

MEETING:	AUDIT AND GOVERNANCE COMMITTEE
DATE:	29 JANUARY 2010
TITLE OF REPORT:	REVIEW OF PROCEDURES AND PROCUREMENT WITHIN PROPERTY SERVICES
DIRECTOR OF RESOURCES	DAVID POWELL

CLASSIFICATION: Open

Wards Affected

County-wide.

Purpose

To report to the Audit and Governance Committee the review of procedures and procurement within Property Services

Key Decision

This is not a Key Decision.

Recommendations

THAT Audit and Governance Committee note the report.

Key Points Summary

1. A contract review handled by Property Services found that procedures needed enhancement.
2. The selection of potential suppliers to tender for the works followed the Contract Procedure rules.
3. Property Services had applied appropriate in-scope definition to works under the Partnership Agreement.
4. Schedules of Rates would enhance the agreement.

Alternative Options

2. No alternative options have been identified.

Reasons for Recommendations

3. The Council needs to ensure it has appropriate procedures and procurement within Property Services to demonstrate value for money and compliance with existing partnership arrangements.

Introduction and Background

4. At the Audit and Governance Committee held on 20th November 2009 the Chief Internal Auditor's Interim Audit Services Assurance Report updated committee on the work status whilst also bringing to committee's attention any key internal control issues. As part of the discussion a member felt it appropriate that Value for Money issues should be considered by the committee. The committee resolved that a report be submitted to the next meeting detailing the review of procedures and procurement within Property Services.
5. The content of this report draws on two key documents. The first covered contract letting in the Resources Directorate that was carried out during April and May 2009. The second document was commissioned by the Director of Resources in September 2009 to establish whether Property Services had followed relevant contractual arrangements. Both documents were produced by Internal Audit.

Key Considerations

6. The review of contract letting focussed on one specific contract with a value of £50,001. The audit found that whilst Property Services contract selection and award procedures were conducted fairly, in accordance with formal quotation procedures and in a regularised manner they did not adhere to elements of the Council's Standing Orders Contract Procedures Rules. When the audit was carried out formal tendering procedures were handled by Property Services without the involvement of Legal and Democratic services.
7. Property Services selected five contractors from the approved contractors list. Assessment was made primarily on price.
8. The audit also noted that formal tendering procedures were applied to the contract as the total cost was between £50,001 and the prevailing European Procurement Limit.
9. The audit noted that improvements could be made to the controls covering invitation and receipt of tenders. Officers present at the tender opening signed the "opening register" but the recording of other key documents was not done. The approach taken when opening the tenders involved appropriate numbers of officers
10. Other issues noted included lack of evidence that the unsuccessful tenderers received "apology letters".
11. Contract Procedure rules at that time stated all contracts must be signed by the Head of Legal and Democratic Services. The order for the Building Works was raised and signed by an officer in Property Services.
12. The audit indicated concerns that resulted in a "marginal" assessment being reached by Internal Audit.

13. Committee should note that following the appointment of the Contracts and Commissioning Officer in January 2009 a comprehensive review of Property Services procurement practices was initiated following discussions between the Director of Resources and Head of Asset Management and Property Services. The starting point was the Approved Supplier Register that was reviewed from both a policy and procedural point of view in accordance with the Corporate Property Strategy, and the Council's Constitution (Appendix 3). This exercise was completed in August 2009 and involved Strategic Procurement, legal Services, Environmental Sustainability and Corporate Diversity. New criteria are in place to ensure compliance with Corporate Policy.
14. The second key document informing this report is a system review that assessed whether Property Services had followed relevant contractual arrangements with AMEY Wye Valley. This review was carried out in September and October 2009 at the request of the Director of Resources.
15. The review looked at procedures and controls surrounding the commissioning of works by Property Services specifically in relation to in-scope works and to consequent commissioning of such work through the Service Provider.
16. The test checking of certain works found that all bar one were correctly assessed as, correctly, not in-scope. The one found to be in-scope was covered by exceptional circumstances. The audit gave rise to a number of issues for consideration:
 - Formal acknowledgement by both parties of working arrangements that have developed to identify and resolve day to day issues surrounding commissioning of works;
 - Modification to standard documentation, specifically the works control sheet, to record the basis for the assessment of works as being not in-scope prior to approval;
 - Agreed schedules of rates and, where appropriate, market based pricing;
 - A formal agreement between the parties concerning the commissioning of specialist work;
 - Formal guidelines prepared by Property Services surrounding joint funded works and works commissioned by other Council departments; and
 - A formal process for identifying the Service Provider's resource capacity.
17. This is the first audit of this type, however the Partnership Board received a report that included reference to work categorised as "schemes which are bundled together to make the total exceed the core works threshold of £200,000". The Partnership Board that included representatives of the Council agreed that "bundling" of work, to take it above the *de minimis* level should cease.
18. The agreement also notes that specialist work is outside of the capability of the Service Provider.
19. One issue that should be resolved is the absence of a schedule of rates. This makes it difficult to demonstrate that in scope works offered to the provider represent Value for Money. However, one of the clauses in the agreement effectively allows Property Services to determine the price for which all in scope work is carried out. This would require the proposed price to be based on reasonable market rates.

20. However, it is much preferred that we do have a schedule of rates and discussions about setting this up have commenced between the Resources Directorate and the Service Provider.

Financial Implications

21. The Council must be able to demonstrate and evidence value for Money. Effective contract letting and delivery of the Service Delivery Agreement can help deliver this outcome.

Legal Implications

22. Contract letting has a clear legal requirement. If this is not carried out in an acceptable manner the Council is open to legal challenge.

Risk Management

23. The risk that can arise is that officers through lack of awareness or unclear procedural frameworks do not apply consistency to contract letting. This can be mitigated by training and effective internal controls.

Consultees

Internal Audit

Appendices

None

Background Papers

Property Services: AMEY In Scope Works
Contract letting – Resources Directorate 2008/09 Systems Review