

AUDIT COMMITTEE

22 June 2015

CONTRACT MANAGEMENT REPORT – UPDATE

REPORT OF CORPORATE DIRECTOR

Contact Officer: Steve Tilbury Tel No: 01962 848256

RECENT REFERENCES:

None

EXECUTIVE SUMMARY:

The report updates the Committee on the implementation of the measures to correct the control weaknesses identified in the November 2014 Contract Management report.

RECOMMENDATIONS:

- 1 That the report be noted.

## AUDIT COMMITTEE

22 June 2015

### CONTRACT MANAGEMENT REPORT - UPDATE

#### REPORT OF CORPORATE DIRECTOR

#### DETAIL:

##### 1 Introduction

- 1.1 In November 2014 the Internal Audit team produced a report on the contract management for River Park Leisure Centre (RPLC) and Meadowside which found that the contract process produced 'limited assurance' and identified a number of medium and low risk control weaknesses. There were no high risk items.
- 1.2 Since the publication of the report, a number of steps have been taken to reduce or eliminate these control weaknesses. These are the actions which are considered necessary by management to improve the assurance rating. Covalent will be updated in due course to show that the measures proposed are completed.
- 1.3 The table attached as Appendix 1 addresses each item in the Internal Audit report. In summary the following measures have been implemented:
  - a) The Corporate Director has worked with the Head of Sports and Physical Activity and Places for People Leisure (PFPL) to produce a new monthly and annual reporting process to ensure that all the information required for contract monitoring is documented in an accessible and easily auditable form. This will provide a framework for monthly contract monitoring meetings with PFPL. Where target setting is considered appropriate this will be included in the documentation. This documentation can be the basis of an annual report to The Overview and Scrutiny Committee if this is the wish of Members.
  - b) Updated arrangements have been agreed with the Head of Estates for the Head of Sports and Physical Activity to liaise closely with the responsible officer in the Estates team to ensure better and more comprehensive documentation of maintenance items. The Head of Sports and Physical Activity will be identified as the lead officer to take up any non-compliance with agreed maintenance actions either by PFPL or by the City Council.
  - c) Maintenance investment decisions will be taken in the light of any decision the Council takes in due course about the replacement or refurbishment of the Centre and this will be documented.

- d) The Contract Monitoring Officer is considering what information she requires to provide proportionate verification of the income figures contained in PFPL's annual accounts from which income figures are derived. Advice on this process will be sought from the Chief Finance Officer. This will also enable her to verify previous year's figures as suggested by Internal Audit on the same principles.
- 1.4 The Committee will be aware that resources for the monitoring of the RPLC and Meadowside contract have reduced over time due to financial restrictions. The revised arrangements will require more input from the Head of Sports and Physical Activity and while this should be manageable Members will be aware that this cannot amount to day to day monitoring of contract compliance.
- 1.5 Further adjustments to the monitoring arrangements will be made as necessary and Internal Audit will look again at the contract management processes as they determine within their work plan.

#### OTHER CONSIDERATIONS:

#### 2 COMMUNITY STRATEGY AND PORTFOLIO PLANS (RELEVANCE TO):

- 2.1 The provision and effective management of the leisure centre is considered to be a significant community benefit providing health and well-being benefits.

#### 3 RESOURCE IMPLICATIONS:

- 3.1 There are no resource implications arising from the report.

#### 4 RISK MANAGEMENT ISSUES

- 4.1 The purpose of the Internal audit report is to improve contract management and to reduce risk arising from non-compliance.

#### BACKGROUND DOCUMENTS:

Southern Internal Audit Partnership Internal Audit Report 'Contract Management' (Confidential)

#### APPENDICES:

Appendix 1 – table of responses to individual audit report recommendations.

## Appendix 1

River Park Internal Audit Action Plan Update				
Action Plan Reference	Objective	Management Action Agreed	Current Situation	Comment on Further Work
1	Effective governance of the contract is achieved through clearly defined management and operational responsibilities	<p>Estates Officer to attend contract monitoring meeting</p> <p>Review the appropriateness of the scheme of delegation to enable the Estates Officer to make decision for approval of WCC budget spend</p>	<p>Although staffing within Estates has made continuity difficult, a contract management meeting structure is now in place which integrates Estates role with wider contract management</p> <p>This has been done. The Head of Estates does have sufficient delegation to approve necessary spend</p>	
2	Effective governance of the contract is achieved through clearly defined management and operational responsibilities	<p>Estates Officer to attend contract monitoring meeting</p> <p>Review the appropriateness of the scheme of delegation to enable the Estates Officer to make decision for approval of WCC budget spend</p> <p>Formal escalation policy to be established to ensure prompt action on WCC maintenance and repairs</p>	<p>As above</p> <p>As above</p> <p>Head of Sports and Physical Activity as been formally identified as the client officer acting on behalf of RPLC and will escalate through her chain of command any failure to carry out work identified as necessary for</p>	

River Park Internal Audit Action Plan Update				
Action Plan Reference	Objective	Management Action Agreed	Current Situation	Comment on Further Work
			resolution by senior management	
3	Effective governance of the contract is achieved through clearly defined management and operational responsibilities	Record of maintenance threshold to be produced annually and shared with Places for People Leisure	The threshold amount is now recorded in the annual contract information report ('ACIR'). This report documents all 'once a year' items as they fall due and is shared with PFPL.	
4	Adequate management information is produced to enable contract performance to be monitored	<p>An annual check on insurance documents will be programmed</p> <p>Current measures to gain assurance that the contractor is fulfilling the terms of the contract will be assessed from a risk perspective and the ability of the Council to monitor these effectively.</p>	<p>This is carried out with the Council's Risk and Insurance Advisor and is documented in the ACIR</p> <p>The Corporate Director, Assistant Director and Head of Sports and Physical Activity have reviewed the arrangements for contract monitoring with input from the Head of Estates. Since the deletion of the post of Sports Facilities Officer (which largely undertook monitoring activities) for economic reasons there is significantly less capacity in the team. In view of budget constraints no additional capacity is likely. A risk based approach has been</p>	

River Park Internal Audit Action Plan Update				
Action Plan Reference	Objective	Management Action Agreed	Current Situation	Comment on Further Work
		Targets will be included with the performance measures against which actual performance can be more transparently assessed	<p>adopted which will be implemented more rigorously by the Head of Sports and Physical Activity, concentrating on contract items and documentation of contractual compliance on specific items and proxy measures. A new ACIR has been drawn up for improved record keeping.</p> <p>High level targets will be set annually as will agreement for promotional and participation events.</p>	
5	Payments made to and income received from PFPL are made correctly and in line with contract terms	<p>2009 income share included £2.5 payment in kind by way of staffing payment but documentation incomplete for audit purposes. Should any similar agreements be reached in future they will need to be appropriately authorised and documented.</p> <p>Ensure appropriate integrity checks of income are undertaken to ensure WCC are appropriately</p>	<p>Any such arrangements in the future will be fully documented in ACIR and agreed with Cabinet or Portfolio Holder.</p> <p>Any payment made to PFPL will be documented in the ACIR and in monthly meeting records.</p> <p>The Head of Sports and Physical Activity is currently determining what level of</p>	

River Park Internal Audit Action Plan Update				
Action Plan Reference	Objective	Management Action Agreed	Current Situation	Comment on Further Work
		recompensed for any income share due. This shall be undertaken back to 2009.	<p>verification is required of PFPL income returns. This will be in the light of advice from the Chief Finance Officer.</p> <p>Back dated check to 2009 has not yet been undertaken but will be once mechanism determined.</p> <p>It should be noted that the cost of the mechanism for verification should be proportionate to the amount and likelihood that verification will reveal any additional income that should be accounted for.</p>	
6	Payments made to and income received from PFPL are made correctly and in line with the contract terms	Budget provision to be set and agreed with the Finance Team annually, including provision for NNDR income each year.	Budget requirements for the forthcoming year will be set as accurately as possible in consultation with the Finance Team	