

Deferred from Audit Committee on 28 March 2017

Wards Affected: <i>'All Wards'</i>

AUDIT COMMITTEE

28 MARCH 2017

ADDED VALUE - CONTRACT MANAGEMENT

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Executive Summary:

1. To provide the Committee with an overview of contract management standards with the Council.
2. To provide the Committee with assurance regarding the contract management arrangement within the Leisure & Community Facilities Service.

1. Recommendation(s)

- 1.1 That the Committee note and comment on the formal contract management standards within the Council and the assurances provided regarding the contract management arrangements within the Leisure and Community Facilities Service.

2. Issues

- 2.1 This report is presented to provide the Committee with oversight of the governance systems in place in respect of Contract Management and to provide a case study that illustrates the operational / practical service delivery implementation. Whilst the case study is relevant it is illustrative of the governance system. Any individual variations from the corporate approach is not indicative that such controls are absent in other contracts. The Annual Audit Plan reviews a sample of contracts and reports on systems of control and compliance. This report seeks to provide the Committee a better understanding of the systems of control for this area of governance across the Council.
- 2.2 Effective Contract Management is a fundamental requirement to ensure what has been procured at a set quality and price is adhered to and delivered. In order to assist Contract Managers in achieving the delivery of required contractual outcomes, a comprehensive suite of Contract Management Guidance and Standards have been developed. The standards which are owned by the Corporate Procurement Team are published on the staff Intranet.
- 2.3 Guidance is therefore available to all individuals who are responsible for the effective management of contracts includes, as an example, guidance on a range of key contract management activities, including:
 - (a) Definition of the contract management cycle;
 - (b) Contract management considerations at the commencement of a procurement;

- (c) Key contract management steps;
 - (d) Effective risk management for contract management;
 - (e) Contract relationship management; and
 - (f) Contract / contractor performance management.
- 2.4 As part of the delivery of the 2016/17 Internal Audit Plan, a number of contract management related audits have been completed. One specific audit relating to the effectiveness of contract management arrangements within the Leisure and Community Facilities Service was completed.
- 2.5 The scope of the above specifically concentrated on the contract management arrangements in place for the Hertsmere Leisure Trust contract. The full audit report is attached at **Annex A**. The Audit Opinion provided within the final report was **Good** which was the highest level of assurance that Internal Audit provided, when the report was issued. The audit concluded that:
- “Customer satisfaction feedback collected by Hertsmere demonstrates that good leisure services are being provided. Milton Keynes Council should continue to robustly manage the contract to ensure good service provision is maintained. This will include checking the integrity of performance data supplied by Hertsmere, as per the Management Action Plan.”***
- In the light of the Committee’s request for this work we have undertaken some additional testing on KPI’s and supporting evidence. That provided assurance that the conclusions of the Audit as set out in the original report are supported and that the original opinion remains valid.
- 2.6 In order to address the operational management of the Hertsmere Leisure Trust Contract, a detailed report from the Client Team providing background to the contract, current contractor performance and contractual obligations is attached at **Annex B**.

3. **Implications**

- 3.1 The purpose of the Audit Committee is to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the authority’s financial and non-financial performance to the extent that it affects the authority’s exposure to risk and weakness of the control environment and to oversee the financial reporting process.
- 3.2 This report has therefore been provided within this context to ensure the Committee is able to perform its core function and to consider summary internal audit reports and the main issues arising, and seek assurance that action has been taken where necessary.

4. **Risk and Resources**

The report is presented to provide assurance as to the effective management of risk in respect of contract management and more specifically the Hertsmere Leisure Trust Contract. There are no Risk or Resource Issues.

X	Capital	x	Revenue	X	Accommodation
X	IT	x	Medium Term Plan	X	Asset Management

5. **Other Implications**

None

X	Equalities/Diversity	x	Sustainability	x	Human Rights
X	E-Government	x	Stakeholders	x	Crime and Disorder

Background Papers: None