

ITEM 13

AUDIT COMMITTEE

8 APRIL 2010

MOUCHEL PPP - INTERNAL AUDIT & PWC RECOMMENDATIONS AS AT 23/03/2010

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The PwC and Internal Audit reports identified areas where contract performance monitoring and governance arrangements should be strengthened. These recommendations are being addressed during the WBT programme and will provide a framework for effective partnership working. This is the report on progress towards achieving the recommendations which is going to the Audit Committee on the 8 April.

The recommendations made by Internal Audit and PwC can be broadly divided into three categories: 'financial control', 'governance', and 'performance management/rebase'. This paper summarises the main recommendations under each of these categories as well as the current status regarding implementation.

Please note: a more detailed status document is retained by the Partnership Delivery Team on spreadsheet and updated on a regular basis.

Financial control

Area	Summary of matter/recommendation	Current status
Payments to Mouchel	Multiple POs raised to Mouchel for the unitary charge	Complete – only one PO raised now annually.
Capital investment	Failure to review capital investment undertaken through the PPP and asset ownership is unclear (esp. re ICT)	Mike Hood met with Karen Sutton on 17 th March. Additional data is being provided to obtain better understanding of both capital and revenue investment expenditure.
Purchasing controls	Lack of segregation of duties between Mouchel and MKC.	<p>Thomas Paffard has met with Internal Audit on 31st March to gain further detail on how these breaches occurred (identified by Internal Audit through sample testing of POs). This will determine the approach used to resolve the issue.</p> <p>At the meeting, two contributing factors were established:</p> <p>a) the static data detailing authorities on SAP has not been reviewed by MKC for accuracy/restricted access; and</p> <p>b) in some cases, methods are available to circumvent SAP payment controls entirely.</p> <p>Thomas Paffard will be following up point (a) with Gary Waghorn in Strategic Finance, in order to ascertain how the Council would can best gain assurance over the accuracy and restricted access provided by the Scheme of Delegation (e.g. MKC monthly review against HR reports).</p> <p>The issue surrounding point (b) requires further investigation with Internal Audit, including a decision about whether this falls within the scope of the Working Better Together programme.</p>
Procurement	Various recommendations	<ul style="list-style-type: none"> • New Additional Spend Authorisation (ASA) forms and guidance circulated to

	reiterating need for the Council to ensure that additional spend is monitored closely and that procurement regulations are being followed.	<p>Client Officers.</p> <ul style="list-style-type: none"> • Compliance with the new system is being monitored by the PDT. • Process for agreeing VfM on additional spend agreed between PDT and Procurement Team
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Governance

Area	Summary of matter/recommendation	Current status
Partnership resource	The PDT require sufficient resource to undertake their responsibilities associated with managing the partnership	Additional resource has been provided as part of the Working Better Together Programme. This position will be reviewed following the completion of this programme and the parallel review of the Client Officer function.
Client Officer Forum	There should be a forum for Client Officers to discuss issues without Mouchel attendance	This is in place and has already sat during January and February. It is now known as the Partnership Operational Board.
Roles & responsibilities	Role of client officer to be reconsidered	Changes to the client officer role will be considered as part of the Working Better Together Programme.
Risk management	Risk management arrangements are currently inadequate	<ul style="list-style-type: none"> • Partnership risks are jointly agreed and are now on the GRACE system. • Specific 'Working Better Together' risks have been identified within the START PID (currently in draft format and subject to consultation) • Risk management is to be given greater prominence through the redesign of service area performance reports (performance dashboard). To this end, the PDT area looking into the use of the 'Performance +' system across the partnership.

Performance management/rebase

Area	Summary of matter/recommendation	Current status
Reporting performance	The content and format of performance reports need to be improved to ensure those making decisions have good quality information (accurate, relevant, timely, and complete.....)	<p>PDT are working with the Corporate Performance Team on using the 'Performance +' system across the partnership.</p> <p>This would enable the partnership to produce dashboard-style reports.</p>
KPI monitoring	Some of the KPIs were switched off	<p>All switched off KPIs have been reviewed by the PDT and turned on where appropriate.</p> <p>Rebase work is going to redetermine the KPIs for each Service Area.</p> <p>If KPIs 'switched off' in future, matter will be escalated as Service Reports will now be signed off at Partnership Executive Group. (to be included in ToR)</p>
Rebase	SLAs should be refreshed	This is underway with the generation of an Ambition's Report due to be provided to CLT which will detail the objectives of the service reviews that will part of the Working Better Together Programme.