

CITY OF LONDON
CHAMBERLAIN'S DEPARTMENT
INTERNAL AUDIT SECTION



DEPARTMENT OF COMMUNITY AND CHILDREN'S SERVICES
AUDIT OF COMMISSIONING AND CONTRACT MANAGEMENT
DRAFT REPORT

Date Issued: 21 April 2017

Issued to:

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Sarah Greenwood, Senior Commissioning Manager



Internal Audit Section – Commissioning and Contract Management - Full Assurance Review – Draft Report

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Audit Fieldwork Completed	28 March 2017
Draft Report Issued	31 March 2017
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Management Response Received Agreeing Recommendations	
Final Report Issued	

SECTION A: INTRODUCTION, ASSURANCE STATEMENT AND KEY CONCLUSIONS

Introduction

1. This audit was undertaken as part of the agreed 2016-17 internal audit plan.
2. The DCCS Commissioning Guide defines 'commissioning' as the process for deciding how we will best use the total resources available in order to make the biggest possible impact on outcomes in the most effective, efficient and sustainable way.
3. According to the DCCS intranet page, the DCCS Commissioning function leads on the commissioning and contract management of all outsourced and purchased services for the DCCS. It also leads on the procurement of all services under OJEU thresholds. Following a review, all commissioning activity for the DCCS – with the exception of Asset Management and Maintenance, Adult Skills and Learning, and Homelessness – is now managed by the Commissioning Team.
4. The Service Level Agreement between DCCS and City Procurement (01/04/14 to 31/03/17) specified that the DCCS Commissioning Team would lead on:
 - One off supplies and services purchasing specifically related to Non-housing DCCS services between £10,000 and £100,000; and
 - Strategic supplies and services tendering between £100,000 and the EU supplies and services threshold.
5. The SLA specifies that all tenders will be advertised via Capital e-sourcing (which has been subject to audit in 2016-17). City Procurement will take the lead for Supplies and Services tendering above the EU supplies and services threshold including the new Light Touch Regime for social and other specific services. Above EU threshold tenders will form the basis of the DCCS Category Board agenda and be managed by City Procurement.
6. The Commissioning Team's performance management role comprises review and monitoring of contracts, including any variations, non-compliance notices and termination.
7. The objective of this audit was to obtain assurance that adequate mechanisms are in place for the following:
 - The commissioning cycle operates in accordance with good practice principles (National Audit Office – Successful Commissioning) spanning assessment of need, service design, sourcing of providers, delivery, monitoring and evaluation of outcomes.



- Signed contracts are in place to safeguard the City's interests (i.e. performance requirements are outlined to ensure that quality services are received and service user needs are addressed).
- Variations to contract are appropriately documented and approved by all relevant parties.
- There are clear arrangements for monitoring performance to ensure that procedures in operation comply with those laid down in the contract for the supply of services and that outcomes are as anticipated.
- Financial transactions are made in accordance with contractual agreements and are subject to monitoring to against budget.
- Key management information such as contractor performance, delivery outcomes and budget monitoring are appropriately reported to management and corrective action taken where poor performance or variances are identified.

Assurance Statement

Assurance Level	Description
'Moderate Assurance' Amber	An adequate control framework is in place but there are weaknesses and/or a lack of compliance which may put some system objectives at risk.

Recommendations	Red	Amber	Green	Total
Number Made:	0	3	4	7
Number Accepted:	0			

Key Conclusions

- 8. On the basis of audit testing performed, there are established arrangement for ensuring that commissioning activity is completed in line with the eight National Audit Office best practice principles. Two green priority recommendations have been raised to further strengthen the control framework for best practice commissioning. These relate to the production of a commissioning prospectus for Housing and the finalisation of the commissioning guide for the department, and review of the SLA between DCCS and City Procurement (recommendations 1 and 2).**
- 9. Audit sample testing indicated that there is scope for control improvement in relation to the signing of contracts with Service Providers, and safeguarding the City's Corporation's interests. An amber priority recommendation has been raised to ensure that there is a signed contract in place with third party providers prior to service commencement (recommendation 3). Additionally, an amber priority recommendation has been raised in order for all contracts to include clauses regarding business continuity arrangements and exit plans (recommendation 4).**
- 10. Audit sample testing indicated that there is scope for control improvement to ensure that variations to contracts are formally agreed by both parties in a timely manner. An amber recommendation has been raised to ensure that variations to contracts are formally agreed prior to the effective date of the change (recommendation 5). A green priority recommendation has also been raised to maintain a central record of contract variations in the form of a change control register.**
- 11. Clear arrangements were seen to be in place for contractor performance monitoring to ensure that procedures in operation comply with those laid down in the contract for the supply of services and outcomes are as anticipated. A green priority recommendation has been raised for changes to contract performance monitoring mechanisms to be documented.**
- 12. Audit sample testing determined that controls are in operation to ensure that financial transactions are made in accordance with contractual agreements and are subject to monitoring against budget.**
- 13. Evidence was obtained to demonstrate a sound control environment in relation to the production and reporting of management information including performance monitoring, budget monitoring and action plans to rectify poor performance.**

SECTION B: KEY FINDINGS AND RECOMMENDATIONS

Good Practice Commissioning

14. Audit testing confirmed that the Commissioning strategy for DCCS is defined within the 'Commissioning Prospectus' documents. There is a prospectus for Children and Young People Services and also Services for Adults. The DCCS Commissioning Team has recently (2016/17 financial year) taken on part of the commissioning responsibility for Housing Services although there is currently not a Commissioning Prospectus for this area. Internal Audit were advised that the DCCS Commissioning Team is awaiting the finalisation of the Housing Strategy before a prospectus is produced.
15. It was noted that a Commissioning Guide is in the process of being produced and is in draft form. The guide was originally being produced for the Commissioning Officers and front line staff although this direction has now changed as it is felt the training front line staff receives is sufficient (see point 9). This guide to Commissioning Officers has not been finalised and is not, therefore, an operational document. A recommendation has been raised to address both this and finalisation of the Housing Services Commissioning Prospectus (see recommendation 1).

Priority	Issue	Risk
Green	<p>There is not a Commissioning Strategy or Prospectus for the housing services that are now the responsibility of the Commissioning Team. It is understood that the Team is awaiting the finalisation of the Housing Strategy before a Commissioning Prospectus is produced.</p> <p>Additionally, a Commissioning Guide is in the process of being produced. This is currently in draft form and, at the time of the audit, this had not been finalised and therefore is not an operational document.</p>	<p>Where commissioning activity is not guided, there is a risk that inappropriate commissioning decisions may be taken which could result in services not delivering the outcomes expected/required by service users.</p>

Recommendation 1: A 'Housing Commissioning Prospectus' should be produced by DCCS to guide the commissioning activities for housing services controlled by the department. The Commissioning Guide should be finalised and distributed / made available to all relevant staff.

Management Response and Action Plan

Recommendation accepted and is an existing action within the Commissioning Team's Improvement Plan.

Responsibility: Senior Commissioning Manager

Target Implementation Date: The Housing Commissioning Strategy will be drafted for approval within 3 months of the housing strategy being produced. The commissioning guide will be finalised by June 2017 and will be linked to the Corporate Contract Management Toolkit which is in development.

16. Evidence was obtained to demonstrate that members of front line staff within DCCS have received training on commissioning processes. It was explained that a separate training session was held for each service area within the department (e.g. Education and Early Years), whereby a presentation was delivered on the commissioning process. It was noted that the purpose and content of training sessions was intended to provide an overview of commissioning, responsibilities of front line staff, what they should be doing already, the role of the Commissioning Team and how to work together to ensure successful commissioning of services.
17. Testing of a sample of five commissioning projects from the DCCS Sourcing Plan confirmed that, where appropriate, the eight best practice principles defined by the National Audit Office had been applied by the DCCS Commissioning Team. These principles were seen to span all aspects of the commissioning cycle: assessment of need, service design, sourcing of providers, delivery, monitoring and evaluation of outcomes.
18. The SLA between DCCS and City Procurement stipulates that the DCCS Commissioning Team is responsible for commissioning and procuring activity below the OJEU threshold (£164,176). The SLA states that City Procurement will take the lead for Supplies and Services tendering above the EU supplies and services threshold including the new Light Touch Regime for social and other specific services. The Light Touch Regime Threshold is a value of £589,148 and services that fall within this category are defined within Article 74 of the European Public Contracts Directive. DCCS must consult with City Procurement for any commissioning activity over a value of £100,000.
19. Testing of the sample of five commissioning projects identified one instance (Befriending) where although City Procurement were made aware of the project through the Category Board, they did not lead on the tendering. The Befriending contract, which is a social service falling under the Light Touch Regime, was for a value of £207,451.
20. Internal Audit was informed that in practice, it is actually the DCCS Commissioning Team who currently lead on tenders below the Light Touch Regime Threshold for

services that fall within this category and the wording in the SLA is therefore incorrect. It is noted that the wording of the SLA is currently under review between DCCS and City Procurement. A recommendation has been raised to address both this and an improvement to the project plan template (Gantt Chart) used by staff to map out the commissioning process for each project to reference consultation with City Procurement, as required (see recommendation 2).

Priority	Issue	Risk
Green	<p>Testing of a sample of five commissioning projects identified one instance (Befriending) where City Procurement did not lead on the tendering as per the agreed SLA. However, we were informed that the wording of the SLA is incorrect and is not what is followed in practice.</p> <p>Additionally, there is a project plan template (Gantt Chart) available for staff to map out the commissioning process for each project; however, this template does not include a time to consult with City Procurement as required.</p>	<p>Where the wording of the SLA is incorrect or where there is not consultation with City Procurement as per the agreed SLA, there is a risk of an ineffective/inefficient tendering process for high value projects which may result in the City not achieving the best value for money.</p>
<p>Recommendation 2: The SLA between DCCS Commissioning and City Procurement should be reviewed to ensure that it reflects agreed working practices. The two parties should subsequently adhere to the SLA in the commissioning process. The template project plan (Gantt Chart) should be amended to include a time for the requirement of consulting with City Procurement.</p>		
<p>Management Response and Action Plan</p> <p>Recommendation accepted. A review of the SLA was carried out in late 2016 and the outcomes are subject to negotiation between DCCS and City Procurement. It is accepted that the wording in the SLA is open to interpretation and has already been raised as part of this process.</p> <p>Responsibility: Senior Commissioning Manager</p> <p>Target Implementation Date: end April 2017 for the SLA review (subject to City Procurement comments). The amendment to the GANTT chart has been actioned.</p>		

Signed Contracts

21. Corporate procedures require that contracts are signed under seal for supplies and

services at £250,000 or above and for works at £400,000 or above. Contracts of the value below these defined limits can be signed under the Scheme of Delegations.

22. It was confirmed through audit testing that contracts used by DCCS follow standard templates issued by the City Corporation. There is a template for low value contracts and a template for high value contracts. There is a standard list of terms and conditions used in contracts which has recently been reviewed to ensure that they are relevant for the DCCS.
23. Testing of a sample of ten contracts from the DCCS Contract Register confirmed that in nine instances a signed contract was in place between the City and the Service Provider. However, in one instance (Residents Reassurance, Engagement and Support Service) a contract has yet to be finalised and therefore a signed contract is not in place. This service has been delivered by the provider since 1 September 2016 and the contract is currently still in draft form. A recommendation has been raised to address this (see recommendation 3).
24. In addition to the above, it was confirmed that of the nine signed contracts in place five of these had not been signed by both parties prior to the service commencement date, despite efforts by the Commissioning team in the majority of cases tested. Internal Audit were advised that where tenders are carried out through the City's e-procurement portal, bidders are required to confirm they have accepted the City's contractual terms and conditions. Recommendation 3 has been raised to further strengthen control in this area. The five contracts referred to relate to the following:
- Care Navigators: contract signed/dated 25/11/2015 but service provided from 01/11/2014;
 - Telecare Emergency Response: contract signed/dated 17/09/2012 but service provided from 28/04/2012;
 - SDS Support Service: contract signed/dated 27/04/2016 but service provided from 08/06/2014;
 - Youth Participation: contract signed/dated 06/11/2013 but service provided from 01/04/2013; and,
 - Healthy Schools: contract signed/dated 21/03/2017 but service provided from 01/04/2016.
25. Examination of the sample of ten DCCS contracts determined that in three instances (Care Navigators, SDS Support Service and Healthy Schools), there were no clauses within the contractual documentation regarding the Service Provider's business continuity arrangements or exit planning (mobilisation) arrangements; and, in three instances (Reablement Plus, Telecare Emergency Response and Youth Participation) there were no clauses within the contractual documentation regarding the exit planning (mobilisation) arrangements. A recommendation has

been raised to address this (see recommendation 4).

Priority	Issue	Risk
Amber	<p>Testing of a sample of ten DCCS contracts identified one instance (Residents Reassurance, Engagement and Support Service) where a signed contract is not in place. This service has been delivered by the Provider since 1 September 2016 and the contract is currently still in draft form.</p> <p>In addition to this, it was confirmed that of the nine signed contracts in place, five of these had not been signed by both parties prior to the service commencement date.</p>	Where contracts are not in place between the City and Service Provider prior to service commencement, there is a risk that the service is not delivered to the City's expectations which could result in a negative impact on service users and organisational damage to the City.
<p>Recommendation 3: A contract should be in place with Service Providers, where applicable, and this should be signed and dated prior to the commencement of the service provision. Sufficient time should be left prior to service commencement to allow for the any disputes over the contract to be settled and for the contract to be agreed.</p>		
<p>Management Response and Action Plan</p> <p>Recommendation accepted. Comptrollers and City Procurement will be asked to include an additional paragraph into letters to successful bidders to remind them they have accepted the City's contractual terms and conditions as part of the tendering process</p> <p>Responsibility: Senior Commissioning Manager (to notify Comptrollers and City Procurement). Phillip Mirabelli and Chris Bell to implement recommendation as appropriate</p> <p>Target Implementation Date: Comptrollers and City Procurement will be notified by 12th April 2017</p>		

Priority	Issue	Risk
Amber	Testing of a sample of ten DCCS contracts identified three instances (Care Navigators, SDS Support Service and Healthy Schools) where there were no contractual clauses regarding the Service Provider's business continuity arrangements or	Where there are no appropriate clauses within contractual documentation with Service Providers, there is a risk that the Service Providers may fail to deliver the required standards as expected by the City which could impact

	<p>exit planning (mobilisation) arrangements; and,</p> <p>- three instances (Reablement Plus, Telecare Emergency Response and Youth Participation) where there were no contractual clauses regarding the exit planning (mobilisation) arrangements.</p>	<p>negatively on service users and organisational reputation.</p>
<p>Recommendation 4: All contractual documentation should include relevant clauses requiring the Service Provider to have adequate business continuity arrangements in place for continued service delivery in the event of an emergency. All contractual documentation should also include relevant clauses regarding exit planning (mobilisation) arrangements for the end of the contract.</p>		
<p>Management Response and Action Plan Recommendation accepted. The audit recommendation will be shared with the Comptrollers with a request to include these identified clauses within all contracts going forward.</p> <p>Responsibility: Senior Commissioning Manager (to notify Comptrollers). Phillip Mirabelli to implement recommendation as appropriate</p> <p>Target Implementation Date: Comptrollers will be notified by 12th April 2017</p>		

Variations to Contracts

26. Section 32 of the Procurement Code Rules (Part 1), Contract Variations, defines the City's rule that must be followed regarding variations to contracts. The Procurement Code Guidance (Part 2) provides further guidance to staff in this respect.

27. Testing of the sample of ten DCCS contracts identified that six of these had formal variations (including extensions to the contract length) applied to them. For these six contracts it was confirmed that:

- In five instances these had been formally agreed by both parties through the use of a variation agreement. However, two of these agreements (Care Navigators and Telecare Emergency Response) had been signed by both parties after the variation effective date; and,
- In one instance (Youth Participation) the contract had been extended for the period 01/04/2016 - 31/03/2017 but a formal variation (extension) agreement had not been signed as an agreement by both parties to extend the existing contract. There are meeting minutes available which suggest both parties agreed to the extension although no formal documentation was completed for this extension.

A recommendation has been raised to address this (see recommendation 5).

28. It is best practice to maintain a change control register to document formal contract variations and also informal changes such as amendments to reporting requirements. Change control registers are not currently maintained for DCCS contracts. A recommendation has been raised to address this (see recommendation 6).

Priority	Issue	Risk
Amber	<p>Examination of a sample of six contract variations determined that:</p> <ul style="list-style-type: none"> In five instances these had been formally agreed by both parties through the use of a variation agreement. However, two of these agreements (Care Navigators and Telecare Emergency Response) had been signed by both parties after the variation effective date; and, In one instance (Youth Participation) the contract had been extended but a formal variation (extension) agreement had not been signed as an agreement by both parties to extend the existing contract. There are meeting minutes available which suggest both parties agreed to the extension although no formal documentation was completed for this extension. 	<p>Where amendments to contracts are not appropriately authorised prior to the changes being implemented, there is a risk that changes to the contract may be invalid which may result in the City being unable to enforce agreements or be unable to obtain value for money as expected through the contract.</p>
<p>Recommendation 5: All formal amendments to contracts should be supported by a signed variation agreement between the City and Service Provider. DCCS should ensure that variation agreements are signed by both parties prior to the changes being implemented.</p>		
<p>Management Response and Action Plan</p> <p>Recommendation accepted. An explicit action will be included within the Gantt chart and commissioning guide to guide team members to allow appropriate time for variations to be signed. Comptrollers will be invited to quarterly team meetings to share/comment on sourcing plans</p>		

Responsibility: Senior Commissioning Manager

Target Implementation Date: Gantt Chart updated. The commissioning guide changes will be made as per recommendation 1.

Priority	Issue	Risk
Green	It was confirmed with the Senior Commissioning Manager that currently change control registers are not maintained for each contract.	Where there is no central record of changes to contracts, there is a risk that staff and the service provider may be unaware of the current contractual arrangements which could result in ineffective and inefficient contract management.

Recommendation 6: A central record of amendments to contracts, for example a change control register, should be maintained. This should be used to record formal contract variations and informal contract changes such as reporting methods.

Management Response and Action Plan

Recommendation accepted. A team change control register with associated guidelines for the commissioning team will be implemented in line with the City's new contract management toolkit being drafted.

Responsibility: Senior Commissioning Manager

Target Implementation Date: in line with the development of the Corporate Contract Management Toolkit

Contractor Performance Monitoring

29. The signed contract (or service specification supporting the contract) between the City and the Service Provider defines the expected outcomes of the service and the KPIs to be used for measurement. It also documents how the performance against the defined outcomes/KPIs is to be monitored including the regularity of reports to be provided (e.g. monthly, quarterly or annually).

30. Testing of the sample of ten DCCS contracts (including the draft for the Residents Reassurance contract) confirmed that:

- In all ten instances, the expected outcomes and/or KPIs of the service provision had been defined. These had either been defined within the relevant schedules or service specification appended to the contracts; and,
- In all ten instances, the processes for measuring performance against the expected outcomes and/or KPIs had been adequately defined. This included the use of performance reporting and monitoring meetings. The contractual documentation for all ten contracts also detailed the processes for dealing with poor performance of the Service Provider.

31. It was confirmed through sample testing that in five instances, performance of the Service Providers has been measured in line with the agreed processes detailed within the contractual documentation. However, in five instances, monitoring has not been in line with the agreed processes. These five instances relate to the following contracts:

- Reablement Plus: The contractual documentation stipulates that quarterly monitoring meetings should be held and monthly data should be submitted. It was confirmed that no regular meetings have been held and no monthly data reported. Poor performance is identified by Social Workers and poor performance meetings arranged where necessary.
- Telecare Emergency Response: The contractual documentation stipulates that quarterly monitoring meetings should be held and quarterly reports should be submitted. It was confirmed that currently annual meetings are held and six monthly reports are produced.
- SDS Support Service: The contractual documentation stipulates that quarterly monitoring meetings should be held and quarterly reports should be submitted. It was confirmed that six monthly meetings are held and six monthly reports are produced.
- SEN Transport and Passenger Escorts: The contractual documentation stipulates that at least annual monitoring meetings should be held and annual reports should be produced. It was confirmed that only one monitoring meeting and one reporting submission has taken place since the introduction of the contract in April 2014.
- Residents Reassurance, Engagement and Support Service: The draft contractual documentation stipulates that quarterly monitoring meetings should be held and quarterly performance reports should be submitted. It was confirmed that currently no monitoring meetings are held but daily incident reports are submitted.

32. Although the contractual documentation details the performance monitoring arrangements, Internal Audit were advised that discussions take place with Service Providers which result in these arrangements being changed. These changes occur as it is agreed between the two parties that performance monitoring could be made more effective through changing the methods and be proportionate to the scale of service usage. However, these discussions are currently not documented and there is no evidence to suggest that the current monitoring arrangements followed have been agreed between both parties. A recommendation has been raised to address this (see recommendation 7).

Priority	Issue	Risk
Green	Testing of a sample of ten DCCS contracts identified five instances where the performance monitoring arrangements followed were not in line with those outline within the agreed contractual documentation. No evidence was available to demonstrate that any revisions to monitoring arrangements had been agreed between both parties.	Where the current agreed performance monitoring arrangements have not been clearly documented, there is a risk of ineffective/inefficient monitoring of the service. There is also a risk of potential disputes with the Service Provider which may result in service delivery issues and reputational damage.
Recommendation 7: Agreements between the City and Service Provider for changes in the performance monitoring arrangements should be clearly documented.		
Management Response and Action Plan Recommendation Accepted. This will be included within the commissioning guide for the commissioning team Responsibility: Senior Commissioning Manager Target Implementation Date: In line with the development of the commissioning guide in recommendation 1.		

Financial Transactions

33. The signed contract (or service specification supporting the contract) between the City and the Service Provider defines the payment arrangements including the costs/value of the contract. Testing of the sample of ten DCCS contracts confirmed that the payment arrangements had been adequately defined.
34. It was determined through audit testing that payments to providers are made through the Oracle Finance system. A requisition is required to be raised on the system and subsequently approved by the relevant budget holder. Once the requisition has been approved, a purchase order is generated. The goods/services must be receipted against the purchase order before any payments can be made to the providers.
35. Upon receipt of an invoice from the supplier, this is matched against the relevant purchase order and as long as this has been receipted the payment will be processed. Approval for the payment is therefore through the approval of the requisition to generate a purchase order. Where an invoice is received that is greater than the value of the purchase order, further approval is required before a payment is processed.

36. Testing of a sample of payments for the ten DCCS contracts confirmed that in nine instances the payments were accurate in line with the agreed payment arrangements and in line with the supplier invoices. Additionally, for these payments, a requisition had been raised and approved and the goods/services had been receipted. The invoices had been matched against the POs for payment.
37. However, in one instance (Healthy Schools), a query has been raised against one of the payments to the supplier due to poor service delivery. The service has been reduced from a weekly service to a monthly service. A PO for the value of £10,000 had been raised (following approval of requisition 533129) and receipted in line with the payment arrangements although £3,500 of the receipt had been recalled due to the query. Further investigation, however, identified that the value recalled was incorrect as a total of £8,157.84 should have been recalled leaving £1,842.16 left to pay to the supplier. This was due to the incorrect value to be recalled being requested rather than the request being inaccurately administered on to the system.
38. Since the above was identified by Audit, the value has been rectified on the Finance system. No payment had been processed against this PO; however, if the supplier had invoiced the City of anywhere up to the value of £6,500 prior to this being amended this could have been matched against the PO and paid. A recommendation, however, has not been raised due to the error resulting from an incorrect request rather than inaccurate administration.
39. The budgets for individual contracts within DCCS are contained within different service area budgets on the Finance System and therefore are monitored by more than one Budget Holder. The ten DCCS contracts selected for this audit fall within the following budgets:
- Commissioning;
 - Adult Social Care;
 - Education and Early Years;
 - Public Health; and,
 - Housing.
40. Evidence was obtained to confirm that monthly budget reports are produced from the Oracle Finance System for each of these budgets and a member of the Finance Team meets with the Budget Holder each month for discussion purposes. Any variances between budgets and forecasted spend are identified and discussed during these meetings.



Management Information

41. Management information for contracts includes contractor performance, delivery of defined outcomes and budget monitoring. Testing of the sample of ten DCCS contracts confirmed that the following in all instances:
- Performance reports are produced to monitor contractor performance and delivery of expected outcomes. These are reported to and reviewed by the relevant Contract Manager; and,
 - Budget reports are produced on a monthly basis and are discussed by a Finance Officer and the Contract Manager.
42. Where poor performance of the contractor is identified the action taken by the City in the first instance is to support the Service Provider to help to turnaround performance before a formal Poor Performance Notice (PPN) is required to be issued. Poor performance of Service Providers has been identified in five of the ten DCCS contracts tested. It was confirmed for each of these five contracts that appropriate action has been taken in order to rectify this poor performance.
43. A high level headline budget report is produced on a monthly basis which is reported to the Departmental Leadership Team (DLT). The DLT receive a headline overview of each of the budgets within DCCS rather than a copy of the broken down budget report per service area. It was confirmed for a sample of three months that a headline budget report had been produced for review by DLT.

APPENDIX 1: AUDIT DEFINITIONS AND RESPONSIBILITIES

Assurance levels

Category	Definition
Nil Assurance 'Dark Red'	There are fundamental weaknesses in the control environment which jeopardise the achievement of system objectives and could lead to significant risk of error, fraud, loss or reputational damage being suffered.
Limited Assurance 'Red'	There are a number of significant control weaknesses and/or a lack of compliance which could put the achievement of system objectives at risk and result in error, fraud, loss or reputational damage.
Moderate Assurance 'Amber'	An adequate control framework is in place but there are weaknesses and/or a lack of compliance which may put some system objectives at risk.
Substantial Assurance 'Green'	There is a sound control environment with risks to system objectives being reasonably managed. Any deficiencies identified are not cause for major concern.

Recommendation Categorisations

Priority	Definition	Timescale for taking action
Red - 1	A serious issue for the attention of senior management and reporting to the appropriate Committee Chairman. Action should be initiated immediately to manage risk to an acceptable level.	Less than 1 month or more urgently as appropriate
Amber - 2	A key issue where management action is required to manage exposure to significant risks, action should be initiated quickly to mitigate the risk.	Less than 3 months
Green - 3	An issue where action is desirable and should help to strengthen the overall control environment and mitigate risk.	Less than 6 months

Note:- These 'overall assurance level' and 'recommendation risk ratings' will be based upon auditor judgement at the conclusion of auditor fieldwork. They can be adjusted downwards where clear additional audit evidence is provided by management of controls operating up until the point of issuing the draft report.



What Happens Now?

The final report is distributed to the relevant Head of Department, relevant Heads of Service, and those involved with discharging the recommended action.

A synopsis of the audit report is provided to the Chamberlain, relevant Members, and the Audit & Risk Management Committee. Internal audit will carry out a follow-up exercise approximately six months after the issue of the final audit report. The on-going progress in implementing each recommendation is reported by Internal Audit to each meeting of the Audit & Risk Management Committee.

Any Questions?

If you have any questions about the audit report or any aspect of the audit process please contact the auditor responsible for the review, Peter Bampton, Senior Internal Auditor, on extension 1041 or via email to peter.bampton@cityoflondon.gov.uk. Alternatively, please contact Pat Stothard, Head of Audit & Risk Management via email to pat.stothard@cityoflondon.gov.uk.