

# Contract Management

## Peak District National Park Authority

### Internal Audit Report 2019/20

Business Unit: Moors for the Future  
 Responsible Officer: Head of Finance  
 Service Manager: Conservation Contracts Manager  
 Date Issued: 9 October 2019  
 Status: Final  
 Reference: 69147/002

	P1	P2	P3
<b>Actions</b>	<b>0</b>	<b>0</b>	<b>1</b>
<b>Overall Audit Opinion</b>	High Assurance		

# Summary and Overall Conclusions

## Introduction

The Peak District National Park Authority's (PDNPA) aim is to conserve and enhance the natural beauty, wildlife and cultural heritage of the national park. To deliver the conservation works a number of contractors are used. Since 2003 more than £30 million has been spent to conserve and repair the moors of the Peak district and South Pennines.

A large part of the contract spending relates to work performed by the Moors for the Future Team. Work is delivered by Moors for the Future staff team through the PDNPA as the lead and accountable body.

Conservation works delivered by the Moors for the Future team are performed using a number of framework arrangements with contractors. There are approximately 20 framework arrangements with contractors currently in place and in use. Ensuring the contractor performs their obligations to the agreed standard is one of the main purposes of day to day contract management. The level of checks on works performed by contractors should be proportionate to the complexity of the contract and works.

## Objectives and Scope of the Audit

The purpose of this audit was to provide assurance to management that procedures and controls within the system ensure:

- Works are completed in the line with the frameworks in place
- Appropriate monitoring of works takes place and is evidenced

## Key Findings

Our testing reviewed a sample of conservation works completed through the Moors for the Future frameworks. All works reviewed were procured correctly following the authority's procurement guidance. There was a completed Tender return report, with a detailed and authorised decision of which contractor was awarded the works for all cases reviewed.

Conservation works that are not completed on the Moors for the Future frameworks are due to the works being bespoke. Frequently the works involve aspects of multiple frameworks and use known contractors from existing frameworks. We also saw there is also a robust process in place to ensure spend on contractors (that are not on a contract with the authority) does not exceed £5000 over a rolling 12 month period.

For conservation works of high value expenditure we saw there was a flexible but appropriate process to ensure best value was achieved. The conservation works performed often require specialist contractors resulting in low numbers of returns to tenders. To prevent paying inflated values to contractors works are organised in conjunction with the contractors where necessary. This allows for the most cost effective method of carrying out the works to take place.

From the sample of conservation works we reviewed in detail, we saw that there were initial works proposals detailing the aims of the work and type of work to be undertaken; pre-start meetings establishing key aspects of the work such as works timescales and milestones of completion; recorded monitoring of the level and quality of works completed; project wrap up reports were completed where required. All monitoring of works was proportionate to the scale of the works completed. For simple works, such as the supply of goods, monitoring was the review of the purchase order, delivery note and invoice. More complex works experienced monitoring including site visits with supporting documentation and photo evidence of the level and quality of completed works at pre-determined milestones.

We identified there was no formal guidance outlining which projects specific contract management tasks should be used for specific types of project. There is a works delivery check list and task information document in place for the Project Manager to complete for each works delivered. Tasks are expected to be performed to a proportionate level to the size and complexity of the works. The document does not include direct guidance on the tasks that should be used for each works. Due to the number and scale of works completed, formal guidance would allow for the Conservation Contracts Manager to have additional assurance that the appropriate contract management tasks are being performed for each project. This may prevent some projects experiencing ineffective contract management.

## **Overall Conclusions**

It was found that the arrangements for managing risk were very good. An effective control environment appears to be in operation. Our overall opinion of the controls within the system at the time of the audit was that they provided High Assurance.

# 1 Contract Management Guidance

## Issue/Control Weakness

There is no formal guidance to ensure contract management tasks are performed to a proportionate level.

## Risk

Ineffective contract management is performed.

## Findings

There is a works delivery check list and task information document in place for the Project Manager to complete for each works delivered. The document outlines all phases of the project and the contract management tasks to assist in delivering the works. There is a large variation in the value, complexity and time to complete works and tasks within the check list are expected to be performed to a proportionate level to the size and complexity of the works.

Our testing identified that there is no formal guidance outlining which projects specific contract management tasks should be used for specific types of project. For example wrap up reports are currently produced depending on whether the project links to the KPIs of the funding stream. However, this criteria is not formally stated anywhere and is reliant on the knowledge of the Conservation Contracts Manager for approximately 60 projects completed each year. They are produced once all the works in the year have been completed. The wrap up reports are reviewed by Project Manager, Conservation Contracts Manager, Conservation Quality Manager and the relevant funders such as EU and DEFRA.

Formal contract management guidance would formally outline the circumstances where tasks, such as completing the wrap up reports should be completed. The Conservation Contracts Manager would have additional assurance that the appropriate contract management tasks are being performed for each project. This may prevent some projects experiencing ineffective contract management.

## Agreed Action 1.1

1. Conservation Contracts Manager to consult with Project Managers and Conservation Quality Manager to review their KPIs and the reporting requirements – to be completed by 15/11/2019
2. Conservation Contracts Manager to examine last year’s work and their range of different scopes. Consider their sign-off documentation for consistent and proportionate to the size/complexity of he works – to be completed by 29/11/2019
3. Conservation Contracts Manager to categorise group works packages by size and complexity with respect to their reporting requirements – to be completed by 13/12/2019

**Priority**

3

**Responsible Officer**

Conservation  
Contracts Manager

**Timescale**

31 January 2020

4. Conservation Contracts Manager to write guidelines for reporting requirements with consultation from Conservation Works Officers – to be completed by 20/12/2019
5. Begin using guidelines – to begin in operation January 2020
6. Conservation Contracts Manager – To monitor and review progress – to begin in operation May 2020

# Audit Opinions and Priorities for Actions

## Audit Opinions

Audit work is based on sampling transactions to test the operation of systems. It cannot guarantee the elimination of fraud or error. Our opinion is based on the risks we identify at the time of the audit.

Our overall audit opinion is based on 5 grades of opinion, as set out below.

Opinion	Assessment of internal control
High Assurance	Overall, very good management of risk. An effective control environment appears to be in operation.
Substantial Assurance	Overall, good management of risk with few weaknesses identified. An effective control environment is in operation but there is scope for further improvement in the areas identified.
Reasonable Assurance	Overall, satisfactory management of risk with a number of weaknesses identified. An acceptable control environment is in operation but there are a number of improvements that could be made.
Limited Assurance	Overall, poor management of risk with significant control weaknesses in key areas and major improvements required before an effective control environment will be in operation.
No Assurance	Overall, there is a fundamental failure in control and risks are not being effectively managed. A number of key areas require substantial improvement to protect the system from error and abuse.

## Priorities for Actions

Priority 1	A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management.
Priority 2	A significant system weakness, whose impact or frequency presents risks to the system objectives, which needs to be addressed by management.
Priority 3	The system objectives are not exposed to significant risk, but the issue merits attention by management.

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