

Task Monitor – Recommendations from PKF’s Review of Lost Income (Update 10 – Audit Committee, 13th January 2009)			
Recommendation	Management Response	Status	Comment
1. The Council should ensure that all contracts are systematically reviewed to ensure options to extend or competitively tender services are properly exercised.	Agreed. Comprehensive register of all contracts to be put in place and regularly reviewed.	Green	<ul style="list-style-type: none"> <li>• We have introduced an improved Contracts Register, which has been populated and validated by contract owners.</li> <li>• Responsibility for maintenance and regular review of the Contracts Register has been assigned to the Procurement Officer, and a comprehensive procedure note issued.</li> <li>• The Procurement Officer reviews the Contracts Register at least once a month to ensure that renewals are commenced in a timely way, and highlights any problems to the Chief Auditor.</li> </ul>
2. The Council should undertake a review of the effectiveness of its contract monitoring arrangements. Where service standards are agreed, these should be considered systematically and the impact on the Council’s finances fully understood. The Council should ensure that penalty clauses are applied appropriately.	Agreed. A systematic review of the effectiveness of arrangements for actively managing contracts will be carried out.	Amber	<ul style="list-style-type: none"> <li>• The significant contracts have been identified and a systematic review of arrangements is currently in progress.</li> <li>• The approach being taken is to be thorough to ensure that contractors are performing to contract.</li> <li>• Of 78 contracts considered, all those with an annual value of £16,000 or more (17 contracts) are being reviewed.</li> <li>• Our deadline for completing the review is end-March 2009, and we currently on track to meet that deadline.</li> <li>• Completion will change the status to green.</li> </ul>

<p>3. The Council's corporate risk management arrangements should be strengthened to ensure that the risk of contract failure is alerted to senior management and the relevant portfolio holder at the earliest opportunity. Where the risk of financial loss is highlighted, action plans with clearly defined outcomes should be drawn up and implemented under the supervision of senior management with the outcomes reported to Members.</p>	<p>Agreed. A review of risk management arrangements will be undertaken and strengthened where necessary. Reports from the risk register will be presented to the Risk Management Group who will alert Corporate Management Group of significant risks. Where appropriate, action plans will be drawn up and the relevant Portfolio Holder will be kept informed.</p>	<p>Amber</p>	<ul style="list-style-type: none"> <li>• A new, more comprehensive Risk Register is being introduced in phases.</li> <li>• Officers responsible for populating Phase 1 have been trained, and this part of the Register is nearing completion.</li> <li>• Reports from the Register will be circulated to the next Risk Management Group meeting. Any 'red risk' reports will then be taken to the Corporate Management Group, and the appropriate action plans formulated.</li> <li>• Phase 2 training is underway, and should be completed by Easter 2009. The Register is expected to be complete by end-May.</li> <li>• In parallel, a two-part external review by Zurich Municipal has been commissioned. An Operational Risk review is in progress, and a Strategic Risk review has been scheduled for January 2009.</li> <li>• The ZM Reviews should be completed and their findings received by mid February. Good progress should have been made on any actions arising by end-May. This, together with completion of the Register, will change the status to green.</li> </ul>
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<p>4. The relevant portfolio holder (Member of the Cabinet) should receive reports from officers about the impact of its enhanced insurance arrangements against the loss of income due from external contractors. Where potential losses approach the level of insurance cover, clear mechanisms should be established to alert the relevant portfolio holder.</p>	<p>Agreed.</p>	<p>Green</p>	<ul style="list-style-type: none"> <li>• Additional insurance cover has been arranged and there is now £250,000 insurance cover for loss of cash.</li> <li>• Potential loss of income caused by the cash collector is closely and frequently monitored by senior management. Exposure (that is, the amount collected and in the pipeline awaiting processing) has been and remains a small fraction of the insurance cover limit.</li> </ul>
<p>5. The relevant portfolio holder should continue to receive reports on the progress of the Official Receiver's investigations. The performance of the contractor appointed on an interim basis should continue to be monitored rigorously with regular reports to Members on progress.</p>	<p>Agreed. Rigorous monitoring will continue and the Portfolio Holder will be updated regularly.</p>	<p>Green</p>	<ul style="list-style-type: none"> <li>• The liquidator has since provided an update and the Lead Member for Resources kept apprised.</li> <li>• Performance of the interim contractor has also been continuously monitored.</li> </ul>