



Chorley
Council

Working in **Synergy** on shared services

**DRAFT
INTERNAL AUDIT
REPORT
SRBC 17/19-20**

**PROCUREMENT
(UTILITIES & OTHER CONTRACTS)**

Author & Date

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3rd June 2020**

1	REASONS FOR AUDIT / SCOPE
1.1	The Audit Plan for 2019/20 included a review of Procurement for both South Ribble BC and Chorley BC, it was determined that as the risks identified were different at each Council separate reviews would be undertaken focussing on different areas. In respect of South Ribble BC it was agreed with the S151 officer that the scope would focus on compliance with Contract Procedure Rules and Financial Procedure Rules.
1.2	As part of those discussions Internal Audit were made aware of a potential significant breach to the Council's Contract and Financial Procedure Rules, this was in regard to a high value procurement for the utilities (gas and electricity) for South Ribble BC. It was agreed that the focus would be this specific procurement exercise.
1.3	As part of the review of this specific Contract, discussions with a number of officers / staff within the Neighbourhoods & Development Directorate, specifically the Projects & Development Service, identified a number of further contracts / procurement exercises where potentially breaches of Contract & Financial Procedure Rules had occurred. 2 of the contracts / procurement exercises had been highlighted on the Council's Transparency register, these related to Electrical Work for South Ribble Council and Gas Boiler Maintenance. As issues were identified that required resolving a group of relevant officers was established to determine the extent of the issues and resolve how to move forward. It was determined to include these 2 contracts / agreements in this report.
1.4	Internal Audit had started a piece of work examining the top 100 suppliers by spend to verify / confirm that for those suppliers appropriate procurement exercises had been undertaken and contracts, waivers etc. were approved in accordance with Contract and Financial Procedure Rules. This work was interrupted by the impact of COVID-19, as Interim Auditor has left and Internal Auditors have been seconded to provide support for the Community Hub. This work will be included in the Audit Plan for 2020/21 and reported accordingly.
1.5	As it was clear from the information provided that Contract and Financial Procedure Rules had been breached and potentially OJEU Procurement Rules, the audit is focused on identifying the extent to which the rules are breached, the significance, lessons learned and actions that can be taken to ensure that these Governance issues do not happen again.

2	BACKGROUND
2.1	<p>The previous contract was procured via a Framework Agreement brokered by the Utilities Procurement Group (UPG) on behalf of Hambelton District Council, the lead authority purchasing on behalf of other contracting authorities (including South Ribble Borough Council). The contract for SRBC ran from 1st October 2015 to 30th September 2019. The duration of the Framework Agreement was 4 years with an estimated total value of £800K to £80M. It was divided into 3 lots:-</p> <ul style="list-style-type: none"> i. Non-half hour electricity; ii. Half-hourly electricity; and iii. Natural Gas <p>Suppliers were able to bid for single lots or all three lots.</p>
2.2	<p>The use of Framework Agreements is set out in section 31 of the Council's Contract Procurement Rules. Amongst the Rules, it states:</p> <p><i>31.4 Where the Council has entered into a Framework Agreement through procurement or is able to place orders from existing Framework Agreements procured by central government agencies, public sector consortia, other local authorities or other third parties, then the Council may benefit from using those contracts without entering into a full, separate procurement.</i></p> <p><i>31.5 Where a public sector framework is used in accordance with the above provisions, without entering into a full, separate procurement process, all other relevant aspects of these procurement rules will still apply, including any approval which may be required for the procurement award procedure (in this case to use the identified framework), approval for the evaluation criteria and weightings (in the event of a further competition under the framework), and approval for the contract award prior to contract acceptance.</i></p>

2.3	The initial issue arose when, in November 2019 the Shared Procurement Team were asked to approve a new creditor, Total Gas & Power Ltd, the route by which the new supplier was procured was brought into question and concerns were raised in respect of the extent to which the Council's Contract Procurement Rules had been adhered to and whether best value had been secured in the selection of the new supplier.
2.4	As a consequence, Internal Audit were asked to review the procurement arrangements in respect of the recent re-letting of the contract for the supply of gas and electricity across the Council's numerous sites. The review was to be a fact finding review with the objective of determining the extent to which the Council's Contract and Financial Procedure Rules had been breached / adhered to and lessons learned from the contravention of any rules.
2.5	As part of the review audit examined available documentation and met with the relevant officers.
2.6	The further 2 contracts reviewed were identified as part of the review of the Transparency Register by the Assistant Director (Projects & Development) and Facilities Manager. Following discussions in regard to CPR and FPR breaches relating to the initial contract the officers informed Internal Audit and Procurement that there were potentially more contracts that had / would breach CPR's and FPR's if actions were not implemented.

3	ASSURANCE RATING
3.1	As it was clear that breaches of the Council's Rules and regulations had occurred, the review was undertaken in order to determine:- <ol style="list-style-type: none"> i. If the breaches constituted significant breaches in the operation of the Council's governance framework; ii. if there was a failure of or weaknesses in control, the extent of those failures; and iii. the impacts / risks arising from those breaches and failure of controls
3.2	Internal Audit provide an independent and objective opinion on the adequacy of the Council's control environment, in order to do that Internal Audit review and provide an opinion on the level of assurance of the control environment within each service area reviewed. The level of assurance is based on the assessment of the extent to which system objectives are met, the effectiveness of controls operating within those systems and the resultant extent to which risks are mitigated.
3.3	The Council has an effective governance framework relating to the Procurement of goods and services, contained in the Constitution, in regard to decision making, Contract Procedure Rules relating to the procurement routes for all levels of procurement and waivers to CPR's where necessary and Financial Procedure Rules in respect of separation of duties, financial limits and authorisation levels. The framework provides for a sound system of governance, controls and mitigation of risk.
3.4	However, for the process and systems of control to be effective and to demonstrate the effectiveness of the Governance framework, the Constitution, CPR's and FPR's must be complied with. The findings detailed below will demonstrate that all decision making procedures, procurement and legal processes have failed / are non-existent, controls are not operating as they should and risks are not mitigated. Further, the review has identified that the Council has fundamentally breached OJEU Procurement Rules.
3.5	There are serious, significant failings and breaches of the Constitution, CPR's, FPR's primarily arising from a fundamental failure of management controls which have left the Council open to severe reputational, financial and legislative harm. The Council cannot demonstrate that it has achieved Best Value in the procurement of these services as the procurement process is fundamentally flawed / non-existent.
3.6	The failure is such that the assurance ratings outlined below cannot apply, it is Internal Audit's opinion that No Assurance can be placed on the effectiveness of the controls in place and the extent to which risks have been mitigated in regard to these Procurement exercises / contracts only .. This is largely due to the fundamental failure of the procurement process and the fundamental failure of management controls in that regard.
	It should be noted that the opinion outlined above is only relative to these specific contracts reviewed and does not provide opinion on the overall operation of Procurement exercises / contracts overall. A further piece of work is required to determine the extent to which the rules are complied with. This is included in the 2020/21 Audit Plan.

3.7	A fundamental element in respect of many of the issues raised in the review was the level of support that was / was not provided to the Facilities Manager with regards the correct procurement route to follow. The Facilities Manager had received no training (induction nor ongoing) with regards the Council's Contract Procurement Rules and was largely left to manage the process. Furthermore, the Facilities Manager acknowledges that he did not request advice / support from the Council's Procurement Team.
3.8	Unlike the previous contract for the provision of gas and electricity, the Council did not utilise a Framework Agreement from which local authorities, including SRBC, could select a supplier. This is demonstrated by the Tender Opportunity Notice that clearly sets out that Resolve were acting on behalf of SRBC alone.
3.9	The tender was posted on Contract Finder only and, as per the Council's CPR's and EU Procurement Rules, it should have been advertised on the Chest and an OJEU notice posted.
3.10	The Tender Opportunity Notice issued by Resolve Energy made it clear that ' <i>the contracting authority are looking to select one single supplier....</i> '. As a consequence, even if there was a valid reason for splitting the service up into six contracts (neither Audit, Legal or Procurement could establish the reason for this), the total value of the six contracts should have been the figure to apply when determining the correct procurement route. As per 'The Public Contract Regulations 2015, <i>'The calculation of the estimated value of a procurement shall be based on the total amount payable, net of VAT, as estimated by the contracting authority, including any form of option and any renewals of the contracts as explicitly set out in the procurement documents.</i>
3.11	It should have been evident to Resolve (particularly in light of their contact's previous experience with UPG) that the estimated value of the contract was significantly higher than the EU threshold of £189,330. As the estimated contract values indicate the contract was in excess of £500k, this opportunity should have led them down the 'high value, over EU threshold' route and an OJEU notice posted. Furthermore, the decision to re-let the contract was not included in the Forward Plan as a Key Decision and nor was Cabinet approval subsequently secured prior to awarding the contract.
	<p>Normal Control Rating Key</p> <p>Full – the Authority can place complete reliance on the controls. No control weaknesses exist.</p> <p>Substantial - the Authority can place sufficient reliance on the controls. Only minor control weaknesses exist.</p> <p>Adequate - the Authority can place only partial reliance on the controls. Some control issues need to be resolved.</p> <p>Limited - the Authority cannot place sufficient reliance on the controls. Substantive control weaknesses exist</p>

4	FINDINGS
	Utilities Contract
4.1	As it was already known that CPR's and FPR's had been breached, the review was undertaken to identify what breaches had occurred and the extent of those breaches, this will also determine the material value of costs. A review of available documentation and discussions with key officers formed the basis of the review. A summary of the findings is outlined below.
4.2	<p>The previous contract was due to end on 30th Sept 2019, Audit were informed by Procurement that the contract required a 12 month notice period to terminate. Evidence was provided to audit of the Procurement team raising the need to address the upcoming ending of the previous contract with the Assistant Director - Neighbourhoods:</p> <ul style="list-style-type: none"> ➤ In an email, dated 7/8/18, the AD - Neighbourhoods was made aware of the '12 month notice' requirement and the need to take action if they do not wish to be committed to '<i>the next framework refresh by UPG unless they serve a minimum of 12 months written notice stating that they do not wish to be automatically committed to any further competitions.</i>' ➤ In a further email, dated 8/5/19, to both the Assistant Directors - Neighbourhoods and Projects & Development, a further reminder was given in respect of the imminent end of the gas/electric contract and the need to take action.
4.3	The email of the 7/08/18, outlines that the Council will need to serve notice as soon as possible and states "...in the past Property Services have dealt with all Utilities contracts and I can only presume that they obtained any necessary approvals to allow them to be automatically committed prior to the deadline for serving notice expiring". The requirement to serve notice is key for the Council as the failure to serve notice and therefore fall "out of contract" results in a fine by the incumbent supplier, if not renewed by the renewal date of September 2019.

4.4	The audit could not determine what action was taken at this point, if any and cannot establish whether 12 months' notice had been given to terminate the previous contract. This leaves the Council open to risk of financial and legislative harm.
4.5	Sometime in early-mid 2019 the Council's Facilities Manager was contacted by a representative of Resolve Energy, who formally was the Council's contact with UPG but had since moved to Resolve Energy. The Facilities Manager was informed that the contract with SHE was due to come to an end (on 30/9/19) and that to remain with the current arrangements would incur a significant increase in costs to the Council. The RE contact offered the services of RE, explaining to the Facilities Manager that significant savings could be made from switching to another supplier.
4.6	Evidence was provided that on 24/6/19 a letter was provided by the Council's Facilities Manager giving Resolve Energy (RE) various authorities, including that to issue a Termination Notice to the previous supplier. Whilst RE were subsequently asked how termination was given to the former supplier, evidence was only available that RE referred to the letter dated 24/6/19 and does not actually say if / when notice was given, merely referring to when the new supplier instigated the switch.
4.7	Whilst line management of the Facilities Manager were aware of the imminent need to address the ending of the utilities contract(s), he was relatively new in post and little, if any, support was provided to the Facilities Manager with regards the correct procurement route to follow. The Facilities Manager had received no training (induction nor ongoing) with regards the Council's Contract Procurement Rules and was largely left to manage the process. Furthermore, the Facilities Manager acknowledges that he did not request advice / support from the Council's Procurement Team
4.8	<p>Having been convinced of the benefits of moving energy brokers, and subsequently changing suppliers, RE were instructed by the Facilities Manager to progress with the re-letting of the gas / electricity contract.</p> <p>From discussions with Procurement, and review of available documentation, RE subsequently:</p> <ul style="list-style-type: none"> ➤ Did not publish an OJEU notice. ➤ Did not publish the opportunity on the North West Local Authority Procurement Portal, The Chest. ➤ Issued a Tender Opportunity Notice clearly stating that it was being awarded on behalf of SRBC as the contracting authority and looking for '<i>one single supplier to provide non-half hourly electricity, half hourly electricity and gas</i>'. ➤ Posted both the opportunity and the award on Contracts Finder, indicating the value of the contract as £10k.
4.9	<p>Six separate contracts were entered into with the chosen supplier, Total Gas & Power Ltd, each of which was signed by the Facilities Manager on the Council's behalf. The contract covered the following:</p> <ul style="list-style-type: none"> ➤ Gas – signed 31/10/19, relating to one site. ➤ Gas – signed 20/8/19, relating to five sites. <p>Both contracts were for four years starting 1/10/19. Whilst neither included monetary figures, having discussed this with the supplier, Legal were informed that the estimated value for the two contracts combined was £144k over the four years.</p> <ul style="list-style-type: none"> ➤ Elec – signed 20/8/19, for two years starting 1/10/19, related to one site with an estimated value of £17,763.14. ➤ Elec – signed 20/8/19, for two years starting 1/10/19, related to three sites with an estimated value of £136,133.18. ➤ Elec – signed 31/10/19, for two years starting 1/10/21, related to the same three sites as in iv) above, with an estimated value of £139,868.76. ➤ Elec – signed 20/8/19, for four years starting 1/10/19, related to 22 sites with an estimated value of £87,556.30.
4.10	In November 2019 the Shared Procurement Team were asked to approve a new creditor, Total Gas & Power Ltd, and subsequently questioned the route by which the new supplier was procured. From subsequent investigations / enquiries, including those by Procurement and Legal, concerns were raised in respect of the extent to which the Council's Contract Procurement Rules had been adhered to and whether best value had been secured in the selection of the new supplier.

4.11	Legal Services were subsequently asked to investigate the circumstances surrounding the re-letting of the gas / electricity contract, with one of the objectives being to determine its legality and whether the Council had grounds to step away from the contract. When assessing whether the Council could end the contract without any repercussions, Legal concluded that <i>'my view is that Total Gas & Power's position will be that Matt had authority to enter into the Contracts. The additional point which assists them on this is the fact that we have used an intermediary in respect of these contracts.'</i> Furthermore, when considering whether the Council could consider the 14-day cooling off period, Legal concluded that this was not possible due to the time that had already elapsed.
4.12	Unlike the previous contract for the provision of gas and electricity, the Council did not utilise a Framework Agreement from which local authorities, including SRBC, could select a supplier. This is demonstrated by the Tender Opportunity Notice that clearly sets out that Resolve were acting on behalf of SRBC alone.
4.13	The tender was posted on Contract Finder only and, as per the Council's CPR's and EU Procurement Rules, it should have been advertised on the Chest and an OJEU notice posted. The audit could not establish whether 12 months' notice had been given to terminate the previous contract
4.14	The Tender Opportunity Notice issued by Resolve Energy made it clear that <i>'the contracting authority are looking to select one single supplier....'</i> . As a consequence, even if there was a valid reason for splitting the service up into six contracts (neither Audit, Legal or Procurement could establish the reason for this), the total value of the six contracts should have been the figure to apply when determining the correct procurement route. As per 'The Public Contract Regulations 2015, <i>'The calculation of the estimated value of a procurement shall be based on the total amount payable, net of VAT, as estimated by the contracting authority, including any form of option and any renewals of the contracts as explicitly set out in the procurement documents.'</i>
4.15	It should have been evident to Resolve (particularly in light of their contact's previous experience with UPG) that the estimated value of the contract was significantly higher than the EU threshold of £189,330. As the estimated contract values indicate the contract was in excess of £500k, this opportunity should have led them down the 'high value, over EU threshold' route and an OJEU notice posted. Furthermore, the decision to re-let the contract was not included in the Forward Plan as a Key Decision and nor was Cabinet approval subsequently secured prior to awarding the contract.
4.16	Despite posting the tender on Contracts Finder, together with the subsequent award notice, in both cases they referred to the 'Value of contract' as being £10k. From discussion with Procurement, this was considered as inappropriate and that the estimated contract value was over £500k and should have been recorded. Furthermore, by recorded the contract value as £10k, this most likely deterred many larger suppliers bidding for the work. Subsequent communications between the Director – Projects & Development and Resolve established that only the one bid was received
4.17	Furthermore, whilst posting the tender on Contracts Finder, Resolve only gave 6 working days (2 nd Aug – 8 th Aug 2019) to respond and, additionally, specifically stated that they would not accept tenders via email. Similarly, this was felt to be inappropriate and most likely deterred some suppliers from bidding. From discussions with Procurement, this was contrary to EU guidelines (assuming it should have gone via OJEU) which required 30 days' notice.
4.18	As per para 27.1 of the Council's CPR's, <i>'any contracts valued at above £100,000 shall be passed to Legal Services for sealing execution and secure storage, unless otherwise agreed with the Legal Services Manager'</i> . Whilst the contract value was clearly higher than £100k, each of the six contracts had been signed by the Facilities Manager on the Council's behalf.
4.19	Audit noted that five of the six contracts made provision for gas and electric supplies for four years starting 1/10/19, although one site was only covered for two years. Furthermore, two contracts, covering three sites, were split into two separate two year contracts, with the latter covering the period starting 1/10/21. Neither Audit, Legal or Procurement could establish the rationale for either of these instances.
4.20	It is clear from these findings that all Contract Procedure Rules, some Financial Procedure Rules and rules / procedures in respect of Key decisions have been disregarded and not complied with.

The Procurement in itself should have been treated as a high value procurement exercise, see below key elements of Contract Procedure Rules where breaches have occurred in regard to that level of procurement:-

- Every contract entered into by the Council's shall be entered into in connection with the Council's functions and must comply with:
 - all relevant statutory provisions;
 - the relevant European Procurement Rules;
 - the Council's Constitution including CPR's, the Authority's Financial Regulations and Financial Procedure Rules and the Council's Scheme of Delegation;
- Effective audit trails must be maintained at all stages throughout the procurement procedure, particularly when approval or agreement is required and at evaluation / decision making stages;
- Any procurement carried out on behalf of the Council may only be undertaken by officers with the appropriate delegated authority to carry out such tasks as set out in the Council's Constitution (Scheme of Delegation);
- Subject to the provisions of Paragraph 5.6, Directors and their Authorised Officers may seek Tenders and Quotations in accordance with these Contracts Procedure Rules for any item of revenue expenditure for which budget provision has been made, and may accept such Tenders/ Quotations in accordance with these Contracts Procedure Rules, up to a total contract value of £100,000. Contract awards above £100,000 constitute a Key Decision and must appear on the Forward Plan.

The Procurement has also breached European Procurement Rules which state:-

- Where the estimated value of a contract exceeds the current EU threshold the contract shall be tendered in accordance with the Regulations. Under the Regulations, the contract may be tendered under the Open, Restricted, or, in exceptional circumstances exhaustively set out in the Regulations, the Competitive Procedure with Negotiation, Competitive Dialogue or Innovation Partnership procedure. For each contract tendered in accordance with the Regulations, a contract notice shall be published in the prescribed form in the Supplement to the Official Journal to the European Union (OJEU) to invite tenders or expressions of interest
- Advertisements published in addition to the OJEU notice must not appear in any form before a contract notice is published by the EU Publications Office and must not contain any information additional to that contained in the contract notice.

The Financial Regulations, where potential breaches have occurred are as follows:-

- The Chief Financial Officer shall be informed by the responsible officer of any matters which have significant financial implications for the Council;
- The Council's Senior Management must ensure that these Financial Regulations are observed throughout the authority;
- Chief Officers shall have the power to incur revenue expenditure to the limit of their budget allocation, subject to the Council's Financial and Contract Procedure Rules and Scheme of delegation without further approval, except for.....
 - any expenditure which would trigger a key decision as defined by the Constitution (£100,000)
- Chief Officers are responsible for ensuring that any written contracts, agreements, awards and other instruments involving payment of receipt of money by the Council adhere to the Council's standing orders and contract procedure rules;
- A contract must only be awarded and signed by a person who is authorised to do so, as set out in the Council's Contract Procedure Rules. The authoriser must ensure that the appropriate budget holder has the funds in place to sustain the contract prior to award

	Further 2 Contracts
	<p>2 contracts were identified on the Transparency Register in March 2020, the information as per the Transparency register is outlined below:</p> <ul style="list-style-type: none"> i) BELEC Electrical – Contract for Electrical Services Value £70,000; Contract End Date Jul-18; ii) British Gas – Boiler Maintenance Care Plan Value £32,000; Contract End Date Mar-20. <p>Discussions identified that these 2 items had been highlighted on the Transparency Register with a “request for an update in respect of the contracts” at each iteration which is issued to Leadership Team each quarter, prior to publishing. Procurement had received no response to the request for update.</p> <p>A review of spend on both identified that the following expenditure had been incurred for each of these contracts:-</p> <ul style="list-style-type: none"> i) BELEC Electrical - £52K approx.; ii) British Gas – £30K (this was because an installation of heaters had been procured via the same contractor)
	<p>It was identified as part of the review that the original procurement value for BELEC was identified as around £35K per year for Electrical Testing work, however, the Council utilised the same company for its ad hoc electrical work, which meant that the value of the work given to BELEC increased substantially.</p> <p>In relation to British Gas this was an annual Boiler Maintenance Care plan which was estimated around £14K, however, due to additional works being requested via the same supplier the expenditure had increased in value for 2019/20</p>
	<p>The original procurement route was not revisited as the contracts were originally prior to 2016, however, in 2016, a waiver was actioned for each supplier, which waived CPR's and established contracts for 2 years for each of the suppliers contracts. This resulted in end dates of July 2018.</p> <p>In regard to BELEC, information from transparency register shows that no further procurement exercise was undertaken and that the contract had been expired and outside the original waiver for 22 months, further the value of expenditure to this supplier had increased significantly since the original estimate. The current value of the contract based on a 2 year contract would be £104,000 (based on current spend) and for a 4 year contract (since previous waiver) £208,000</p> <p>In regard to British Gas, whilst there are no further waivers available during the course of the Audit, it appears a further procurement exercise had been undertaken as the contract end date as per the register was March 2020, instead of July 2018. This is an annual maintenance plan, the estimated value as per the original waiver is £14K (28K for 2 years), however, the overall value as included in the Transparency Register is £32,000 based on a 4 year contract (renewal each year since 2016) the contract value would be £56K and as such should be treated as a medium level procurement exercise.</p> <p>It is clear that the failure to act in regard to these contracts / procurement exercises has resulted in significant failings of governance arrangements. There has been no action for a significant period by Senior Officers in relation to outstanding procurement issues highlighted on the transparency register.</p> <p>The failure to undertake procurement exercises for these significant values of procurement has resulted in fundamental failings of Contract Procedure Rules and Financial Regulations and in the case of BELEC, the potential breach of European Procurement Rules and the decision making process of the Council in relation to Key decisions.</p>

5	CONCLUSION
5.1	<p>In conclusion, it is evident that the Council's Contract Procurement Rules had not been adhered to in most, if not all, aspects of the re-letting of the gas and electricity contract(s) and that assurance cannot be provided that best value had been obtained. It is also evident that management controls, have fundamentally failed. From discussions with officers, we understand that these weaknesses are acknowledged and that an initial round of training on the Council's CPR's is scheduled for March. Furthermore, the introduction of the Contract Management System at SRBC will act as a central repository of contracts and provide a means of reminding relevant managers when contracts are up for renewal.</p>
5.2	<p>However, since the review of utilities has been undertaken the further 2 contracts as outlined above have been identified, this shows an endemic failing in controls and compliance with Council policies and procedures within the service highlighted. Further work is in progress in relation to analysis of spend and compliance with Council rules, regulations and procedures, this will be further reported to Leadership Team when the results are available.</p>
5.3	<p>The findings in this report demonstrate a complete failure of governance arrangements that are in place to protect the Council and its officers from allegation of fraud, impropriety and / or error. Whilst it is clear that there are adequate procedures in place, there have been fundamental, significant failings in all areas of those rules, regulations, procedures, etc.</p> <p>relating to these areas of procurement. It is Senior Management's responsibility to ensure governance arrangements outlined by the Council are adhered to and complied with. That responsibility has not been actioned in this case until after the issues were identified.</p>

3. MANAGEMENT ACTION PLAN

NO.	CONTROL ISSUES / RISK	PROPOSED MANAGEMENT ACTIONS	AGREED ACTIONS	OFFICER & DATE
1	<p><u>Breaches of Council Rules, Regulations & Procedures</u></p> <p>The Council's rules, regulations and procedures comprise the Council's Governance Framework, for the Governance of the Council to be effective all rules, regulations procedures etc. must be complied with. Failure to adhere to and comply with these rules by officers can result in financial, legislative and reputational harm to the Council.</p> <p>Management controls are fundamental to the operation of the Governance framework, senior officers must ensure that all officers within their service are aware of and comply with the relevant rules and regulations of the Council.</p> <p>The failure to adhere to / comply with the relevant rules etc. of the Council could also result in disciplinary action and or financial harm / loss / misappropriation.</p>	<p>All staff must be reminded of the requirements to comply with all relevant Rules, Regulations and Procedures of the Council.</p> <p>Senior Officers must ensure that all officers within their service area are aware of individuals responsibilities in respect of the Council's governance framework and that all rules, regulations, policies etc. that comprise that framework are adhered to / complied with.</p>		
2	<p><u>Officer Induction Training</u></p> <p>Effective induction training is a fundamental tool in supporting an individual in acclimatising to the technical aspects of the position and also in providing them with guidance in respect of the governance framework and ethical expectations of the role.</p> <p>As part of the recent audit of Ethical Culture, audit confirmed that a formal process is in place in respect of officers that includes an Induction Policy, Welcome Booklet and checklists for both line managers and the new recruit. Included within the induction is reference to the Council's vision, priorities and values, and also to the Employee Code of Conduct, with the latter being sent to the officer prior to his / her starting date. However, given the issues identified within this review, the extent to which the induction material satisfactorily covers</p>	<p>As a consequence of the issues identified within this review, the extent to which the induction material for officers, particularly those in relevant posts, satisfactorily covers adherence to the Council's Contract Procurement Rules should be reviewed.</p>		

	<p>adherence to the Council's Contract Procurement Rules should be reviewed.</p> <p>There is a risk that where the induction programme fails to address key aspects of an officers duties with the Council, this will impact on the effectiveness of the governance framework.</p>			
3	<p><u>Officer Training & Support</u></p> <p>Ongoing training provides Officers with the necessary tools to fulfil their duties, both from a technical perspective and with regards the ethical expectations placed on them.</p> <p>As part of the recent audit of Ethical Culture, from discussions with officers and review of available documentation, it was acknowledged that whilst training, particularly in respect of the ethical culture of the organisation, has been provided to members in the past 12 months, that in respect of officers has, to some extent, been neglected. Whilst online solutions have previously been used as a vehicle for delivering training, audit understands that this had its shortcomings and the contract with the previous supplier has now expired. It was acknowledged that there was still much work to do with regards establishing a revised mandatory training framework and how it was to be delivered, possibly including future joint arrangements with Chorley Council.</p> <p>As noted in this review, a key element to many of the issues raised in respect of the re-letting of the gas and electricity contract was the little, if any, support that was provided to the Facilities Manager with regards the correct procurement route to follow. The Facilities Manager had received no training (induction nor ongoing) with regards the Council's Contract Procurement Rules and was largely left to manage the process. Furthermore, the Facilities Manager acknowledges that he did not request advice / support from the Council's Procurement Team.</p>	<p>The Council should establish a mandatory training framework for officers, including the methodology for conveying the ethical culture of the organisation.</p> <p>Following the procurement training in March, consideration should be given to extending the training to other / new officers.</p>		

	<p>Audit understands that these weaknesses are acknowledged and that an initial round of training on the Council's CPR's is scheduled for March.</p> <p>There is a risk that officers are not provided with the requisite training and support to fulfil their role.</p>			
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A lack of timely implementation of the agreed actions may be reported to the Governance Committee.

All internal audit work is conducted in compliance with the Public Sector Internal Audit Standards, issued by the Chartered Institute of Public Finance and Accountancy and the Chartered Institute of Internal Auditors.

Statement of Responsibility

The responsibility for designing and maintaining a sound system of internal control and the prevention and detection of fraud and other irregularities rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy and effectiveness of the system of internal control arrangements implemented by management and perform sample testing on those controls in the period under review with a view to providing an opinion on the extent to which risks in this area are managed.

We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify any circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud.

The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices.