



**FINAL INTERNAL AUDIT REPORT
HOUSING, PLANNING AND REGENERATION DEPARTMENT**

POST IMPLEMENTATION REVIEW OF LIBRARIES CONTRACT

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POST IMPLEMENTATION REVIEW OF LIBRARIES CONTRACT

INTRODUCTION

1. This report sets out the results of our post implementation review of the Libraries Contract. The audit was carried out as part of the work specified in the 2019-20 Internal Audit Plan agreed by the Section 151 Officer and Audit Sub-Committee. The controls we expect to see in place are designed to minimise the Council's exposure to a range of risks. Weaknesses in controls that have been highlighted will increase the associated risks and should therefore be addressed by management.
2. The Public Libraries and Museums Act 1964 governs public library services in England. It requires local authorities 'to provide a comprehensive and efficient public library service for all persons desiring to make use thereof' (Section 7 (1)).
3. The contract for the provision of Library Services across the borough was awarded to Contractor A ('the Contractor') and commenced on 1st November 2017. The total contract value is £41m for a term of ten years plus an option to extend for five years by mutual agreement in writing.
4. Services to be delivered under the contract include:-
 - Front line library services
 - Local studies and archives
 - Management of historic collections
5. The transfer involved the decommissioning and commissioning of major IT systems and hardware, changes to operational management of multiple satellite sites and the TUPE transfer of over 130 staff ranging from Assistant Operations Manager to Customer Services Assistants.
6. We would like to thank all staff contacted during this review for their help and co-operation.

AUDIT SCOPE

7. The original scope of the audit was outlined in the Terms of Reference, the objective of which was to review the governance and management of the contract to ensure controls are satisfactory and mitigate risk.

POST IMPLEMENTATION REVIEW OF LIBRARIES CONTRACT

8. The key risks reviewed within this audit were:-

- Management information is not obtained from the contractor on a timely basis and checked for accuracy
- Contractor performance is not measured or monitored against performance standards and milestones as set out in the contract
- Contractor delivery failures and/or declining contractor performance is not identified at an early stage and dealt with in line with contractual requirements
- The financial position is not monitored throughout the term of the contract.

AUDIT OPINION

9. Our overall audit opinion, number and rating of recommendations are as follows.

AUDIT OPINION	
Substantial Assurance	(Definitions of the audit assurance level and recommendation ratings can be found in Appendix B)

Number of recommendations by risk rating		
Priority 1	Priority 2	Priority 3
0	0	3

POST IMPLEMENTATION REVIEW OF LIBRARIES CONTRACT

SUMMARY OF FINDINGS

10. Our testing identified the following areas where the efficiency or effectiveness of the control environment could be improved.

10.1 Contract Monitoring Meetings

A well embedded contract review process is in place with monthly meetings taking place between the Client Team and the Contractor.

To provide further clarity to the recording process, it is recommended that the Client Team:-

- i) ensure that all action plans state to which meeting they refer, as opposed to 'actions from last meeting'
- ii) clarify in meeting minutes that a timescale of 'ASAP' is quantified as, for example, 'before the next monthly meeting'.

10.2 Payment of Invoices

The contract price is paid by the Council to the Contractor in 12 equal monthly instalments, one month in arrears. Payment is not authorised by the Client Team until after the monthly contract monitoring meeting has taken place.

It is recommended that the Client Team agrees with the Contractor a standing monthly date for submission of the invoice, to maximise the time available for processing payment.

10.3 Raising of Orders

Five of the eight Orders for items outside of the monthly contract fee (e.g. pension costs), had been raised on the same, or subsequent, date to the invoice. If orders are not raised in a timely manner, commitments will not be accurately reflected in the budget monitoring.

DETAILED FINDINGS / MANAGEMENT ACTION PLAN

11. 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, together with management's responses and timescales for implementation. Appendix B details the definition of the audit assurance and priority ratings.

POST IMPLEMENTATION REVIEW OF LIBRARIES CONTRACT

DETAILED FINDINGS AND ACTION PLAN

APPENDIX A

No	Finding	Risk	Recommendation and Priority *Raised in previous Audit	Management Response	Agreed timescale and responsible manager
1	<p><u>Contract Monitoring Meetings</u></p> <p>A well embedded process is in place for reviewing delivery of the contract. Monthly monitoring meetings take place between the Client Team and the Contractor, which are supported by detailed minutes and action plans.</p> <p>In 13/18 sets of contract monitoring meeting minutes it was noted that the summary of key action points referred to the 'actions from last meeting' and did not record the date of the meeting to which they referred.</p> <p>The timeframe stated within the summary of key action points of 'ASAP' was not defined.</p>	<p>The Client Team and Contractor may lack a common understanding as to timescales for the implementation of actions.</p>	<p>To provide further clarity to the recording process, it is recommended that the Client Team:-</p> <p>i) ensures that when recording progress against the previous meeting's action plan, the date of the meeting to which it refers is stated, as opposed to 'actions from last meeting'</p> <p>ii) quantifies the timeframe currently defined as 'ASAP' within the summary of key action points as, for example 'prior to [state month and date if the latter is known] meeting'.</p> <p style="text-align: center;">Priority 3</p>	<p>Following discussions during the audit process this has already been addressed as follows</p> <p>i) The format of the minutes has been revised to ensure that the date of the previous meeting is stated clearly, replacing the term actions from the last meeting. This was used in the minutes from the August 20th Contractor/Client Meeting.</p> <p>ii) A new action record sheet was implemented this month and used at the August monitoring meeting. This clarifies the date by which the action must be completed. This new system has been explained to the Contractor. The term ASAP will no longer be used in the minutes.</p>	<p>Implemented August 2019 Principal Client</p>

POST IMPLEMENTATION REVIEW OF LIBRARIES CONTRACT

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No	Finding	Risk	Recommendation and Priority *Raised in previous Audit	Management Response	Agreed timescale and responsible manager
2	<p><u>Payment of Invoices</u></p> <p>The contract price is paid by the Council to the Contractor in 12 equal monthly instalments, one month in arrears.</p> <p>As payment is not authorised by the Client Team until after the monthly contract monitoring meeting has taken place and it is satisfied that there are no penalty points to be applied, presentation of the invoice at the beginning of the month in which payment is due can lead to the Authority not adhering to the contract which specifies payment terms within 21 days (9/16 invoices) or, the public sector requirement that the payment period must not exceed 30 days following receipt of the invoice (6/16 invoices).</p>	<p>Increase of financial risk to the authority should the Contractor invoke the right to a late payment fee.</p>	<p>It is recommended that the Client Team agrees with the Contractor a standing monthly date, taking into account the fact that the monthly meetings, thus far, have taken place on, or after, the 13th of the month, for submission of the invoice, to maximise the time available for processing payment.</p> <p style="text-align: center;">Priority 3</p>	<p>The Client Team will propose to the Contractor that from September onwards they submit their monthly invoice no earlier than the first day of the following month and within 10 working days, in line with the rest of the KPI paperwork. This will maximise the time available for processing payment and ensure that contract terms are adhered to.</p>	<p>September 2019 Principal Client</p>

POST IMPLEMENTATION REVIEW OF LIBRARIES CONTRACT

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No	Finding	Risk	Recommendation and Priority *Raised in previous Audit	Management Response	Agreed timescale and responsible manager
3	<p><u>Raising of Orders</u></p> <p>From the eight payments made to the Contractor for items outside of the monthly contract fee (e.g. pension costs), on five occasions it was noted that the Order had been raised on the same, or subsequent, date to the invoice.</p> <p>Whilst, on all occasions, it was evidenced that the Client Team was aware of the liability, an official Order should be raised in a timely manner for all goods, works and services to ensure that financial commitments are accurately reflected in the budget monitoring.</p>	<p>If orders are not raised in a timely manner, commitments will not be reflected in the budget monitoring.</p>	<p>It is recommended that the Client Team agree with the Contractor a process to ensure that the Client Team are in a position to place an official Order prior to presentation of the invoice.</p> <p>Priority 3</p>	<p>The Client will agree with the Contractor that where possible prior warning must be given of invoices that will be raised. This will ensure that Official Orders can be placed by the Client Team prior to receipt of the invoice in order to assist with the accuracy of budget monitoring.</p>	<p>September 2019 Principal Client</p>

OPINION DEFINITIONS

Assurance Level

Assurance Level	Definition
Substantial Assurance	There is a sound system of control in place to achieve the service or system objectives. Risks are being managed effectively and any issues identified are minor in nature.
Reasonable Assurance	There is generally a sound system of control in place but there are weaknesses which put some of the service or system objectives at risk. Management attention is required.
Limited Assurance	There are significant control weaknesses which put the service or system objectives at risk. If unresolved these may result in error, abuse, loss or reputational damage and therefore require urgent management attention.
No Assurance	There are major weaknesses in the control environment. The service or system is exposed to the risk of significant error, abuse, loss or reputational damage. Immediate action must be taken by management to resolve the issues identified.

Recommendation ratings

Risk rating	Definition
Priority 1	A high priority finding which indicates a fundamental weakness or failure in control which could lead to service or system objectives not being achieved. The Council is exposed to significant risk and management should address the recommendation urgently.
Priority 2	A medium priority finding which indicates a weakness in control that could lead to service or system objectives not being achieved. Timely management action is required to address the recommendation and mitigate the risk.
Priority 3	A low priority finding which has identified that the efficiency or effectiveness of the control environment could be improved. Management action is suggested to enhance existing controls.