

<b>DECISION-MAKER:</b>	GOVERNANCE COMMITTEE		
<b>SUBJECT:</b>	UPDATE ON VALUE FOR MONEY AUDIT CONCLUSION – FINANCIAL STATEMENTS 2017/18		
<b>DATE OF DECISION:</b>	12 <sup>TH</sup> NOVEMBER 2018		
<b>REPORT OF:</b>	SERVICE DIRECTOR – FINANCE & COMMERCIALISATION		
<b><u>CONTACT DETAILS</u></b>			
<b>AUTHOR:</b>	<b>Name:</b>	Paul Paskins Sue Cuerden	<b>Tel:</b> 023 8083 4353 023 8083 4153
	<b>E-mail:</b>	<a href="mailto:Paul.Paskins@southampton.gov.uk">Paul.Paskins@southampton.gov.uk</a> <a href="mailto:Sue.Cuerden@southampton.gov.uk">Sue.Cuerden@southampton.gov.uk</a>	
<b>Director</b>	<b>Name:</b>	Mel Creighton James Strachan	<b>Tel:</b> 023 8083 4897 023 8083 3436
	<b>E-mail:</b>	<a href="mailto:Mel.Creighton@southampton.gov.uk">Mel.Creighton@southampton.gov.uk</a> <a href="mailto:James.Strachan@southampton.gov.uk">James.Strachan@southampton.gov.uk</a>	

#### STATEMENT OF CONFIDENTIALITY

None

#### BRIEF SUMMARY

The report is to update the Governance Committee on the Value For Money (VFM) conclusion and recommendations of the external auditor as reported to the Governance Committee in July 2018.

#### RECOMMENDATIONS:

	<b>(i)</b>	To note that since the observations associated with the audit were made, substantial progress has been made in completing a comprehensive action plan as detailed in paragraph 7.
	<b>(ii)</b>	To note that a number of actions – most of which have other dependencies – are programmed for future completion.

#### REASONS FOR REPORT RECOMMENDATIONS

1.	As part of the 2017/18 external audit, conducted by Ernst & Young a conclusion was issued regarding VFM. This considers whether the Council has in place 'proper arrangements' to secure economy, efficiency and effective use of resources.
2.	The External Audit – Audit Results report, presented to Governance Committee in July 2018, identified an 'except for' conclusion would be issued. The auditors were satisfied that there were proper arrangements in place to secure economy, efficiency and effectiveness in the use of resources except for some weaknesses in procuring supplies and services to effectively support the delivery of strategic priorities.

#### ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

3.	To take no action and accept that there may be further exceptions to the VFM conclusion in future years.
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**DETAIL (Including consultation carried out)**

4.	The External Audit – Audit Results report identified that the council has an appropriate procurement and contracting framework in place, however there are some instances of non-compliance within this framework. The findings particularly noted that some staff had failed to engage with the central procurement team with regard to particular projects.
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5.	All of the issues had already been identified in September 2018 when Governance Committee received the results of an internal audit report in respect of contract framework and procurement and the actions being taken to resolve the issues.
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6.	The conclusion of the internal audit report was that there is a sound framework in place that complies with both EU and UK legislation but that there are failures in staff compliance with this framework when the procurement team are not engaged in processes; and that these processes need to be improved to reduce non-compliance.
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**Update on Actions**

7.	<p>The majority of issues identified in both reports had already been recognised and a comprehensive Procurement Development Plan (PDP) containing specific actions had already been put in place to resolve these issues.</p> <p>Many of the actions associated with the PDP have already been completed and others are in progress. The table below provides a summary of the actions, the lead officer responsible, the current status and the due date where the action is yet to be completed</p>
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Action	Lead Officer(s)	Status	Due Date
<p><b>1. Specific Instances of Officer non-compliance</b> Investigate the contractual relationships with the specific suppliers identified in the Internal Audit report and the reasons why Procurement Services were not involved in sourcing the service area requirements. Take necessary action in accordance with CPRs</p>	Service Director Growth/ Service Director, Adults, Housing and Communities (as the responsible Service Directors)	Completed	Completed
<p><b>2. Develop the Contracts Register to ensure it is comprehensive and accurate</b></p> <ul style="list-style-type: none"> <li>Request from Service Directors details of all contracts in excess of £25k involving multiple payments which they have procured historically/or without Procurement Service involvement for entry onto Contracts Register.</li> </ul>	Service Lead – Supplier Management	Completed	Completed
<ul style="list-style-type: none"> <li>Expand the requirement to include all contracts in</li> </ul>		Request completed.	Completed

	excess of £5k and review any contracts which have not been included.	Service Lead – Supplier Management /CMT	Results being assessed. Contracts Register to be updated no later than end November 2018	End November 2018
	<b>3. Sub £100k procurement compliance</b> <ul style="list-style-type: none"> <li>Continue to monitor compliance with Sub £100k processes and report instances of non-compliance to Service Directors for action</li> <li>Hold Sub 100k meetings with Service Directors in 2017/18, investigate instances of non-compliance to identify why it had occurred and to remind officers of the compliant process</li> <li>Improve Sub £100k reporting and compliance</li> <li>Resolve the commercial and operational position relating to the Procurement Guarantee to assist in addressing compliance more effectively</li> </ul>	Service Lead – Supplier Management  Service Lead – Supplier Management  Capita Head of Procurement Operations  Service Director Digital and Business Operations / Service Lead – Supplier Management	Completed/ongoing. Data is showing significant improvements in compliance  Completed  Completed  In progress	Completed  Completed  Completed  TBC
	<b>4. Learning and Development</b> Mandatory training introduced for all staff who have any involvement in buying	Service Lead – Supplier Management	Completed CMT reviewing those who have undertaken the training	Completed
	<b>5. Better Reporting and Robust Action</b> Further develop the reporting of spend to flag annual values spent with each supplier and support Service Directors in identifying when CPRs are not being followed and taking appropriate action	Service Lead – Supplier Management	Completed	Completed
	<b>6. Requisitioning and Procure to Pay (P2P)</b> Introduce requisitioning to ensure all spend is processed through the requisition workflow in order to mandate that CPR processes are followed and procurement are involved in all spend in accordance with CPRs	Service Lead – Supplier Management	Phase 1 (Requisitioning) completed Phase 2 (Business World and P2P) in progress	Completed  April 2019
	<b>7. Improve Controls</b> Mandate the requisitioning process by introducing system controls which provide no alternative route to processing			

	<p>orders and/or allowing suppliers to be paid including:-</p> <ul style="list-style-type: none"> <li>• Empowering the Procurement Service to reject non-compliant orders.</li> <li>• Control of supplier set up and usage – regulating who can set suppliers up and managing when and how they can be used.</li> <li>• Requiring officers to state contract name on requisition when wishing to use a specific supplier because a contract is believed to exist.</li> <li>• Link products (including services) to Contracted Suppliers in Business World to ensure that contracts are only used for the purpose they were set up for (i.e. a user will not be able to use supplier to purchase an item for which it does not have a contractually linked product).</li> <li>• Undertake review of requisitioning’s impact on procurement process compliance</li> </ul>	<p>Service Lead – Supplier Management</p> <p>Service Lead – Supplier Management</p> <p>Service Lead – Supplier Management</p> <p>Service Lead – Supplier Management</p> <p>Service Lead – Supplier Management</p>	<p>Completed</p> <p>Partly Completed. To be fully implemented as part of Business World and P2P</p> <p>Completed</p> <p>Partly Completed. To be fully implemented as part of Business World and P2P</p> <p>Ongoing</p>	<p>Completed</p> <p>April 2019</p> <p>Completed</p> <p>April 2019</p> <p>Ongoing</p>
	<p><b>8. Cohesive Contract Management and Procurement service</b></p> <p>Implement a ‘full cycle’ cohesive contract management and procurement approach as set out in the Procurement Strategy</p> <ul style="list-style-type: none"> <li>• Phase 1 – Strategic Contracts and Integrated Commissioning Unit (ICU)</li> <li>• Phase 2 – Review of Strategic Contracts and agreements re managing Key Managed Contracts</li> </ul>	<p>Service Lead – Supplier Management</p> <p>Service Lead – Supplier Management</p>	<p>Phase 1 (creation of Supplier Management and consolidation of ICU function) completed.</p> <p>Phase 2 (fully integrated approach) outstanding as dependent on the termination of the Capita contract</p>	<p>Completed</p> <p>July – Oct 2019</p>
	<p><b>9. Feeder Systems</b></p> <p>‘Feeder’ systems (those systems which create financial commitments outside of the Council’s main financial system) are to be reviewed and usage clearly defined, restricted and managed to ensure mis-use does not occur.</p>	<p>Service Director - Finance and Commercialisation / Service Lead – Supplier Management / CMT</p>	<p>Phase 1 – headline review – in progress</p> <p>Phase 2 – completion of prioritised actions – to follow on from Phase 1</p>	<p>April 2019</p> <p>TBA depending on the outcome of Phase 1</p>
	<p><b>10. Procurement processes</b></p> <p>Review procurement processes to ensure that these are simple</p>			

	<p>and user-friendly with a single spending route:</p> <p><u>Phase 1:</u></p> <ul style="list-style-type: none"> <li>• Introduction of requisitioning, conduct workshops and surveys to better understand and address user issues with procurement processes</li> <li>• Development of e-learning to reflect user feedback and clarify processes</li> </ul> <p><u>Phase 2:</u> Roll out revised procurement sections of the intranet</p> <p><u>Phase 3:</u></p> <ul style="list-style-type: none"> <li>• Ensure there is reporting to track timescales associated with procurement activities</li> <li>• Digitise forms and updates to reflect requisitioning and P2P</li> <li>• Follow up to ensure relevant staff undertake the e-learning)</li> <li>• Streamline “Project Gateway” documents to make simple to ease within confines of contractual requirements but also supports compliant procurement.</li> </ul>	<p>Service Lead – Supplier Management</p> <p>Service Lead – Supplier Management</p> <p>Service Lead – Supplier Management</p> <p>Head of Procurement Operations</p>	<p>Completed</p> <p>Completed</p> <p>Completed</p> <p>Substantially completed. Digitisation of forms in progress</p>	<p>Completed</p> <p>Completed</p> <p>Completed</p> <p>Rolling programme End Feb 2019</p>
	<p><b>11. Procurement Service</b> Repatriate the procurement service to the Council to support the development and improvement of the procurement service</p>	<p>Service Director Digital and Business Operations / Service Lead – Supplier Management</p>	<p>Outstanding</p>	<p>July 2019</p>

## Conclusions

8.	<p>Significant and substantial progress has been made in completing the action plan to address the issues raised. This range of actions includes better information and training for officers, making systems and processes easier to use, tighter controls, better reporting, closing process loopholes and stronger information to support sanctions where appropriate.</p>
9.	<p>The Council Management Team (CMT) are fully briefed on the issues and challenges and are fully supporting the actions being taken. The Leadership Team have also recently been briefed on the issues and their responsibilities.</p>
10.	<p>The remaining actions are generally dependent on other matters including the repatriation of the procurement service to the council and the implementation of the Business World system but – once the full range of actions are completed – the council should have confidence that there will be significant, demonstrable and sustainable operational and strategic improvements to the whole approach and practice in relation to third party spend.</p>

<b><u>Capital/Revenue</u></b>	
11.	Whilst there are no specific financial implications in relation to the contents of this report, failure to comply with the council's procurement and contract rules may result in additional expenditure for supplies and services which could have otherwise been secured more efficiently and may impact on the achievement of approved savings proposals.
<b><u>Property/Other</u></b>	
12.	None
<b>LEGAL IMPLICATIONS</b>	
<b><u>Statutory power to undertake proposals in the report:</u></b>	
13.	None
<b><u>Other Legal Implications:</u></b>	
14.	The legal framework concerned includes the Public Contracts Regulations 2015, the Concession Contracts Regulations 2016 and the Best Value Duty.
<b>RISK MANAGEMENT IMPLICATIONS</b>	
15.	Continued non-compliance may result in future except for VFM conclusions.
16.	The council is at risk of failing to fully comply with its own Constitution and CPRs (which form part of that Constitution), the legislative framework set out at paragraph 12 and, in turn, risks potential procurement challenge.
<b>POLICY FRAMEWORK IMPLICATIONS</b>	
17.	None

<b>KEY DECISION?</b>	<b>Yes/No</b>
<b>WARDS/COMMUNITIES AFFECTED:</b>	<b>All</b>
<b><u>SUPPORTING DOCUMENTATION</u></b>	
<b>Appendices</b>	
1.	N/A
<b>Documents In Members' Rooms</b>	
1.	N/A
<b>Equality Impact Assessment</b>	
<b>Do the implications/subject of the report require an Equality and Safety Impact Assessment (ESIA) to be carried out.</b>	<b>No</b>
<b>Data Protection Impact Assessment</b>	
<b>Do the implications/subject of the report require a Data Protection Impact Assessment (DPIA) to be carried out.</b>	<b>No</b>
<b>Other Background Documents N/A</b>	
<b>Other Background documents available for inspection at:</b>	

<b>Title of Background Paper(s)</b>	<b>Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)</b>
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