being mitigated to acceptable levels, except for the risks noted. The key areas related to the following:

- Gifts and hospitality register not being up to date.
- Business Continuity Plan not being up to date.
- A lack of a Data Quality Champion.
- Scheme of Delegation not being up to date.
- Some staff have not completed the mandatory data protection e-learning.

2 'High' priority and 5 'Medium' priority actions have been agreed following this audit.

GOVERNANCE AND FINANCIAL MANAGEMENT (AFW) - REASONABLE

The audit activity focussed on the following key areas:

- Authority and Governance
- Risk Management
- Financial Management
- Performance Management
- Human Resources
- Legislation
- Procurement
- Information Governance
- Project Management
- Partnerships

Internal Audit identified that there is generally a sound system of internal control in place. Risks are being mitigated to acceptable levels, except for the risks noted. The key areas related to the following:

- Gifts and hospitality register not being up to date.
- Business Continuity Plan not being up to date.
- Not all required information being recorded on the Contract Management Application.
- Scheme of Delegation not being up to date.
- Receipts not being retained to support expense claims and expense claims.
- Some staff have not completed the mandatory data protection e-learning.

3 'High' priority and 8 'Medium' priority actions have been agreed following this audit.

GOVERNANCE AND FINANCIAL MANAGEMENT (CBE) - REASONABLE

The audit activity focussed on the following key areas:

- Authority and Governance
- Risk Management
- Financial Management
- Performance Management
- Human Resources
- Legislation
- Procurement
- Information Governance
- Project Management
- Partnerships

Internal Audit identified that there is generally a sound system of internal control in place. Risks are being mitigated to acceptable levels, except for the risks noted. The key areas related to the following:

- Business Continuity Plan not being up to date.
- Scheme of Delegation not being up to date.
- Some staff have not completed the mandatory data protection e-learning.
- No mechanism in place to reminder staff of the process for accepting and declaring offers of gifts or hospitality.

2 'High' priority and 4 'Medium' priority actions have been agreed following this audit.

GOVERNANCE ESTABLISHMENT (DRUG ACTION TEAM) – REASONABLE

The audit activity focussed on the following key areas:

- Policies and procedures
- Budgetary control
- Payroll
- Human Resources
- Procurement
- Income/banking
- Assets
- Information security
- Imprest accounts
- Business Continuity
- Risk Management

- Performance Management
- Project Management
- Partnerships

Internal Audit identified that there is generally a sound system of internal control in place. Risks are being mitigated to acceptable levels, except for the risks noted. The key areas related to the following:

- Some old cost centres are still live and some expenditure and income has inadvertently been coded to these cost centres.
- Receipts not being retained to support expense claims and expense claims.
- There has not been the required annual review of team members receiving a Critical Car User Allowance.
- Job role Health & Safety risk assessments have not been carried out.
- The Pharmacy Invoice reconciliation had not been carried out for quarter 3 2013/14.
- The service has not regularly run the SAP Aged Debt Report.

There are no 'High' priority actions and 6 'Medium' priority actions agreed following this audit.

GOVERNANCE AND FINANCIAL MANAGEMENT (RBT) - REASONABLE

The audit activity focussed on the following key areas:

- Authority and Governance
- Risk Management
- Financial Management
- Performance Management
- Human Resources
- Legislation
- Procurement
- Information Governance
- Project Management
- Partnerships

Internal Audit identified that there is generally a sound system of internal control in place. Risks are being mitigated to acceptable levels, except for the risks noted. The key areas related to the following:

- Financial Instructions not being fully up to date.
- Risk Management Strategy being in draft form.
- The Induction checklist available on the Intranet does not refer to data protection e-learning.

- No mechanism in place to reminder staff of the process for accepting and declaring offers of gifts or hospitality.
- Scheme of Delegation not being up to date.
- Some staff have not completed the mandatory data protection e-learning.
- Business Continuity Plan not being up to date.

6 'High' priority and 9 'Medium' priority actions have been agreed following this audit.

PENSIONS - REASONABLE

Our overall conclusion is Reasonable. Internal Audit identified that there is generally a sound system of internal control in place. Risks are being mitigated to acceptable levels, except for the significant risks noted in table 2 below, and there is therefore the possibility that some objectives will not be achieved.

BCC administers the Local Government Pension Scheme (LGPS) for around 180 employers, 21,000 active members, 19,500 deferred members and 14,500 pensioners. The BCC external website contains many documents and guidance to assist scheme members, employers and other interested parties. The Pension Fund Committee meets regularly and receives comprehensive quarterly fund performance reports. The administration of the scheme is generally well managed.

All relevant policies are in place however two are not dated. The contract with the Pension Fund Investment Consultant has not been formally extended, the contract with the independent adviser has expired and the contract with the actuary has expired. There is no control mechanism to ensure that recharges to recoup Actuary costs for employer reports have all been actioned. A sample of new entrants to the scheme, changes during membership, leavers, transfers in, transfers out, retirees and death in service were examined. It was found that starters, leavers and changes for 2013/14 relating to BCC employees and schools using Strictly Education payroll provider have not been actioned. There is reconciliation between the Fund Managers valuation data and the Custodian data for Fund Managers, however these reconciliations have not been kept up to date. The Investments and Treasury Team are working on this and have completed to December 2013. From April 2014 the team aim to complete these reconciliations monthly.

The management actions arising from the Pensions audit 2012/13 were examined and all have been completed.

GOVERNANCE AND FINANCIAL MANAGEMENT (PPC) - REASONABLE

The audit activity focussed on the following key areas:

- Authority and Governance

- Risk Management
- Financial Management
- Performance Management
- Human Resources
- Legislation
- Procurement
- Information Governance
- Project Management
- Partnerships

Internal Audit identified that there is generally a sound system of internal control in place. Risks are being mitigated to acceptable levels, except for the risks noted. The key areas related to the following:

- Business Continuity Plan not being up to date.
- Scheme of Delegation not being up to date.
- Some staff have not completed the mandatory data protection e-learning.
- Issues with performance measures identified within Portfolio Plans.
- Contract Standing Orders not being fully up to date.
- A lack of a consistent corporate process for declaring items of gifts and hospitality.

2 'High' priority and 4 'Medium' priority actions have been agreed following this audit.

AFW – CONTRACT MANAGEMENT FRAMEWORK

The level of assurance we are able to give this area is REASONABLE - There is generally a sound system of internal control, however some significant risks have been noted and there is therefore the possibility that some objectives will not be achieved.

Buckinghamshire has a growing population and a significant number of people will fall into the elderly category with increasing needs and a declining morbidity rate placing increasing pressures on service provision. The total spend in this area is highlighted for 2013/14 as being £158 million. Commissioning services that are appropriate, timely and of sufficient quality is therefore important as is an understanding of what is specified, managed and delivered.

In order to give the area sufficient review and testing we considered records and information for the following Contractors:

Apetito - Hot meals delivery service. (Gold)
POhWER - Direct Payments and areas associated with Advocacy (Gold)
Plan Care - Carers services (Gold)
Sevacare - Carers services (Platinum)

Action on Hearing Loss - Support services for persons with hearing or visual difficulties (Gold)

All five contractors are rated in accordance with County Council Corporate monitoring framework. However, it is noted that the designation linked to contract resource focus does not always follow the guidance for monitoring as SCS recognise that certain services are service critical or have encountered problems and accordingly are prioritised for monitoring in accordance with the perceived risk. Understanding that certain contracts may require management in line with risk as opposed to the value is a Directorate decision based on their assessment of the risk a contract presents.

None of the matters listed below could give rise to the potential of unacceptable risk occurring, however collectively, there is the potential of contract stress arising. It is accepted that the contracts reviewed were commissioned before a number of positive changes took place in the monitoring framework and that the Contract Management role is still maturing. Commissioning and Contract Management have been working on improving the process of engagement and handover and the review has highlighted that progress is being made towards more efficient working practices. It is hoped that the observations made during the review will assist in strengthening the Contract Management approach. We found that:

1. The recording of meetings between the Contractor and the Council should be undertaken in a uniform way across contracts in order to maximise the opportunity to track contract performance;

2. As contracts are renewed the focus should be based on Outcome as opposed to Output with a view to identifying opportunities to develop new investment routes for the service. It is clearly understood that this is a Commissioning role however early engagement between Commissioners and the Contract Management team ensures that incentive structures (financial or non-financial) relate clearly to desired outcomes that are well managed and governed, with appropriate checks and approval mechanisms;

3. A focus on cost and time also requires a counterbalance that focuses on the quality of service. In the case of advocacy this can be measured in outcomes to ensure that the level of service delivered and the outcomes achieved are equal to the output of the service;

4. Each contract should develop a risk matrix that can filter key risks through to the senior management team to improve visibility;

5. Levels of insurance held by the contractor need to reflect the level of insurance required by the Council;

6. Mapping service levels outlined in the contract to key requirements agreed during commissioning and procurement phase for contract management to be developed through consultation between Procurement, Commissioning and the Contract Management Team.;

7. The Commissioning and Contract Management Team should set a "tolerance" around the acceptable level of complaints each contract can incur that in turn can be reported individually and as a collective indicator to senior managers;

8. As the Plan Care contract is coming to an end we reviewed the PID produced against the one provided in the Project Management Toolkit. We found that it covered all areas except Business Benefits, Budget Plan and Project Tolerances. Contracts need to be baselined to the original framework or requirements;

9. The language of contracts, in particular the varying terminology used within the different contracts for the roles and responsibilities of officers or the contractor, should be more uniform;

10. There could be merit in receiving a report from the Finance Team indicating average payment period by contract as an internal performance indicator. This would reduce the risk of poorly performing contracts going unnoticed for lengthy periods of time as senior managers would be able to focus on contracts that are out of tolerance due to the length of time a contractor is waiting to be paid or over performance where a contract is being paid too early; and

11. The management team should satisfy themselves as to whether a potential shortcoming in the Business Continuity Planning of individual contracts, is a material risk