

Committee	Dated:
Procurement Sub Committee	2 December 2019
Subject: City Procurement Risk Management – Quarterly Report	Public
Report of: Chamberlain	For Information
Report author: Lisa Moore, City Procurement, Chamberlain's	

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 5 AMBER risks and 1 GREEN risk. There are currently no RED risks as the Brexit risk was downgraded to AMBER earlier this year. These are:

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

6. City Procurement have been working closely with the City Corporation's Brexit Planning Group. A communications plan for our key suppliers was drafted by the Commercial Contract Management team and signed off by the Brexit Planning Group. As part of this communications plan, a letter was sent to all key suppliers requesting information about their Brexit planning including both the supply and cost risks, to their organisation/business and their supply chain and how they plan to mitigate the risk to our contract if any risk exists. The deadline for responses was set at 15 November 2019. The Commercial Contract Management team will collate responses and report to the Brexit Planning Group end of November/beginning of December.

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

7. The way City Accelerate is evaluated as part of the procurement process was updated in June 2019. Since then uptake of the scheme has increased. Our partner supplier has assigned a dedicated account manager to work closely with the City Corporation's Commercial Contract Management team. A campaign to approach suppliers with spend under £1 million will be launched shortly. In addition to the proactive work of the contract managers, a recommendation to review to 10-day payment terms for SMEs was included in the Chamberlain's Fundamental Review recommendations. This recommendation was not one of the recommendations reviewed for November's Policy & Resources committee. The Chamberlain's Senior Leadership Team will revisit this policy before taking a paper to January Finance Committee on how Fundamental Review recommendations and business plans will be facilitated over the next year.

CHB CP009 – Monitoring Corporate Contract Spend (Current Risk: Amber)

8. The Commercial Contract Management team have identified a weakness with our current Enterprise Resource Planning (ERP) system to set up and track contract level expenditure. We are currently able to track spend by supplier but not individual contracts. The risk is being reviewed and managed by the Assistant Director of Commercial Contract Management with the assistance of the Procurement Operations Manager and Chamberlain's Oracle Team. City Procurement's SMT will also review the functionality of the Corporate Contract Register to see what improvements can be made to mitigate this risk.

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. Previous reporting showed a number 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. The requirement to import this data will be included in the specification for the new P-card contract which will be procured at the start of 2020. A working group has been set up by the Head of Accounts Payable to review VAT elements of the P-card contract.

CHB CP010 Corporate Contract for Cash Collections (Current Risk: Amber)

10. There have been a number of local contracts put in place by departments to collect, store, and bank cash transactions. There has never been a corporate contract meaning no appropriate service level agreements, KPIs, or performance monitoring put in place. Recommendations of an Internal Audit on Cash Collections drafted in December 2018 highlighted that there was a lack of management and controls on cash collection services provided. The report recommended there should be a corporate contract manager to ensure performance management moving forward. In October 2019 the Corporate Treasurer appointed a contract manager within the Corporate Treasury Team. Unfortunately, the Category Manager assigned to this procurement left at the same time. The Assistant Director of Sourcing and Category Management to appoint a new Category Manager to work on this procurement. City Procurement SMT will continue to monitor progress.

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

11. 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 almost three years 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 November/December 2019 to bring in a third party to complete the audit.

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 Dec 2019

Lisa Moore

Procurement Policy & Compliance Officer

Chamberlain's Department

T: 020 7332 3272

E: lisa.moore@cityoflondon.gov.uk