

# Combined Assurance Status Report

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## What we do best...

**Innovative assurance services**

Specialists at internal audit

**Comprehensive risk management**

Experts in countering fraud

## ...and what sets us apart

**Unrivalled best value to our customers**

Existing strong regional public sector partnership

**Auditors with the knowledge and expertise to get the job done**

Already working extensively with the not-for-profit and third sector



# Combined Assurance Status Report

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## Introduction

This is the fourth combined assurance report for the Commercial Team within the Council.

By grouping the different sources of assurance in a single model we provide the basis for Senior Management and Audit Committees to gain a better understanding of their organisations assurance status and needs.

We do this by coordinating assurance arrangements – providing some structure – this is our Assurance Map.

We have well established Assurance Maps that help us to focus our work plans on the make or break risks that affect the successful delivery of services and strategic objectives. The Maps also recognise the importance of critical business systems that support successful delivery and ‘protect the business’ – the due diligence activities.

The Maps give an overview of assurance provided across the whole organisation – not just those from Internal Audit – making it possible to identify where assurances are present, their source, and where there are potential assurance ‘unknowns or gaps’.

The Maps are an invaluable tool for senior managers, providing a snapshot of assurance at any point of time. This report explores those assurances in more detail.

We gathered and analysed assurance information in a control environment that:

- takes what we have been told on trust, and
- encourages accountability with those responsible for managing the service.

## Scope

We gathered information on our:

- **Critical systems** – those areas identified by senior management as having a significant impact on the successful delivery of our priorities or whose failure could result in significant damage to our reputation, financial loss or impact on people.
- **Due diligence activities** – those that support the running of the Council and ensure compliance with policies.
- **Key risks** – found on our strategic risk register, operational risk registers or associated with major new business strategy / change.
- **Key projects** – supporting corporate priorities / activities.
- **Key partnerships** – partnerships that play a key role in successful delivery of services



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## Methodology

To ensure our combined assurance model shows assurances across the entire Council, not just those from Internal Audit, we leverage assurance information from your 'business as usual' operations. Using the '3 lines of assurance' concept:



Our approach includes a critical review or assessment on the level of confidence the Board can have on its service delivery arrangements, management of risks, operation of controls and performance.

We did this by:

- Speaking to senior and operational managers who have the day to day responsibility for managing and controlling their service activities.
- Working with corporate functions and using other third party inspections to provide information on performance, successful delivery and organisational learning.
- Using the outcome of Internal Audit work to provide independent insight and assurance opinions.
- Considering other information and business intelligence that feed into and has potential to impact on assurance.

We used a Red (low), Amber (medium) and Green (high) rating to help us assess the level of assurance confidence in place.

The overall assurance opinion is based on the assessment and judgement of senior management. Internal audit has helped co-ordinate these and provided some challenge **but** as accountability rests with the Senior Manager we used their overall assurance opinion.



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## Key Messages

The Commercial Team operates two teams delivering contract management, procurement and commercial activity and a Projects and Performance Team principally delivering project management.

The Commercial Team has continued to deliver and support a host of new procurements a number of which have been re-commissioned to ensure that the services meet the specified outcomes in a way which delivers best value. In excess of 50 procurements are delivered or supported at any one time including projects for the shared procurement service, ranging in scope from the provision of transitional care and re-ablement services, flood defence works, agency staff, body removals, SEND school transport, and document storage.

This year the Commercial Team procured services on behalf of Lincolnshire Community Health Services Trust and is contract managing those services alongside services managed on behalf of the Council. This joint approach to commissioning reduces duplication, builds on the Council's strong relationships with the sector and provides additional contract management resource. It is a model we would like to repeat as opportunities and resources permit.

The opportunity was taken to integrate the Public Health procurement and contract management functions into the

Commercial Team from the 31 October 2016. Review work is underway to understand these different service requirements to learn from what is working well and to identify any areas for improvement.

The Team has implemented a contract management framework which covers residential and non-residential care for Adult Care and Community Wellbeing. This allocates contract management resource in accordance with risk whilst ensuring that the extensive records generated are readily available to support effective contract management, safeguarding, service development and liaison with other public bodies.

A new e-tendering and contracts register platform has been implemented which will reduce cost, increase functionality and deliver benefits to local suppliers who register on the system, providing them with access to business opportunities across the East Midlands.

The Team is responsible for contract managing Serco and we do this robustly to ensure that Serco does what it said it would within the contract price. Progress has been made on the payroll and payment functions though much of the promised IMT transformation remains outstanding. Recently the contractual Key Performance Indicators have been refreshed



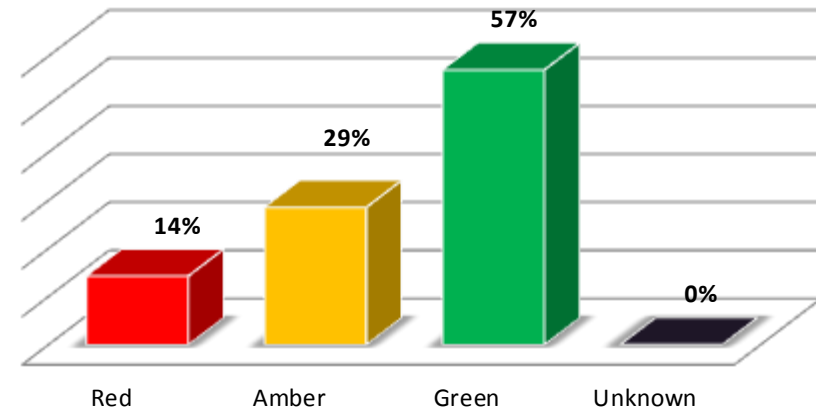
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so that they remain relevant and meaningful throughout the life of the contract.

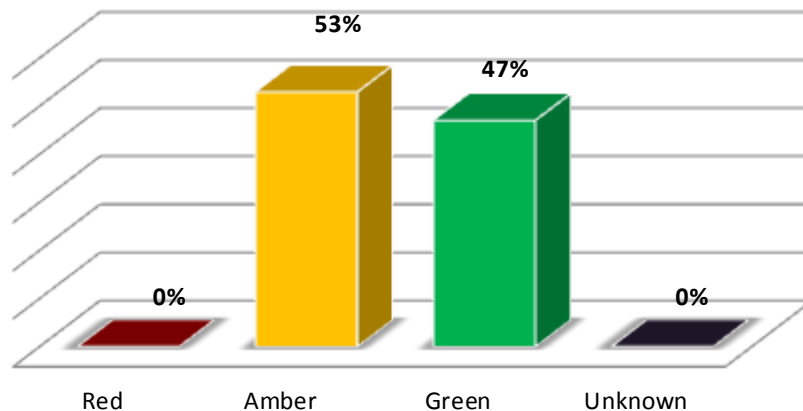
The project managers within the team were fully deployed on Council priority projects including Devolution which has now drawn to a close.

In anticipation of the pending retirement of the Chief Information and Commissioning Officer in February the Team now reports directly to the Chief Executive.

## Overall Assurance Status 2015/16



## Overall Assurance Status 2016/17



## Suggested next steps.....

2017/18 will continue with contract management, procurement, project management and commercial challenges including;

- Continuing to maximise commercial opportunities;
- Continuing to ensure that Serco provide services in accordance with the commercial terms agreed and delivers the IMT recovery plan;
- Developing further ways of reducing procurement risk;





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- Supporting and developing critical market sectors particularly the Adult Care market;
- Further roll out of the Adult Care contract management framework and implementation of a suitable electronic platform;
- Supporting the re-commissioning and procurement of a new Wellbeing Service to support Lincolnshire people to live independently for as long as possible;
- Fully integrate public health activity into the Commercial Team;
- Seeking new joint commissioning opportunities with health;
- Continuing to support high profile projects.

## Critical Systems

The overall assurance status for the critical activities identified is a combination of high and medium assurance. There has been a variety of audit activity around the Commercial Team's activities including the KPMG review of Serco, internal audits of the SEND transport procurement and understanding of the Public Contract Regulations 2015 and an external peer review which looked at Adult Care procurement and contract management. These reviews reported high levels of assurance which view is not always shared by Managers in the service.

The Team has now issued guidance on good procurement. Compliance assurance activity by internal audit across the Council indicates that the procurement requirements are properly understood and implemented.

Contract management activity in Adult Care and Community Wellbeing is under pressure as increasing numbers of providers need support to achieve and maintain the required levels of service. The contract management framework does help by targeting resource on those providers that need it most and there has been a slight increase in capacity both of which helps mitigate this risk. Serco's failure to deliver services and transformation in accordance with the contract has meant that there has been much more contract management activity and commercial discussion than

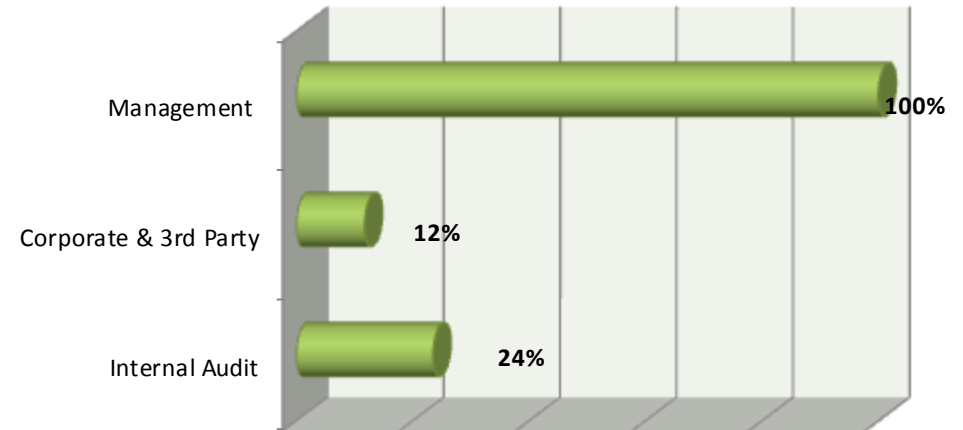




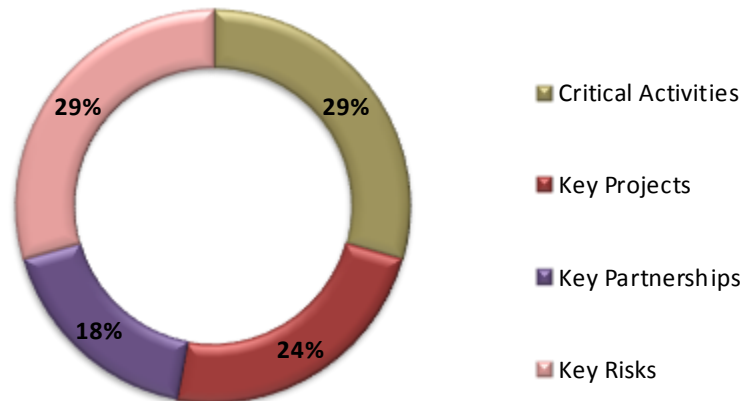
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anticipated. The Council has adopted a firm line which has been resource intensive and as a result a backlog of Commercial Team activity has arisen. Temporary funding has been secured to fund some short term additional resource. The channel shift promised by Serco is still awaited but it is anticipated that the necessary IMT transformation will be in place by June 2017. The Team is reviewing the Public Health contract management activity and it is still too soon to say whether the scale and scope of the contracts can be effectively managed within the resources available.

## Who Provides Your Assurance



## Assurance split across all activities & risks

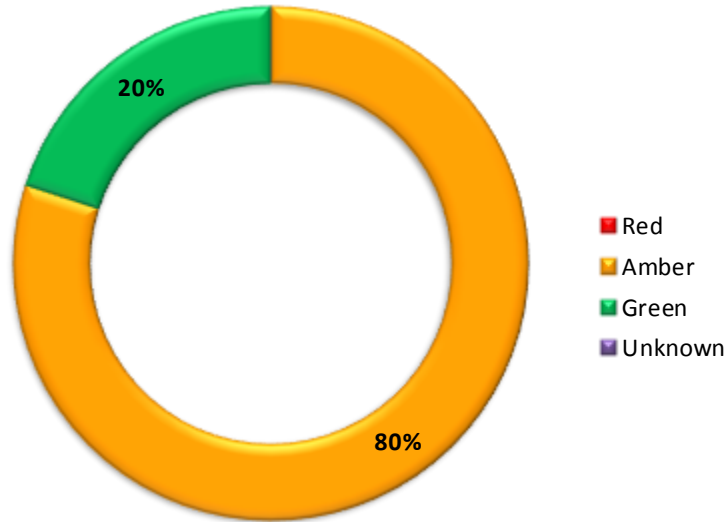




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## Commercial Activities

- Contract Management – Serco
- Contract Management – Public Health
  - Supporting channel shift



### Overall Comments

Demand for the Commercial Team's services remains high particularly in the areas of procurement and contract management which has at times led to unsustainable workloads.

Management takes responsibility for assuring activity and advice given by the Team.

### Overall Assurances

Assurance has been assessed over 5 key activities:

#### Green

- Guidance on good procurement and compliance assurance activity

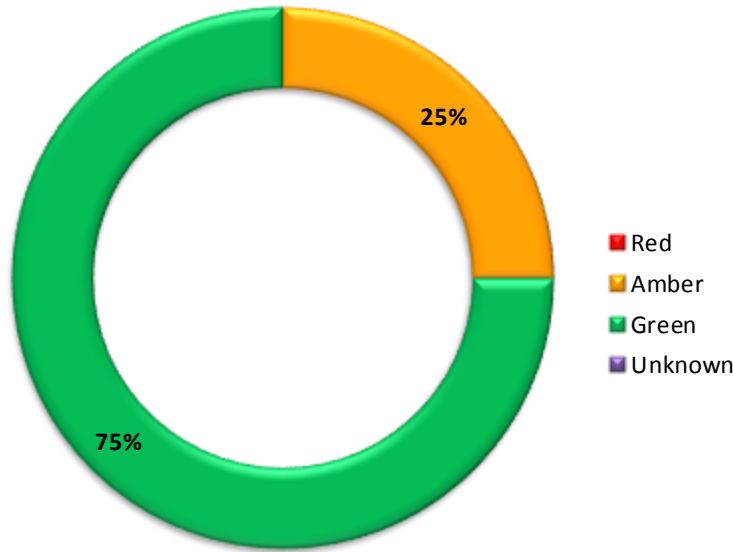
#### Amber

- Contract Management – Adult Care



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## Key Projects



- Procurement Lincolnshire website refresh

### Overall Comments

This year work was completed on a staff development framework to ensure we have the right people in place to deliver public sector procurement activity. A new enterprise procurement platform was implemented saving cost, increasing functionality and bringing benefits to local business.

Projects which are still to be completed are the contract management framework in Adult Care and Community Wellbeing which is on track with further work to be done to cover all contract management activities and a refresh of the Commercial Team's web site both of which are likely to be continuing pieces of work.

The website work has been delayed because of competing priorities and changes in personnel but is again underway.

### Overall Assurances

The Commercial Team identified 4 key projects:

#### Green

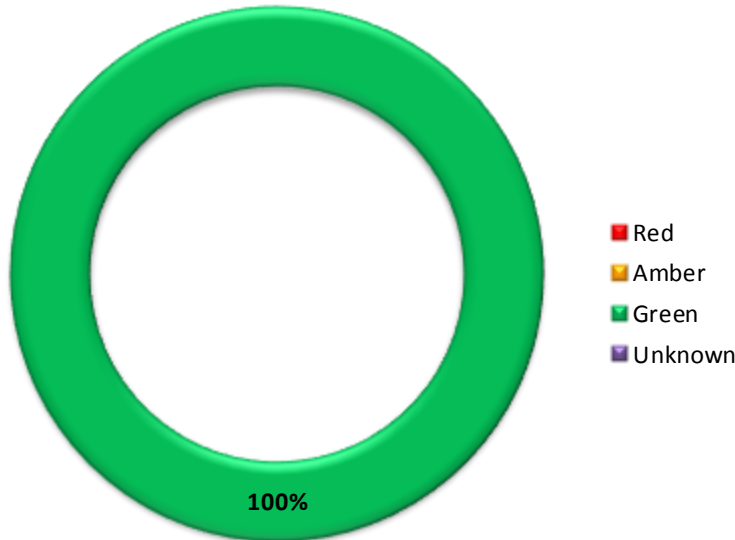
- Enterprise procurement platform
- Staff development framework

#### Amber

- Contract management framework



## Key Partnerships



### Overall Assurances

3 key partnerships were identified:

#### Green

- Procurement Lincolnshire
- Lincolnshire Community Health Service
- ESPO

### Overall Comments

Procurement Lincolnshire a shared procurement resource hosted by the Commercial Team is operating well and delivering against its performance indicators. Revised governance arrangements have been put in place to reduce duplication. Whilst 2 district partners will be leaving the shared service in March 2017, the overall work programme has not fallen as a result of this as other partners demand for services remains strong and the complexity of the work increases. Any freed up resource will be used to support the other partners.

The Council continues to be a member of ESPO and the work it carries out particularly in the creation of Frameworks complements the more bespoke activity carried out by the Commercial Team.

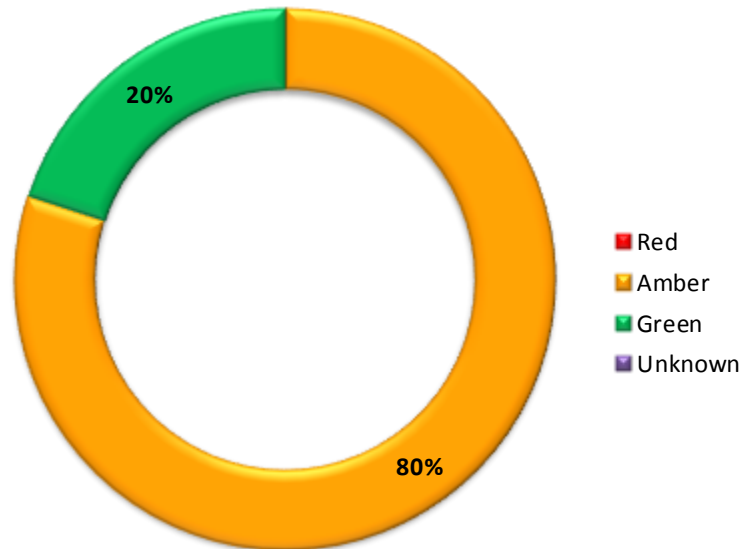
The Team now provides procurement and contract management services to the Lincolnshire Community Health Service which helps bring joint commissioning a step closer.

As a result of the reduction in numbers of the shared service the total financial contributions from the Districts have fallen but this has been offset in part by a request from other organisations for services and the Team will continue to manage within its budget through 2017/18.



## Key Risks

These are detailed on page 11



## Operational Risks

The Team may not have adequate resources to manage and deliver the various activities in the quantities required. Whilst some additional capacity has been secured which provides mitigation the risk is still assessed at amber because;

- Some newer team members are inexperienced in public sector compliance and contract management
- Significant number of high risk providers of adult care services requiring high levels of support
- Demand is increasing in some activities and it is too soon to say whether that is permanent or not
- Desire to support recommissioning across the Council
- Resource required to effectively procure and contract manage Public Health is being reviewed

## Strategic Risks

Council's highest rated Strategic Risks for this area of the business:

**Projects**

**Strategic Contracts**

## Emerging Risks

There are emerging risks in relation to market price increases and the national living wage increases. We will support commissioners to try and find effective ways of managing these cost pressures in the way we procure services.



## Strategic Risk Register as at December 2016

No of Risk	Risk Owner	Risk description	Risk Appetite (How much risk are we prepared to take & the total impact of risk we are prepared to accept)	Current risk score	Target risk score	Assurance Status (Full, Substantial, Limited, No)	Assurance Direction of Travel (Improving, Static, )
5	Richard Wills	<b>Projects</b> Ability to deliver our programme of designated projects	<b>Hungry</b>  ( <b>Projects &amp; Major change</b> - Need to be innovative and take higher risks for greater reward - high levels of devolved authority - management by trust rather than tight control - 'break the mould' and challenge current working practices)				
9	Sophie Reeve / Tony McArdle	<b>Strategic contracts</b> Ensuring contracts are fit for purpose in the Commissioning Agenda	<b>Open &amp; Aware (Finance &amp; money)</b> - We wish to reduce cost and improve performance by well measured risk taking incorporated into our contracts which accurately and comprehensively record the commercial deal struck. We are prepared to fund capital expenditure where it makes sense to do so.  <b>Open &amp; aware/ cautious</b>  ( <b>Partnerships</b> - Recognised that we work differently with different contractors / partners)			Limited	Improving