

Chorley Council

Final
Internal Audit Report

Review of Large Commissioning Services

2023/2024

Audit Assurance: Adequate
Auditor: Linsey Roberts
Date Issued: 13th September 2023



WORKING TOGETHER

Reason for the Audit & Scope	
1	<p>Chorley Council is committed to supporting its communities and to ensuring that the voluntary, community and faith sector (VCFS) are enabled to play their part in the community. In December 2013 it was agreed that a commissioning model approach for the use of core funding would be adopted from 2014 onwards. The current commissioned services model was approved in January 2023 and contracts were awarded in May 2023. The total annual budget as part of this commissioning is £161,000 for 2 years, covering the period 2023 to 2025.</p> <p>The review is included in the 2023/24 Annual Audit Plan approved by the Governance Committee on the 15th March 2023.</p>

Audit Objectives	
2	The overall objective of the audit was to provide an opinion of the adequacy, application and reliability of the key internal controls put in place by management to ensure that the identified risks are being sufficiently managed.
3	The audit also assessed the effectiveness of the various other sources of assurances using the three lines of defence methodology.
4	The audit will focus on specific risks where the controls in place mitigate a gross red / amber risks to a residual green risk. In addition, all fraud risks and performance management data will be included within our work.

Audit Assurance	
5	This is the first review of large commissioning services.
6	The Head of Internal Audit is required to provide the Governance Committee with an annual audit opinion on the effectiveness of the overall control environment operating within the Council and to facilitate this each individual audit is awarded a controls assurance rating. This is based upon the work undertaken during the review and considers the reliance we can place on the other sources of assurance.
7	Appendix A shows the risks recorded on GRACE for the large commissioning of services and the assurance opinion awarded to each. Our evaluation of the reliance we can place on the three lines of defence is also shown.
8	<p>Our work has established that support services have been identified through a needs analysis process to assist in the achievement of the Council's corporate priority 'healthy, safe, and engaged communities'. These services have been procured via an open tender/quote process utilising the local authority procurement portal, The Chest, thus ensuring that the opportunity to bid is clear, transparent and is compliant with Council's Contract Procedure Rules (CPRs).</p> <p>There is a robust system in place to monitor the delivery of outcomes and outputs defined in the tender/quote service specifications via quarterly reporting and an ongoing close working relationship with partners. The efficiency of this system will be further enhanced by the implementation of a service monitoring spreadsheet to record progress and aid analysis of the quarterly results. Furthermore, a new additional performance indicator measuring the number of people benefiting from community services is currently being introduced providing a further evaluation of funding to ensure that meets its objectives for the residents of Chorley.</p> <p>Whilst the selected procurement route is compliant with CPRs, our work has identified that some procurement procedures have not been fully applied, including:</p> <ul style="list-style-type: none"> • Failure to convene an evaluation panel to consider the advisory service contract;

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- Due diligence supplier checks were not undertaken;
- Incomplete procurement stages in The Chest;
- Contract award notices have not been published on Contracts Finder;
- No approval evidence retained for accepting a quotation outside the standard process.

Whilst the procurement procedural issues identified are important and should be remedied as soon as possible, the risk impact identified is of a lesser nature due to the VCFS partners being known to the Council professionally and having a successful history of delivering services alongside the Council. The current working arrangements ensure that there is a robust monitoring processes in place to identify any issues with the viability of a partner.

Furthermore, ongoing resource gaps within the Procurement Team have contributed to some of the process issues identified with The Chest. Action is currently being taken to bring in additional experienced staff on a temporary basis until an agreed longer-term solution is identified.

For these reasons, an **Adequate** assurance rating has been awarded for this review.

Control Rating Key

Full – the Authority can place complete reliance on the controls. No control weaknesses exist.

Substantial - the Authority can place sufficient reliance on the controls. Only minor control weaknesses exist.

Adequate - the Authority can place only partial reliance on the controls. Some control issues need to be resolved.

Limited - the Authority cannot place sufficient reliance on the controls. Substantive control weaknesses exist

Risk and Controls	Control Evaluation
Risk 1 – *Commissioning model approach fails to identify key needs of residents.	
Commissioning review needs analysis	Action 5
Experience and knowledge of the Communities Team, including local intelligence to identify needs	Working as intended
*Monitoring participants satisfaction to ensure the services provided address their needs	Working as intended
Risk 2 – Inability to identify suitable provider for identified need.	
Experience and knowledge of Communities Team and local intelligence is used to identify local partners that can deliver the services required.	Working as intended
Procurement tendering process (via The Chest) to seek service providers.	Working as intended
Risk 3 – Commissioned services are not procured in line with the approved policy/governance arrangements	
Clearly assigned responsibility for procurement process	Action 7
Knowledge and applicable training for those involved in procurement process	Action 1
*Procurement policy, procedures and guidance is followed to ensure that commissioned services are procured appropriately	Actions 1, 2, 3, 4, 5
*Senior management oversight and support	Action 1
Risk 4 – Service user key needs are not addressed by the commissioned service providers. Poor monitoring arrangements in place	
Robust procurement / tendering process	Action 1, 2, 4
Responsibility to manage commissioned services adequately resourced and clearly assigned	Working as intended
*Contractually agreed SMART outcomes and agreed procedure should performance issues arise	Working as intended
*Service delivery tracking spreadsheet to ensure specification standards/requirements are met	Not tested – this control is not yet operating.
*Regular meetings and update reports with partner providers to monitor contract delivery	Action 6

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*Performance measures and reporting process	Not tested – this control is not yet operating.
*Monitoring participants satisfaction to ensure the services provided address their needs	Working as intended
Risk 5 *Commissioned service expenditure exceeds available budget	
*Regular budget monitoring by budget holder	Working as intended
*Purchase order raised that matches contracted service value	Working as intended
*Invoices verified and authorised prior to payment	Working as intended
Risk 6 Failure to deliver commissioned services as agreed	
Robust procurement / tendering process	Action 1, 2, 4
*Regular meetings and update reports with partner providers to monitor contract delivery	Action 6
Risk 7 Service provider misstates performance information, deliberately or accidentally	
Robust procurement / tendering process	Working as intended
*Regular meetings and update reports with partner providers to monitor contract delivery	Action 6
*Spot checks carried out to verify that services have been delivered as per the specification	Working as intended
Risk 8 Wrongful/fraudulent use of funding provided	
Robust procurement / tendering process	Action 3
*Regular meetings and update reports with provider to monitor contract delivery	Action 6
Service agreement in place and staggered funding payments	Action 8
*Spot checks carried out to verify that services have been delivered as per the specification	Working as intended

*Additional risks and controls identified by Internal Audit to be added to GRACE

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AUDIT ASSURANCE

Three Lines of Defence

Audit Area	1 st Line	2 nd Line	3 rd Line	Internal Audit opinion
Large Commissioning Services	Management	Procurement Team	Internal Audit	Reliance can be placed on the first line of defence to monitor the delivery of contracts. Ongoing capacity issues of the Procurement Team mean that adequate oversight cannot be assured.

Risk and Control Evaluation

Risks Examined	Full	Substantial	Adequate	Limited
Risk 1 *Commissioning model approach fails to identify key needs of residents.		✓		
Risk 2 Inability to identify provider for identified need.	✓			
Risk 3 Commissioned services are not procured in line with the approved policy/governance arrangements				✓
Risk 4 Service user key needs are not addressed by the commissioned service providers. Poor monitoring arrangements in place			✓	
Risk 5 *Commissioned service expenditure exceeds available budget		✓		
Risk 6 Failure to deliver commissioned services as agreed.			✓	
Risk 7 Service provider misstates performance information, deliberately or accidentally.			✓	
Risk 8 Wrongful/fraudulent use of funding provided		✓		
OVERALL AUDIT OPINION			✓	

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MANAGEMENT ACTION PLAN

NO.	FINDING	AGREED ACTION	OFFICER & DATE
1	<p>The advisory services commissioned by the Council is a large value contract and to comply with Contract Procedure Rules an evaluation team is required to review tender bids. However, this tender evaluation was solely undertaken by the contract manager.</p> <p>Furthermore, there is an additional requirement to carry out a financial assessment of the successful bidder prior to contract award. This was not carried out.</p> <p>Testing acknowledged that only one tender was received, and the successful bidder has worked in partnership with the Council for several years. However, it is important to comply with the rules as this ensures/evidences sufficient probity and compliance with procurement legislation and case law, thus protecting the Council.</p> <p>The procuring officer should re-familiarise themselves with the Council's procurement policy/guidance and attend further training to ensure an adequate knowledge of the requirements the Council's CPR's.</p>	<p>The Community Grants and Funding Officer will re-familiarise themselves with the Council's procurement rules including CPR's, procurement guidance, view the procurement training slides on the Learning Hub and will attend further training (when the opportunity is available) to ensure an adequate knowledge of the requirements the Council's CPR's.</p> <p>Also, where future procurements require an evaluation team, the Community Grants and Funding Officer will ensure the participants re-familiarise themselves (read the guidance/view the procurement training on the Learning Hub).</p>	Bernie Heggarty December 2023
2	<p>The Invitation to Tender/Quote stipulates that the shortlisted contractor will be required to provide the following information to the Council's satisfaction prior to contract award:</p> <ul style="list-style-type: none"> • Insurance documentation; • Safeguarding policy; 	<p>The Community Grants and Funding Officer will obtain and review the required due diligence information for all the large commissioned services partners. Work is already in progress; most of the information has already been reviewed, including the large value procurement partners documentation. Partners will be required to provide copies of insurance documentation at renewal.</p>	Bernie Heggarty November 2023

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	<ul style="list-style-type: none"> Health and safety information including a suitable risk assessment which includes aspects of personal safety and managing challenging behaviour or vulnerable people. <p>This information was not requested and reviewed prior to contract award of the commissioned services as the procuring officer mistakenly believed that organisational due diligence checks are undertaken by the Procurement Team.</p> <p>Whilst the procurement procedural issues identified are important and should be remedied as soon as possible to ensure compliance with the procurement rules, and provide evidence that the contractors have satisfactory arrangements in place, the risk to the Council is considered to be low due to officer local knowledge and the long-standing partnership relationship with the organisations involved.</p>		
3	<p>The Council has a zero-tolerance approach to fraud and the Anti-Fraud and Corruption Strategy/Whistleblowing Policy requires all Members and employees of the Council to ensure the highest standards of stewardship of public funds and this extends to partners, and contractors of the Council. Our enquiries identified that the Council's policies have not been communicated to the partners.</p> <p>As a recipient of Council funds it is important that the procuring service ensures that its partners are aware of the Council's policies and approach to fraud and highlight their responsibilities contained within.</p>	The Community Grants and Funding Officer has recently provided a copy of the Anti-Fraud and Corruption Strategy/Whistleblowing Policy to the large commissioned service partners, highlighting their responsibilities.	Implemented by Bernie Heggarty September 2023
4	Testing identified that The Chest was utilised for the procurement for all commissioned services, however a review of the sampled	The Community Grants and Funding Officer will check the Chest to ensure that all procurement stages,	Bernie Heggarty October 2023 and

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	<p>tenders found that procurement stages were not fully completed within the Chest.</p> <p>Whilst it is the responsibility of the Procurement Team to complete all processes within the Chest (including award notices) it is important that the lead procuring officer ensures that all expected steps are completed and that the status shown in the Chest reflects the correct stage of procurement.</p> <p>Moreover, the Council is required to publish its contract data in the Council's Transparency Register and publish a contract award notice on Contracts Finder for all procurements above £25000. As a consequence of the identified procedural gaps contract details have not been uploaded to the Transparency Register and contract award notices have not been published for all the relevant commissioned services.</p>	<p>(including for instance contract award notifications) are fully completed, for the recent and future procurements.</p> <p>The Community Grants and Funding Officer will check that the Transparency Register is a complete record of <i>all</i> contracts awarded (above £5k) and notify the Procurement Team if any are missing/require to be updated as part of the quarterly publication process.</p>	Ongoing
5	<p>It is important that a complete audit trail is retained centrally to evidence the procurement process and ensure this is readily available. Our work found that the audit trail could be improved by retaining:</p> <ul style="list-style-type: none"> • the needs and prioritisation analysis input from Officers and Executive Member; • the initial assessment of the procurement risks to decide if a risk register is required; • Monitoring Officer decision to allow a quotation to be accepted after the closure date, outside the Chest. 	<p>The Community Grants and Funding Officer will maintain a central record of the procurement processes, including the retention of the following for future commissions:</p> <ul style="list-style-type: none"> • the needs and prioritisation analysis input from Officers and Executive Member; • the initial assessment of the procurement risks to decide if a risk register is required; • Monitoring Officer decision to allow a quotation to be accepted after the closure date, outside the Chest. 	Bernie Heggarty December 2023 and Ongoing
6	<p>The review found that generally sufficient arrangements are in place to monitor the commissioned contracts, however some improvements should be made, including the following:</p>	<p>The Community Grants and Funding Officer will:</p>	Bernie Heggarty October 2023 and ongoing

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	<ul style="list-style-type: none"> • Progress report outcome and output guidance/definitions should be strengthened to ensure there is a clearer understanding about what information is required to be provided; • Review meetings are informal and not recorded in writing, it is important that a written record of the meeting is prepared and shared with the partners to evidence the discussion/agreed outcomes and enable follow-up should it be required; • Review meetings should be scheduled to ensure participants availability and they occur at the correct frequency. 	<ul style="list-style-type: none"> • Prepare and share with partners a written record of the review meetings to evidence the discussion/agreed outcomes and enable follow-up should it be required (immediate implementation). • Schedule review meetings to ensure participants availability and they occur at the correct frequency. • Clarify the progress report, where necessary, to provide clearer understanding about what information is required to be provided. 	
7	Responsibility for the procurement process has been assigned and clearly documented in the responsible officer's job description, however this is currently in draft stage. An up to date job description is important as it ensures that the officer is clear about the expectations of them in undertaking the role, particularly in the event of a dispute.	A Community Service review is currently in progress. Revised job descriptions will be agreed and issued as part of the process to ensure that roles and responsibilities are clearly communicated.	Angela Barrago March 2024
8	An arrangement between the Council and the advisory service provider to reduce the contractual payment for premises rent is in place, however it is not evidenced in writing. This arrangement should be formally acknowledged in the agreed contract.	The Community Grants and Funding Officer will liaise with Legal Services/Financial Services to agree the best way to administer the current arrangement with the Advisory Services partner. For instance, acknowledge the arrangement in the contract (subsequent commissions) or have a separate agreement for the service provision and premises rent.	Bernie Heggarty December 2023

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