

DECISION-MAKER:	GOVERNANCE COMMITTEE		
SUBJECT:	PROCUREMENT AUDITS UPDATE		
DATE OF DECISION:	11 FEBRUARY 2019		
REPORT OF:	SERVICE DIRECTOR, DIGITAL AND BUSINESS OPERATIONS		
<u>CONTACT DETAILS</u>			
AUTHOR:	Name:	Paul Paskins	Tel: 023 8083 4353
	E-mail:	paul.paskins@southampton.gov.uk	
Director	Name:	James Strachan	Tel: 023 8083 3436
	E-mail:	james.strachan@southampton.gov.uk	
STATEMENT OF CONFIDENTIALITY			
N/A			
BRIEF SUMMARY			
<p>This report updates Governance Committee on the progress made against the actions set out in the following reports (collectively referred to as “the Audit Reports” for the purpose of this report):</p> <ul style="list-style-type: none"> • “Procurement – Sub 100k spend” report which was presented to Governance Committee on 12th February 2018; • Contract Framework and Procurement audit report (“the Procurement Audit”) dated 10th September 2018 and the • External Audit – Audit Results report 2017/18 (“the External Audit”) which was the subject of the ‘Update On Value For Money Audit Conclusion – Financial Statements 2017/18’ report to Governance Committee on 12th November 2018. <p>Many of the findings set out in the Audit Reports have the same or similar causes and, therefore, the same and/or inter-related actions have been identified to address the issues. This report, therefore, represents a consolidated approach to updating the Governance Committee on progress against the three Audit Reports.</p>			
RECOMMENDATIONS:			
	(i)	<p>The Governance Committee notes the:-</p> <ul style="list-style-type: none"> • significant progress in improving compliance with the Council’s procurement policies and rules; • progress against the majority of other actions agreed as a result of the Audit Reports; • further remedial actions which are being implemented and • proposals for the future reporting of progress and results to the Governance Committee. 	
REASONS FOR REPORT RECOMMENDATIONS			
1.	<p>The issues outlined in the Audit Reports are long-standing and challenging to resolve but have been, and continue to be, addressed through a series of robust remedial actions. The evidence demonstrates that these actions are having a marked positive effect. Further remedial measures are being introduced over the coming months in order to make further improvements in compliance.</p>		

2.	A strong set of procurement rules and processes and officer adherence to these is essential in ensuring that the Council's limited resources are used in the most effective way to achieve best value from its external spending and ensure compliance with legislation and the Council's Constitution.
ALTERNATIVE OPTIONS CONSIDERED AND REJECTED	
3.	N/A
DETAIL (Including consultation carried out)	
	Background and Scope
4.	In May 2017 an audit was undertaken by Internal Audit in respect of the Council's Sub 100k procurement arrangements ("the Sub £100k audit report"). The Sub £100k audit report found that "limited assurance could be placed on the effectiveness of the framework of risk management, control and governance designed to support the achievement of management objectives".
5.	In July 2017 a report "Procurement – Sub £100k spend – July 2017" was presented to the Governance Committee to summarise the findings of the Sub £100k audit report and the remedial actions being taken. Progress against these actions and monitoring of compliance levels with the Sub £100k process was again reported to Governance Committee in January 2018 in the "Procurement – Sub £100k spend – January 2018" report.
6.	In September 2018 a Procurement Audit was undertaken by the Internal Audit and identified issues associated with compliance with the Council's procurement processes as set out in the Contract Procedure Rules (CPRs). To address this, a number of management actions were agreed.
7.	In July 2018, the External Audit presented to Governance Committee indicated that 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. It was concluded that the Council had an appropriate procurement and contracting framework in place, however there were some instances of officer non-compliance with this framework.
8.	This report provides:- <ul style="list-style-type: none"> • an update against the actions recommended by the Audit Reports and • a summary of Officer compliance with the Sub £100k process based on data for Financial Years 2016/17 – 2018/19.
9.	The Governance Committee are asked to note that, in many cases, the officer non-compliance referred to in the above audits would have no effect on costs to the council and would not have meant that there has been any breach of legal obligations.
	Update against the actions recommended by the Audit Reports
10.	An update against the actions agreed as a result of the Audit Reports is set out in Appendix 1 to this report (Progress against actions contained in Audit Reports).
	A summary of Officer compliance with the Sub £100k process based on data for Financial Years 2016/17 – 2018/19
11.	This section relates to Officer compliance levels with the "Sub 100k" procurement process as set out in the Contract Procedure Rules (CPR's) which form part of the Council's Constitution.

	<p>The ‘Sub £100k’ procurement process applies to procurement activities and projects with spend of less than £100k which is managed by the Sub £100k Team, which is part of the Procurement Service). Such spend is referred to as “In-Scope Spend” for the purpose of this report. The CPRs mandate that all procurement activity above £1,000 in Contract Value is managed by the Sub 100k team (part of the Procurement Service) rather than by Officers themselves.</p>								
12.	<p>In accordance with previous Procurement – Sub 100k spend reports, the data below excludes activities which relate to spend below £100k which has been made against existing contractual obligations and exemptions which have been granted in accordance with the CPRs. It also excludes Integrated Commissioning Unit (ICU) spend, for which activity has not fully been undertaken by the Sub £100k function. This spend is referred to as “Out of Scope” for the purpose of this report.</p>								
13.	<p>The arrangements for “feeder systems” (and other spend which does not pass through the Procurement Service on a case by case basis) are being reviewed and the related spend is not include within this scope of this report.</p>								
14.	<p>The graph below tracks the levels of compliance to the Sub £100k procurement process from 2016/17 to date and demonstrates that there has been a consistent and significant increase in compliance since data was first presented to the Governance Committee in July 2017.</p> <p>In respect of Financial Year 2018/19 to 31st December 2018, there was £88.8 million of total In-Scope and Out of Scope Spend and the value of In-Scope Spend was £8.9 million, of which £2.9 million did not follow the Sub £100k process.</p> <div data-bbox="308 1211 1401 1832" data-label="Figure"> <p style="text-align: center;">% OF NON-COMPLIANCE WITH SUB £100K PROCESS</p> <table border="1"> <thead> <tr> <th>Financial Year</th> <th>% of Non-Compliance</th> </tr> </thead> <tbody> <tr> <td>2016/17</td> <td>93%</td> </tr> <tr> <td>2017/18</td> <td>54%</td> </tr> <tr> <td>2018/19</td> <td>33%</td> </tr> </tbody> </table> </div>	Financial Year	% of Non-Compliance	2016/17	93%	2017/18	54%	2018/19	33%
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	Other Actions from the Audit Reports
15.	Appendix 1 contains a comprehensive summary of progress against the actions set out in the Audit Reports. In summary, most actions have either been completed or are not yet due. Progress is strong and there is robust evidence that the wide-ranging action plan which encompasses better information, training and support coupled with stronger reporting and controls mean that significant improvements have been made and are sustainable.
16.	Completion of the full set of actions should further improve the position. It must be noted, however, that it is not possible to prevent every instance of officer non-compliance but the actions taken and planned give the Council significant assurance and, in instances of officer non-compliance, will support appropriate and proportionate action being taken by Service Directors.
	Conclusions
17.	The Sub £100k compliance data for the period April 2016 to December 2018 demonstrates a significant improvement in adherence to the Sub £100k process which can be attributed to the completion of the of actions set out in Appendix 1.
18.	It should be noted that as a result of the termination of the Strategic Service Programme (SSP) contract with Capita Business Services, the Procurement Service will be returning in-house no later than 22nd July 2019. It is anticipated that this will result in improved relationships between officers and the Procurement Service and should provide the opportunity to further refine and improve procurement without the commercial constraints of a client/provider relationship.
19.	New and improved compliance reporting has been developed by the Supplier Management Team and Procurement Service and is in place as of January 2019. This compliance report is produced on a monthly basis and will relate to all spend processed through the Procurement Service, regardless of value. The aim of the report is to simplify the scope of Compliant or Non-Compliant spend into defined categories which reflect the Contract Procedure Rules whilst allowing additional comments to be included to support further investigation into potential non-compliant activity. It is proposed that the subsequent report to the Governance Committee in respect of Procurement compliance is based on this revised compliance report; this should provide the Governance Committee with simple and effective data to demonstrate the position regarding officer compliance with the sub £100k processes.
20.	It is anticipated that the completion of actions set out in Appendix 1 (including development of guidance for managers in respect of non-compliance) coupled with the implementation of the above will result in further improvements in Officer compliance with CPRs and procurement processes over the next 12 months.
RESOURCE IMPLICATIONS	
<u>Capital/Revenue</u>	
21.	N/A
<u>Property/Other</u>	
22.	N/A

LEGAL IMPLICATIONS	
Statutory power to undertake proposals in the report:	
23.	N/A
Other Legal Implications:	
24.	N/A
RISK MANAGEMENT IMPLICATIONS	
25.	See main body of this report.
POLICY FRAMEWORK IMPLICATIONS	
26.	N/A
KEY DECISION?	No
WARDS/COMMUNITIES AFFECTED:	All wards
<u>SUPPORTING DOCUMENTATION</u>	
Appendices	
1.	Progress against actions contained in Audit Reports
Documents In Members' Rooms	
1.	N/A
Equality Impact Assessment	
Do the implications/subject of the report require an Equality and Safety Impact Assessment (ESIA) to be carried out.	No
Privacy Impact Assessment	
Do the implications/subject of the report require a Privacy Impact Assessment (PIA) to be carried out.	No
Other Background Documents	
Other Background documents available for inspection at: N/A	
Title of Background Paper(s)	Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)
1.	N/A