

**SUBJECT: INTERNAL AUDIT SECTION
CONTRACT PROCEDURE RULES -
EXEMPTIONS**

DIRECTORATE: Resources
MEETING: Governance & Audit Committee
DATE: November 2024
DIVISION/WARDS AFFECTED: All

1. PURPOSE

- 1.1 To consider the adequacy and appropriateness of the exemption process from the Authority's Contract Procedure Rules.
- 1.2 To inform the Governance and Audit Committee of the number of exemptions requested by operational managers and to identify any noncompliance with the process or adverse trends.

2. RECOMMENDATION(S)

- 2.1 That the Governance and Audit Committee accepts and acknowledges the justifications for the exemptions provided by operational officers.
- 2.2 If the justifications are not accepted, then consideration should be given to calling in the respective operational officer and their respective Head of Service to further account for the reasons why they could not comply with the Council's Contract Procedure Rules at the time of the procurement.
- 2.3 That the Governance and Audit Committee receive an updated report in 6 month's time.

3. KEY ISSUES

- 3.1 To ensure compliance with the Council's Contract Procedure Rules in the way goods, works and services are procured on behalf of the Authority.
- 3.2 Reassurance that the exemption process from Contract Procedure Rules is operating as intended by managers procuring goods, works or services on behalf of the Authority.

- 3.3 Some operational managers procuring goods, works and services on behalf of the Authority may not be as familiar with Contract Procedure Rules and the exemption process as they should be.

4. REASONS

- 4.1 Contract Procedure Rules (CPR) were revised and updated in 2020/21 and approved by Council as part of the update of its Constitution in March 2021.
- 4.2 The previous report regarding CPR Exemptions was presented to the Governance & Audit Committee in June 2024.
- 4.3 A number of potential legislative changes with regards to Procurement are being discussed by UK Government and the Senedd which may result in the Councils Contract Procedure Rules requiring an update within the next 6 months.
- 4.4 Previously, managers have been invited to attend a Governance & Audit Committee meeting to explain to Members their reasons for seeking an exemption rather than complying with the Council's Contract Procedure Rules. The Acting Chief Internal Auditor is not recommending that any managers be called in to the Governance and Audit Committee as a result of this report.

5. EXEMPTIONS - Background

- 5.1 Although the Contract Procedure Rules were written to ensure a consistent and fair approach to how officers procure works, goods and services on behalf of the Council, there will be occasions where full compliance may not be appropriate or possible. Provided there is sufficient justification and appropriate approval for not following these rules the policy recognises this.
- 5.2 Management need to ensure that the use of exemptions is proper and they are not being used for convenience or to avoid following CPRs. Exemptions from CPRs are therefore currently administered by Internal Audit, although approvals are given by Heads of Service, Chief Officers and/or Cabinet Members.
- 5.3 As detailed within the previous report to the Governance & Audit Committee, a high percentage of requested forms are not being returned back to the Internal Audit team.

At the end of the period 14/21 (67%) of forms requested during the 6 months had not been returned. This caused additional workload for the Internal Audit team chasing for outstanding returns. This also raises the possibility that exemptions may not have been appropriacy approved in

a timely manner. It was noted that 3 of the requested forms were ultimately not required but Internal Audit had not been notified of this.

- 5.4 It is important to note that this process only captures the exemptions which have been requested via and returned to Internal Audit.
- 5.5 Comprehensive guidance documents and a set of FAQ's are available via the internal MCC Hub for Officers who conduct procurement exercises. This includes specific guidance on Exemptions to the Contract Procurement Rules.
- 5.6 The correct process is as follows:
Officers are to;
- Obtain a sequentially numbered exemption form from Internal Audit
 - Record the reason for requesting the exemption on the form
 - Check that the Procurement Team are happy with the justification of the exemption and obtain their approval to proceed
 - Obtain the appropriate level of approval
 - Return the fully signed off and approved form to Internal Audit.

6. EXEMPTIONS - Summary

6.1 EXEMPTIONS – 01st April 2024 to 30th September 2024 [450 - 470]

Of the 21 requested exemptions.

- 16 have now been returned to Internal Audit and were correctly authorised
- 3 were no longer required after the form was issued
- 2 have not yet been returned to Internal Audit

6.2 The comments of the Acting Chief Internal Auditor regarding the requested exemptions can be seen within the table at Appendix 3. It was pleasing to note that where forms had been returned, these contained appropriate justifications as to why an exemption was required.

6.3 As detailed above, 2 of the issued exemption forms have not yet been correctly returned. The respective officers were contacted on a number of occasions prior to writing this report to ascertain the current status but no properly completed and authorised form has yet been received by Internal Audit in respect of these.

These issued forms now require retrospective approval as based on the information received the contracts have already been extended without the necessary Chief Officer / Cabinet Member agreement being obtained as required by the Councils Contract Procedure Rules. These are detailed within Appendix 3 (No's. 455 & 462).

- 6.4 It was further noted that a number of completed and authorised exemption requests were done so retrospectively following the previous contract expiring. Although adequate justifications were provided as to why the contract should be extended officers need to be aware of upcoming contract end dates and ensure that any extensions are appropriately approved in advance.

7. RESOURCE IMPLICATIONS

Internal Audit team resource in chasing for outstanding forms which can impact on planned audit work.

8. CONSULTEES

Deputy Chief Executive & Chief Officer Resources

9. BACKGROUND PAPERS

Internal Audit CPR Exemption Logs

10. AUTHOR AND CONTACT DETAILS

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AUDIT COMMITTEE NOVEMBER 2024

CONTRACT PROCEDURE RULES - EXEMPTIONS

APPENDIX 1

**Contract Procedure Rules
Exemption Forms Log**

Report	Report Date	Period	Exemption Ref	No' of exemption requests	Cumulative
Report 1	January 2011	April 2009 to 31 Aug 2010	1 – 41	41	41
Report 2	November 2012	September 2010 to August 2011	42 – 60	19	60
		September 2011 to August 2012	61 – 92	32	92
Report 3	May 2013	September 2012 to March 2013	93 – 102	10	102
Report 4	December 2013	April 2013 to October 2013	103 - 117	15	117
Report 5	July 2014	November 2103 to May 2014	118 - 132	15	132
Report 6	December 2014	June 2014 to October 2014	133 - 141	9	141
Report 7	July 2015	November 2014 to May 2015	142 - 174	33	174
Report 8	December 2015	June 2015 to October 2015	174 - 179	5	179
Report 9	June 2016	November 2015 to May 2016	180 - 194	15	194
Report 10	December 2016	June 2016 to October 2016	195 - 207	13	207
Report 11	November 2017	November 2016 to May 2017	208 - 222	15	222
Report 12	November 2018	June 2017 to October 2017	223 - 246	24	246
		November 2017 to May 2018	247 - 259	13	259
Report 13	July 2019	June 2018 to October 2018	260 - 272	13	272
		November 2018 to May 2019	273 - 280	8	280
Report 14	May 2021	June 2019 to October 2019	281 - 291	11	291
		November 2019 to May 2020	292 - 300	9	300

Report	Report Date	Period	Exemption Ref	No' of exemption requests	Cumulative
		June 2020 to October 2020	301 - 312	12	312
Report 15	June 2021	November 2020 to April 2021	313 - 333	21	333
		May 2021 to October 2021	334 - 348	15	348
Report 16	October 2023	November 2021 to March 2022 * 5 month period	349 - 365	17	365
		April 2022 to September 2022	366 - 397	32	397
		October 2023 to March 2023	398 – 420	23	420
		April 2023 to September 2023	421 - 440	20	440
Report 17	May 2024	October 2023 to March 2024	441 - 449	9	449
Report 18	November 2024 (this report)	April 2024 to September 2024	450 - 470	21	470

APPENDIX 2

EXTRACT FROM CONTRACT PROCEDURE RULES

4. Exempt Contracts

The following contracts are exempt from the requirements of Contract Procedure Rules:

- a) contracts of employment which make an individual a direct employee of the Council (this exemption does not extend to the recruitment of agency staff)
- b) contracts relating solely to the disposal or acquisition of an interest in land and property.
- c) Contracts for the execution of mandatory works by statutory undertakers, such as utilities providers.
- d) use of the Council's in-house services
- e) individual care packages or education placements where it is considered in the Council's interest or the Council is required to meet obligations under relevant legislation
- f) orders placed under a corporate framework arrangement or contract arranged for the Council by the Strategic Procurement Manager.
- g) unconditional grants by the Council
- h) In a genuine emergency threatening public health, injury to persons or serious and immediate damage to property, an Authorised Officer can take any necessary action to alleviate the threat. This power is limited to the alleviation of the threat and does not extend to any Works beyond what is strictly essential.

An exemption form does not need to be completed for any of the reasons stated in clause 4.

5. Exemption Process

- a) In exceptional circumstances an Authorised Officer can request an exemption from the Council's Contract Procedure Rules. No exemption will be considered where the value of such action exceeds the EU procurement thresholds or any subsequent UK Government threshold. Approval has to be obtained in the first instance by the completion of the "Request for Exemption from Compliance with the Contract Procedure Rules", which can be obtained from Internal Audit.

- b) Where approval has been granted Contract Procedure Rules shall not apply to the following:
 - I. Purchase by auction or works of art-artists
 - II. Single tender action where a single contractor or a proprietary item or service of a special character is required and justified.
 - III. Extensions of existing contracts where the extension is in accordance with the terms & conditions, specification, rates and/or prices of the original Contract award and where provision for the extension was provided for in the original contract notice.
 - IV. Extensions of consultancy contracts (where the combined original value and extension value do not exceed any EU/UK thresholds), where continuation of Services is deemed necessary, and where the particular knowledge and understanding of the requirement is intrinsically linked to the supplier, and no suitable supplier could undertake the work without undue delay or additional/further cost.

Poor planning or insufficient time is not justification for seeking an exemption.

39. Contract Extension

- c) Where the terms of the contract and the original procurement exercise do not expressly provide for an extension, the contract may only be extended in exceptional circumstances, where legislation permits and value for money issues

have been addressed. Such decisions will be made by the relevant Authorised Officer, Internal Audit & the Strategic Procurement Manager.

APPENDIX 3

EXEMPTIONS – 01st April 2024 to 30th September 2024 [450 - 470]

No	Requester	Details / comment	Estimated Contract Value	Service Area	Date Issued	Correctly Completed & Authorised	Date Returned to Internal Audit	Reason for Exemption	Chief Internal Auditor Comments
450	John Pearson	Election registers	£40k	L&G	04/04/24	Yes	26/04/2024	CPR 5 b) II	Adequate justification was provided within the completed exemption request.
451	Jen Bradfield	DBS provider	£45K	PPP	05/04/24	Yes	10/05/2024	CPR 5 b) II	Adequate justification was provided within the completed exemption request.
452	John Pearson	Digital Register	£192k	L&G	22/04/24	Yes	30/04/2024	CPR 5 b) II	Adequate justification was provided within the completed exemption request.
453	Andrea Jones	Extension of FISCAL	£37k	Res	29/04/24	Yes	09/10/2024	CPR 5 b) II	Retrospective approval for extension to a contract following expiry. Form was not returned to Internal Audit promptly. Adequate justification was provided within the completed exemption request.
454	Sam Mills (c/o Criag Williams)	Project Eliminate	£50k	SCH	10/05/24	Yes	15/11/24	CPR 5 b) II	Retrospective approval. The contract commenced in July 2024 but a fully completed form was not received until November 2024.

No	Requester	Details / comment	Estimated Contract Value	Service Area	Date Issued	Correctly Completed & Authorised	Date Returned to Internal Audit	Reason for Exemption	Chief Internal Auditor Comments
455	Pauline Batty	Frozen Plated Food (contract extension)	£220k	SCH	24/05/24	No fully completed form has been returned.			<p>This requires retrospective approval. The form was requested in May 2024 and the contract extension commenced in June 2024.</p> <p>There is no evidence of appropriate approval being obtained to extend the contract.</p>
456	Grant Harris	Animal Licensing Wales system development / changes	£58k	C&P	06/06/24	Yes	08/10/2024	CPR 5 b) II	Adequate justification was provided within the completed exemption request.
457	Deb Jackson	Purchase of pre-registered 4x4 vehicle	£32k	C&P	12/06/24	Yes	29/10/2024	CPR 5 b) II	Retrospective Approval. The exemption was requested in June 2024 with a contract start date of 01/08/24. The form was not authorised until 29/10/24.
458	Stacey Jones	Legend PoS System (contract extension)	£133K	MonLife	19/06/24	Yes	16/08/2024	CPR 5 b) II	<p>Retrospective approval following existing contract expiry.</p> <p>This was for the extension of an existing contract and justification for the extension was provided.</p>

No	Requester	Details / comment	Estimated Contract Value	Service Area	Date Issued	Correctly Completed & Authorised	Date Returned to Internal Audit	Reason for Exemption	Chief Internal Auditor Comments
459	Rachel Lewis	RDP Consultants	£8K	C&P	19/06/24	Yes	09/10/2024	CPR 5 b) IV	Retrospective Approval following existing contract expiry. This was for the extension of an existing contract and justification for the extension was provided. Completed form was not promptly returned to Internal Audit.
460	Rachel Lewis	LDP - Net Zero Carbon Based Report	£25k	C&P	17/07/24	Yes	02/08/2024	CPR 5 b) II	Adequate justification was provided within the completed exemption request.
461	Sandra Travers	Commission work from Centrica, Newport	£141k	SCH	17/07/24	Yes	04/11/2024	CPR 5 b) II	Retrospective Approval. The contract started in April 2024, exemption process was started in July 2024 but was not fully authorised until November 2024.
462	Nicola Venus-Balgobin	Dementia Respite Bed	£30k - £35k	SCH	25/07/24	No fully completed form has been returned.			This now requires retrospective approval.
463	Lisa Widenham	Merchant banking contract	n/a	Res	05/08/24	Cancelled - procurement advised that a full procurement exercise was required			
464	Peter Webb	Structural design check of the proposed Wye Active Travel Bridge in Monmouth	£32.5k	C&P	02/09/24	Yes	04/10/2024	CPR 5 b) III	Adequate justification was provided within the completed exemption request.
465	Thomas Keyne	Locata - extension of licence	£22.5k	C&P	02/09/24	Yes	14/11/24	CPR 5 b) III	Retrospective approval for extension of an existing contract following the expiry of the original term (October 2024). The provision for an extension was included within the original contract.

No	Requester	Details / comment	Estimated Contract Value	Service Area	Date Issued	Correctly Completed & Authorised	Date Returned to Internal Audit	Reason for Exemption	Chief Internal Auditor Comments
466	Chris Price	2 Mobile Canteen Office	£70k	C&P	10/09/24	Yes	18/09/2024	CPR 5 b) II	Adequate justification was provided within the completed exemption request.
467	Chris Price	Extension of road markings framework	£600k	C&P	24/09/24	Yes	19/11/24	CPR 5 b) III	Retrospective approval for extension of an existing contract following the expiry of the original term (April 2024). The provision for an extension was included within the original contract.
468	Gareth Sage	Extension of street lighting contract	TBC	C&P	25/09/24	Yes	20/11/24	CPR 5 b) III	Retrospective approval for extension of an existing contract following the expiry of the original term (April 2024). The provision for an extension was included within the original contract.
469	Duncan Thompson	Activity Counters	n/a	C&P	25/09/24	Cancelled - a viable framework was identified			
470	Duncan Thompson	Access Ramp and Gate	n/a	C&P	25/09/24	Cancelled - now going to go out to market.			