



Committee and Date

Audit Committee

21 June 2012

10.00am

Item

14

Public

BIENNIAL REPORT OF COMPLIANCE WITH CONTRACT PROCEDURE RULES 2011/12

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1. Summary

This report summarises the detailed findings identified in the Internal Audit review of Contract Procedure Rules relating to ordinary and major contracts. The audit opinion on the overall control environment for the application of Contract Procedure Rules is assessed as "Reasonable".

2. Recommendations

The Committee are asked to consider and endorse, with appropriate comment the findings from the review of Contract Procedure Rules by Internal Audit.

REPORT

3. Risk Assessment and Opportunities Appraisal

- 3.1 The application of Contract Procedure Rules is a key element of Financial Rules and must be observed on every occasion the Council enters into a contract. The Contract Procedure Rules are designed to ensure that the Council achieves good value for money, keeps within the law, maintain standards of conduct, is fair to our suppliers and shows the public that we are honest.
- 3.2 The recommendations contained in this report are compatible with the provisions of the Human Rights Act 1998. There are no direct environmental, equalities or climate change consequences arising from this report.

4. Financial Implications

- 4.1 The Internal Audit plan is delivered within approved budgets; the work of Internal Audit contributes to improving the efficiency, effectiveness and economic management of the wider Council and its associated budgets.

5. Background

- 5.1 The Corporate Head of Legal and Democratic Services is required to work with the Corporate Head of Finance and Commerce to produce a formal report every two years on whether Service Areas have complied with Contract Procedure Rules and to take action where non-compliance is identified. Internal Audit has completed a high level review of the application of Contract Procedure Rules relating to ordinary and major contracts as part of the Internal Audit Plan for 2011/12.
- 5.2 Contract Procedure Rules were revised and approved by Council on 24th February 2011. This is the first review of the revised Rules, the findings of which have been agreed with representatives from Legal and Democratic Services.

Internal Audit Contract Procedure Rules Report – Executive Summary

- 5.3 Audit findings are evaluated to provide a level of assurance on the effectiveness of the system of internal control. These evaluations are defined as ‘Good’, ‘Reasonable’, ‘Limited’ and ‘Unsatisfactory’. On the basis of the audit work undertaken the overall control environment for the application of Contract Procedure Rules has been assessed as “Reasonable”.
- 5.4 The top twenty senior officers were asked to complete a questionnaire to self-assess the level of assurance which they gave their service area for compliance with Contract Procedure Rules and 17 officers responded. Of these 14 assessed the assurance level for their service area as good and three as reasonable.
- 5.5 The questionnaire was used to inform the audit on the continued adequacy and effectiveness of, and management compliance with, the authority’s Contract Procedure Rules. Responses to the questionnaire found that officers are aware of contract procedure rules but revealed some control weaknesses which are included in the table below.

Control Objective Conclusion and Summary of Findings

- 5.6 The following table shows the audit opinion on each of the four control objectives; full or substantial compliance has been achieved on all objectives:

	AUDIT OBJECTIVES	CONCLUSION AND SUMMARY OF FINDINGS
1.	Contract Procedure Rules are in place and have been approved by Full Council.	This control objective is achieved. Part 4 of the Constitution relates to Contract Procedure Rules, and has been approved by Full Council.
2.	Officers Responsibilities specified within Contract Rules are followed	This control objective is partially achieved. Recommendations have been made which will be considered during the review of Contract Procedure Rules by Legal and Democratic Services. Group Managers will be reminded of their responsibilities to notify Legal Services of officers authorised to sign contracts within their areas, to obtain assurance on the financial health of prospective contractors and to obtain Legal Services authorisation for any unstipulated post contract amendments.

	AUDIT OBJECTIVES	CONCLUSION AND SUMMARY OF FINDINGS
3.	Authority for all contracts is granted before they are entered into and in accordance with Contract Rules.	This control objective is achieved. Systems are in place to ensure that contracts are only entered into with authorisation.
4.	All contracts are in writing and the contents comply with the requirements set out in Contract Rules..	This control objective is achieved. Officers have access to the standard clauses which are used in all contracts.
5.	A Register of Contracts is maintained by each Service Area for all Ordinary and Major contracts.	This control objective is partially achieved. All Service areas should maintain a contract register. Whilst a Corporate Contract Register is maintained only a minority of service areas maintain their own register.
6.	The process for Ordinary Contracts (Total Value £50k - £140k) and Major Contracts (Value £140k+) as specified in Appendix 2 and 3 of Contract Rules have been followed.	This control objective is achieved. There is generally a good understanding of the requirements contained within Contract Procedure Rules and officers obtain advice from the Procurement and Commissioning team and Legal Services as required.
7.	European Procurement Rules are followed where applicable	This control objective is achieved. There is a good understanding that EU Procurement Rules must be followed and the Procurement and Commissioning team are always involved in contracts where EU Procurement Rules apply.

5.6 Six recommendations have been made principally around keeping the records of contract authorising officers up to date, all of which have been accepted by management.

6. Conclusions

6.1 There is a good awareness of Contract Procedure Rules and the Procurement and Commissioning team provide advice to officers when requested. Some weaknesses have been identified and these will be used to inform future reviews of Contract Procedure Rules and the training of officers.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

Contract Procedure Rules

Cabinet Member (Portfolio Holder)

Keith Barrow, Leader of the Council, Brian Williams, Chairman of Audit Committee a

Local Member: N/A

Appendices - None