

- 1.1 Internal Audit undertook a review of contract extensions with the objective being to provide assurance that these are processed in line with Contract Procedure Rules (CPRs) and value for money is being obtained.
- 1.1 A sample of 10 recently expired contracts which included a clause for contract extensions was selected for testing. The sample included a cross section of contracts awarded from all Directorates.
- 1.2 The review found that where contracts were extended these were appropriately authorised and notified to the contractor and where the contracts were not extended the expenditure with the contract had ceased.
- 1.3 The decision to re-procure/extend a contract should be made with adequate lead time to enable a full re-procurement to be undertaken if required. The review found that the option to extend the contract or re-procure was generally not reviewed sufficiently in advance of the end of the contract.
- 1.4 In 7 instances the extension decision was being considered too close to the end of the contract to allow time for a re-tender exercise to be completed prior to expiry of the contract. In 3 of these cases, Internal Audit found that the delay was due to a lack of ownership of the contract. It was unclear whose responsibility the contract was; therefore once the appropriate officer had been made aware of the need to consider the extension, there was no adequate time to retender prior to the contract's expiry.
- 1.5 The YORtender system includes functionality to alert the relevant officers of the need to review a contract with a view to re-procuring (or extending). This relies on a review date being input into the system. A review of the contract information form YORtender publically available on the open data site confirmed that the review dates were being populated, but some discrepancies still remained, such as some review dates remained unpopulated, and some had been set to be reviewed at a date after the contract had expired
- 1.6 Under CPRs contracts should only be extended if the extension delivers best value. The review identified that there was insufficient evidence that a best value analysis had been undertaken of the options available.
- 1.7 In 5 instances, although the service was able to advise Internal Audit verbally of the factors that had influenced the decision to extend the contract, this had not been formally documented.
- 1.8 In 3 instances, the contract extension was processed to ensure the service was not provided 'off contract' whilst a new tender exercise was undertaken. Two of these instances were where there was an initial lack of ownership over the contract.
- 1.9 Contract extensions should only be processed if they are in line with the terms and conditions of the contract. It was found that in 4 instances, the contract had been varied for a different

length of time than had been specified in the contract (in all instances the total months extended by in total were shorter or the same as provided for in the contract). In one particular instance the contract included a provision to extend for 1 x 12 month term but it had actually been extended for 6 months to allow for a re-procurement exercise to be undertaken. However, this took longer than expected and the contract was then extended for a further 3 months and then a further 2 months (11 months in total). Whilst these differing extension lengths remain within the intention of the contract and therefore do not raise any concerns about their legality, on each occasion a new report and DDN must be completed, requiring additional resources in each instance.

- 1.10 A report has been issued to the Public Private Partnership and Procurement Unit which makes a number of recommendations to ensure that contract extensions are made in line with CPRs and value for money is obtained. These were discussed and agreed with the Principal Governance Officer, Senior Business Officer and Chief Officer, Public Private Partnership & Procurement Unit. The key recommendations were:
- PPP & PU should remind the Contract Manager of the need to populate the contract award memo with a review date, thus providing the information to the Systems & Resourcing team with a date to input in YORtender.
 - Analysis should be undertaken to establish that extending a contract offers the Best Value prior to extension. Evidence of this should be retained.
 - When extensions are processed the length of extension should adhere to the specification detailed in the contract, and only in exceptional circumstances should a contract be extended for a different period and where this is the case a variation to the contract should be processed.
 - It should be ensured that realistic extension periods are invoked to minimise the use of resources.