

## FINAL INTERNAL AUDIT REPORT

### REVIEW OF STRATEGIC COMMISSIONING AUDIT FOR 2018-19

**Issued to:** Laurence Downes, Assistant Director, Governance and Contracts

**Cc:** Ade Adetosoye OBE, Interim Chief Executive  
**(Final only)** Mark Bowen, Director of Corporate Services

**Prepared by:** Principal Auditor

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## REVIEW OF STRATEGIC COMMISSIONING AUDIT 2018-19

### INTRODUCTION

1. This report sets out the results of our systems based audit of Strategic Commissioning. The audit was carried out in quarter four as part of the programmed work specified in the 2018/19 Internal Audit Plan agreed by the Section 151 Officer and Audit Sub-Committee.
2. The controls we expect to see in place are designed to minimise the department's exposure to a range of risks. Weaknesses in controls that have been highlighted will increase the associated risks and should therefore be corrected to assist overall effective operations.

### AUDIT SCOPE

3. The scope of the audit was outlined in the Terms of Reference issued on 20<sup>th</sup> February 2019.

### AUDIT OPINION

4. Overall, the conclusion of this audit was that Substantial assurance can be placed on the effectiveness of the overall controls. Definitions of the audit opinions can be found in Appendix C.

### MANAGEMENT SUMMARY

5. The London Borough of Bromley has been commissioning services since the 1980's, seeking both to improve outcomes in the most efficient, effective, equitable and sustainable way and utilising the best delivery model in terms of quality and price.

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6. The 2017/18 Annual Governance Statement identified Contract Management and specifically 'the need for strengthened control and management oversight' as a Significant Governance Issue. The output of this audit will, therefore, be considered when developing the 2018/19 Annual Governance Statement.
7. This audit focused on the 'risk causes and effects' reflected in the Commissioning department's December 2018 Risk Register. For the majority of the time period reviewed, oversight of all commissioning activity across the Council formed part of the Commissioning Board's Terms of Reference, although this Board ceased to operate from 29th October 2018. Subsequent to this date, reports concerning contract actions were reviewed by the Assistant Director, Governance and Contracts until the inception of the Procurement Board, which formally replaced the Commissioning Board, in March 2019. The arrangements for the Procurement Board are now finalised and will be implemented immediately, with communications to be issued to all staff by the Assistant Director of Governance and Contracts in April 2019. The Board will oversee Council procurement and contract management, providing assurance of compliance with best practice, relevant procurement legislation, and the Council's Financial Regulations and Contract Procedure rules. It will ensure Value for Money and a strategic, unified and consistent approach to Council procurement. The Board will also review Transformation proposals as required, as referred by the Interim Chief Executive.
8. Operational implementation of the Commissioning and Procurement policies, procedures and training in place, together with adherence to the authorisation requirements, will be tested, where appropriate, as detailed in the Internal Audit Plan for 2019/20.
9. Controls were in place and working well in the areas of:-
  - The 'OneBromley' Managers' Toolkit, available to all staff, contains a section on Procurement which is the primary repository for guidance notes and templates to support staff through the Commissioning and Procurement process.
  - In August 2017, a programme of mandatory training (four modules) was announced for commissioners of services. The programme has subsequently increased to five modules with the first suite of training now complete and the sessions being repeated during the first half of 2019. Subsequent to the Local Elections in May 2018, a suite of training was delivered to both returning and new Members.

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- In line with the contract reporting cycle, the Contracts Sub-Committee receives an extract of the £200k+ whole life value contracts to ensure that commissioning and procurement activity is progressed in a consistent manner. Individual Policy, Development and Scrutiny committees receive details of all contracts within their remit of £50k and above.
- During quarter three of 2018/19, the Assistant Director, Governance and Contracts initiated 'Practice notes' which were issued to all contract owners, approvers and associated staff reinforcing Contract Procedure rules and reiterating the process to be followed for contract documents, the Contracts database and contract monitoring reports. Additional reminders have been issued to contract owners reiterating requirements such as keeping the Contracts database up to date. As at 6<sup>th</sup> February 2019, the suite consisted of four Practice notes and further Practice notes will be issued as and when required.
- In January 2019, a 'Check and Challenge' review of the Commissioning department's Risk Register was undertaken by Zurich, the Local Authority's Insurer and the Assistant Director, Governance and Contracts. As a result of the strengthened controls in place for the 'Effective governance and management of contracts' risk, the current (net) risk rating was reduced from 'Likely' to 'Possible' which in turn reduced the overall net risk rating from 'High' (red) to 'Significant' (amber).

10. Our testing identified the following issue which we would like to draw to management's attention:-

### **Commissioning and Contracts mandatory training**

- From a sample of six reports with procurement/commissioning implications presented to the Executive in November 2018, two of the service commissioners, whilst having been identified, and notified, in August 2017 of the requirement to complete the mandatory Commissioning and Contracts training, were not recorded as having attended any of the modules.

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### SIGNIFICANT FINDINGS (PRIORITY 1)

11. There are no significant findings.

### DETAILED FINDINGS / MANAGEMENT ACTION PLAN

12. The findings of this report, together with an assessment of the risk associated with any control weaknesses identified, are detailed in Appendix A. Any recommendations to management are raised and prioritised at Appendix B.

### ACKNOWLEDGEMENT

13. Internal Audit would like to thank all staff contacted during this review for their help and co-operation.

DETAILED FINDINGS

No.	Findings	Risk	Recommendation
1	<p><b>Commissioning and Contracts mandatory training</b>                      From a sample of six reports with procurement/commissioning implications presented to the Executive in November 2018, two of the service commissioners, whilst having been identified, and notified, in August 2017 of the requirement to complete the mandatory Commissioning and Contracts training, were not recorded as having attended any of the modules.</p>	<p>Without having undertaken the mandatory training, staff may not:-</p> <ul style="list-style-type: none"> <li>i) have the appropriate skills, knowledge, resources and support to fulfil their roles and responsibilities</li> <li>ii) act in line with the current Commissioning and Procurement guidelines</li> </ul>	<p><b>All officers identified, through their role as a commissioner of services, as being required to complete the mandatory Commissioning and Contracts Training, must attend all modules.</b></p> <p><b>[Priority 2]</b></p>

**Priority 1**  
 Required to address major weaknesses and should be implemented as soon as possible

**Priority 2**  
 Required to address issues which do not represent good practice

**Priority 3**  
 Identification of suggested areas for improvement

MANAGEMENT ACTION PLAN

Finding No.	Recommendation	Priority *Raised in Previous Audit	Management Comment	Responsibility	Agreed Timescale
1	<p><b>Commissioning and Contracts mandatory training</b> All officers identified, through their role as a commissioner of services, as being required to complete the mandatory Commissioning and Contracts Training, must attend all modules.</p>	2	<p>It is the responsibility of Contract Owners to ensure attendance at mandatory training sessions, with any issues of compliance to be referred to their line manager for action as appropriate.</p> <p>The second round of Commissioning and Contract Training will conclude in April 2019. A third round of Training has been timetabled to commence in late 2019, primarily to cover new staff or staff with new contract owner responsibilities. Any existing Contract Owners who have yet to attend will be identified, based on HR records of attendance to date, and will be invited to participate in these sessions.</p> <p>Non-attendance will be notified to their line manager for action.</p>	<p>Contract Owners and their line managers.</p> <p>Assistant Director Governance &amp; Contracts</p>	<p><b>September 2019</b></p>

**Priority 1**  
Required to address major weaknesses and should be implemented as soon as possible

**Priority 2**  
Required to address issues which do not represent good practice

**Priority 3**  
Identification of suggested areas for improvement

## OPINION DEFINITIONS

## APPENDIX C

As a result of their audit work auditors should form an overall opinion on the extent that actual controls in existence provide assurance that significant risks are being managed. They grade the control system accordingly. Absolute assurance cannot be given as internal control systems, no matter how sophisticated, cannot prevent or detect all errors or irregularities.

<b>Assurance Level</b>	<b>Definition</b>
Full Assurance	There is a sound system of control designed to achieve all the objectives tested.
Substantial Assurance	While there is a basically sound systems and procedures in place, there are weaknesses, which put some of these objectives at risk. It is possible to give substantial assurance even in circumstances where there may be a priority one recommendation that is not considered to be a fundamental control system weakness. Fundamental control systems are considered to be crucial to the overall integrity of the system under review. Examples would include no regular bank reconciliation, non-compliance with legislation, substantial lack of documentation to support expenditure, inaccurate and untimely reporting to management, material income losses and material inaccurate data collection or recording.
Limited Assurance	Weaknesses in the system of controls and procedures are such as to put the objectives at risk. This opinion is given in circumstances where there are priority one recommendations considered to be fundamental control system weaknesses and/or several priority two recommendations relating to control and procedural weaknesses.
No Assurance	Control is generally weak leaving the systems and procedures open to significant error or abuse. There will be a number of fundamental control weaknesses highlighted.