

Committee	Dated:
Procurement Sub (Finance) Committee	3 April 2019
Subject: City Procurement Risk Management – Quarterly Report	Public
Report of: Chamberlain	For Information
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Summary

This report has been produced to provide Procurement Sub Committee with an overview of the management of risks faced by City Procurement. Risk is reviewed regularly by the Senior Management Team within City Procurement as part of the ongoing management of the service.

The City Procurement team currently has one department-level risk and five service-level risks on its risk register. There are currently no RED risks. All AMBER and GREEN risks are summarised in the report below.

The Senior Management Team continues to monitor closely the progress being made to mitigate these risks.

Recommendation

Members are asked to note the report and the actions taken in the City Procurement team to monitor and manage risks arising from our operations.

Main Report

Background

1. The Risk Management Framework of the City of London Corporation requires each Chief Officer to report regularly to Committee the key risks faced in their department. Departmental risks from City Procurement are included in a quarterly report to Finance Committee.
2. This paper is a summary of all risks identified by City Procurement including service level risks that are not typically reported to Finance Committee as part of the required departmental risk report.
3. City Procurement's risk management is reviewed on a monthly basis at Senior Management Team (SMT) meetings. Consideration is also given as to whether there are any emerging risks for inclusion in the risk register within each section within City Procurement and updates on key issues from each of the Assistant Directors, ensuring that adequate consideration is given to each risk.
4. Risk and control owners are regularly consulted regarding the risks for which they are responsible, with updates captured accordingly.

Summary of Risks

5. City Procurement currently has one department-level risk and five service-level risks on its risk register, attached as Appendix 1 to this report, assessed as 4 AMBER risks and 2 GREEN risks. There are currently no RED risks as the Brexit risk has recently been downgraded to AMBER. These are:

CHB CP001 – Brexit risk to City Corporation procurement and supply chains (Departmental Level - Current Risk: Amber)

6. City Procurement are liaising with key partners across the London Procurement Network and Home Office to create a consistent approach to assessing risk of key service categories, as well as key suppliers. A workshop was held in December with a consultancy organisation (Efficio Consulting), who produced an EU Exit Risk assessment report on our key categories of spend. This report was presented to Finance Committee in February 2019. An approach to key suppliers to request their mitigation plans in relation to Brexit will be conducted at the appropriate time [when we know more regarding Britain's exit date].

CHB CP005 – Impact on procurement resources (Current Risk: Amber)

7. An increase in unplanned procurements and the number of category A suppliers being managed coupled with key vacancies in the team is causing resource pressure on City Procurement. This risk is being managed despite continued new pressures on resource and a reduction in capacity due to vacancies. Of the four key vacancies, three are currently being advertised. City Procurement hope to be back to full resource capacity within six months.

CHB CP004 – City accelerate delays and impact on income levels (Current Risk: Amber)

8. Uptake of the City Accelerate programme has not been as projected. The 'Go Live' was delayed and there has been limited uptake by suppliers to the offering. City Procurement have agreed to revisit how the scheme is assessed at the time of tender to promote participation. The Commercial Contract Manager assigned to review the programmed recently received proposed changes to our standard procurement documents from our partner supplier and a meeting within City Procurement SMT will be arranged to review proposal during April 2019.

CHB CP003 – VAT loss through use of Purchase Cards (Current Risk: Amber)

9. City Procurement have long monitored VAT recovery as part of our duties administering purchase cards (P-cards). It is also part of each Chief Officer's quarterly P-card report of which results are reported to Procurement Sub Committee. A recent quarterly report showed an average of £64,000 worth of VAT being lost each quarter. City Procurement, along with Lloyds Bank (our P-card supplier), are reviewing potential to import data for Level 2 and Level 3 suppliers which would negate the need for a VAT receipt. SMT along with the Chairman of Procurement Sub-Committee to consider what additional communications should go to the organisation to further state expectations on card users.

CHB CP008 Duplicate Payments paid to our suppliers (Current Risk: Green)

10. While City Procurement feel they have a robust process in place to identify instances where, either through human error or system faults, the same invoice is being paid more than once, it has been 24 months since our last duplicate payment audit. In addition, the City Surveyor's department are keen to review the utilities payments. A specification is being drafted by the Head of Accounts Payable and a quote process will be completed in April to bring in a third party to complete the audit.

CHB CP002 – Failure to meet 10-day payment target (85% for SMEs) (Current Risk: Green)

11. Monthly reporting shows that our 10-day paid on time target for SMEs is not consistently being met. This topic was recently discussed a Procurement Sub Committee which approved changes to how we calculate that statistic changing it from being assessed by calendar days to business days. We achieved 92% in February but will continue to monitor our performance until we are consistently hitting our target over a full quarter.

Conclusion

12. Members are asked to note the actions taken to manage risks in relation to the operations of City Procurement.

Appendices

- Appendix 1 City Procurement Service Detailed Risk Register

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