

GLASGOW CITY COUNCIL INTERNAL AUDIT SECTION

COMMITTEE SUMMARY

Item 2 (e)
5th May 2021

Title of the Audit: Development and Regeneration Services and Chief Executive's Departments – City Deal Procurement Review 2020/21

1. Introduction

1.1 As part of the agreed Internal Audit plan we have carried out a review of City Deal procurement by Development and Regeneration Services (DRS) and the Corporate Procurement Unit (CPU). The Council's City Deal infrastructure programme has five high level projects with a total budget of approximately £386m. These projects are further divided into smaller projects. In addition to the City Deal grant, additional funding is provided by the Council and other sources. The Assurance Framework and the City Deal Procurement Strategy requires that contracts funded by City Deal grant monies to deliver these projects are subject to each member authority's Standing Orders, as well as national procurement rules.

1.2 The purpose of the audit was to gain assurance that procurement activity in relation to the Council's City Deal infrastructure programme complies with the Council's Standing Orders Relating to Contracts and City Deal governance requirements. We selected a sample of eight contracts relating to six different projects for review. The scope of the audit included reviewing:

- Documented policies and procedures which apply to the process;
- Roles and responsibilities of officers involved in the process;
- Arrangements in place for the procurement of contracts for City Deal infrastructure projects;
- A sample of contracts which have been advertised, negotiated and awarded for City Deal projects;

- Reports on procurement activity presented to the City Deal groups, including the local and regional PMOs, support groups, senior officer groups and Cabinet, and
- Contract management arrangements.

The audit did not consider contracts for employability and skills projects.

2. Audit Opinion

2.1 Based on the audit work carried out a reasonable level of assurance can be placed on the control environment. The audit has identified some scope for improvement in the existing arrangements and five recommendations which management should address.

3. Main Findings

3.1 We are pleased to report that a number of key controls are in place and generally operating effectively. Invitations to tender clearly detailed the evaluation criteria, which in all cases was a combination of price and quality to ensure the most economically advantageous tender was successful. This included the consideration of community benefits. Roles and responsibilities of officers and teams involved in procurement are allocated and understood among those involved.

3.2 The online portal *Public Contracts Scotland – Tender* is used for advertising and receipting of bids which offers a number of controls including audit trails and ensuring only bids received

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within the response time are considered. We noted that efforts were made from the outset for the sample of procurement activity to engage with the relevant teams early on to ensure best procurement options were available and considered.

3.3 Additionally we found that the CPU maintains a log of contracts, quotations and justifications which are underway or complete. Prioritisation of procurement workload is discussed with Service contacts and senior management and arrangements are in place to ensure continuity of officers with knowledge and expertise in complex areas.

3.4 However we noted a number of areas where there is scope for improvement. We identified a sole supplier request where the cost exceeded the maximum permitted spend and the client had not notified the CPU of changes to obtain a revised approval. This was not in line with the Standing Orders requirement.

3.5 We identified an example where Service officers involved in tenders had not completed declaration of interest forms which is required by the Standing Orders to ensure that there is no actual or perceived bias towards bidders with whom they may have a relationship.

3.6 We found examples where the CPU officers had not obtained relevant documented approvals on the Commodity Sourcing Strategy (CSS) as required. This makes it difficult to demonstrate that all parties agreed on the chosen route to market and the best option selected based on the various factors considered.

3.7 An action plan is provided at section four outlining our observations, risks and recommendations. We have made five recommendations for improvement. The priority of each recommendation is:

Priority	Definition	Total
High	Key controls absent, not being operated as designed or could be improved. Urgent attention required.	1
Medium	Less critically important controls absent, not being operated as designed or could be improved.	3
Low	Lower level controls absent, not being operated as designed or could be improved.	1
Service Improvement	Opportunities for business improvement and/or efficiencies have been identified.	0

3.8 The audit has been undertaken in accordance with the Public Sector Internal Audit Standards.

3.9 We would like to thank officers involved in this audit for their cooperation and assistance.

3.10 It is recommended that the Head of Audit and Inspection submits a further report to Committee on the implementation of the actions contained in the attached Action Plan.

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No.	Observation and Risk	Recommendation	Priority	Management Response
Key Control: Contracts are advertised, negotiated and awarded in accordance with the Council's Standing Orders.				
1	<p>For the approval of sole supplier justification requests, Standing Order 5.3 requires that all sums spent must be monitored and kept under review, and the maximum permitted spend is in line with the values included within the justification, over the period of the contract. If anticipated spend approaches or is predicted to exceed this limit, the CPU must be notified.</p> <p>In our sample, we identified a sole supplier request where the estimated cost (£564k) exceeded the maximum permitted spend (£360k) and the client had not notified the CPU of changes to obtain a revised approval.</p> <p>This increases the risks that approval of requests is granted on understated values, and may not be subject to further scrutiny by the CPU, Legal or Internal Audit.</p>	<p>Project leads must ensure that where expenditure is likely to exceed approved values, further authorisation is sought and documented from the Head of the CPU, and Legal Services and Internal Audit if thresholds dictate.</p>	<p>Medium</p>	<p>Response: An e-mail will be circulated by GCC City Deal PMO to remind Project Leads of the importance of monitoring the approved spend of justifications to ensure that the maximum permitted spend is within the approval amount. In addition to this the spend will be monitored through the PCG using the procurement register and live contract spend.</p> <p>Officer Responsible for Implementation: City Deal Project Lead</p> <p>Timescale for Implementation: 1st May 2021</p>

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No.	Observation and Risk	Recommendation	Priority	Management Response
2	<p>Through discussion with members of the CPU and project teams who worked on our sample of eight contracts, one case was identified where Service officers who were involved in evaluating bids had not completed a conflict of interest form for the particular exercise.</p> <p>The CPU officers confirmed they had undertaken the Council’s bribery and corruption training, although for those who have worked in the CPU for a number of years, this was in some cases as far back as around seven years ago. Unlike some other GOLD courses, the training is not mandatory every year, however given that CPU staff work in a function where they should have increased awareness of bribery and corruption threats, we believe it would be good practice to require staff to undertake refresher training or guidance to staff annually.</p> <p>Without declarations of interest from staff involved in procurement activity, there is an increased risk that officers may not be aware of their duty to highlight potential conflicts of interest. Additionally, where bribery and corruption training has not been undertaken for several years, officers may not be up to date on the rules and requirements.</p>	<p>The CPU officers overseeing procurement exercises must obtain conflict of interest forms from Service officers.</p> <p>CPU management should require that officers involved in procurement exercises undertake annual refresher training on bribery and corruption rules to ensure the team has up to date knowledge of their responsibilities.</p>	High	<p>Response:</p> <p>Part 1 – Staff will be advised that conflict of interest forms should be issued to the commodity team at the project start up stage and then at the tender evaluation stage. The CPU Development Team will review the conflict of interest process to determine if it can be improved</p> <p>Part 2 – Staff were advised to conduct bribery training in Sept 2020 and Sept 2021. We will engage with the GOLD team to ensure this is recorded as an annual recurring course and we can formally record who has completed as this option currently isn’t available via GOLD. All staff will be asked to complete bribery training on annual basis.</p> <p>Officer Responsible for Implementation: Procurement Development Manager</p> <p>Timescale for Implementation: 1st July 2021</p>

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3	<p>The Standing Orders require that written contracts are finalised and signed by all parties for all contracts with a value of £100k or above.</p> <p>In our sample of eight contracts, three contracts with a value above £100k have not yet been signed. The Legal team advised that contract number one was awarded in late 2020, and award letters had been signed. We were advised that due to Covid-19 circumstances, the agreements have not been issued for signature. Contract number two was issued in October 2019 and followed up by the Legal team in March 2020. The contractor sent a copy of the signing page, however to date, has not returned the original contract. For contract number three, the tender process concluded in December 2020 and it is in the process of being finalised.</p> <p>Not signing contracts increases the risk of uncertainty and may lead to disputes and make it difficult to resolve any problems that may arise.</p>	<p>Project leads should endeavour to ensure that all outstanding contracts are finalised and signed by all relevant parties.</p>	<p>Medium</p>	<p>Response: Legal Team Members/CPU Staff, with provision of key information and support from Project Leads, will endeavor to ensure that contracts are drafted, issued, executed and returned in a timely manner.</p> <p>Officer Responsible for Implementation: Legal Team Members, CPU Staff and Project Leads. The process also depends upon external contractors co-operating with the requirements for completion, execution and return of any contract.</p> <p>Timescale for Implementation: 1st August 2021</p>

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No.	Observation and Risk	Recommendation	Priority	Management Response
Key Control: Record retention arrangements for procurement and contract documentation comply with Council and City Deal requirements.				
4	<p>The City Deal Programme Management Office (PMO) developed and issued guidance in 2019 to City Deal project leads in relation to project documentation retention arrangements following a previous audit.</p> <p>Although most project officers demonstrated an awareness of this guidance, a few officers had no awareness of City Deal specific requirements.</p> <p>Without an awareness in relation to retaining documentation for grant funded procurement, there is an increased risk that extended retention periods are not adhered to, which could result in the reclaim of grant funding if an audit trail cannot be provided.</p>	<p>The project leads should circulate the City Deal Retention Guidance Note to relevant officers within their teams to ensure they are familiar with record and retention arrangements for procurement and contract documentation.</p>	Medium	<p>Response: GCC PMO will issue a reminder e-mail to all project leads and include the document retention guidance previously created.</p> <p>Officer Responsible for Implementation: GCC PMO</p> <p>Timescale for Implementation: 1st May 2021</p>

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No.	Observation and Risk	Recommendation	Priority	Management Response
Key Control: Funding for projects and contracts is confirmed before the procurement activity commences.				
5	<p>The Procurement Manual requires that prior to undertaking procurement work “the CPU officer must obtain approval on the Commodity Sourcing Strategy (CSS) from both their line manager and the informed clients. Tenders must not be published until both of these approvals have been received”.</p> <p>In our sample of eight contracts, in three cases documented evidence of approval of the CSS was not available. In case number one, the CSS was completed and approved by the CPU manager however, it was not approved by the client. In case number two, the CSS was completed but not approved by the CPU manager nor the client. In case number three, the CSS was completed and the client agreed the strategy through email correspondence however it was not formally approved by the CPU manager.</p> <p>Without a fully approved CSS, there is an increased risk that all the relevant parties did not agree the route to market and it is more difficult to demonstrate that the best procurement option selected based on the various factors considered.</p>	<p>The CPU team should be reminded to complete all mandatory sections of the CSS along with required approvals and retain this with the records for the related procurement exercise.</p>	<p>Low</p>	<p>Response: All staff to be reminded that they should have CSS approval from the client before publishing the ITT. Approval can be via email.</p> <p>Officer Responsible for Implementation: Procurement Development Manager</p> <p>Timescale for Implementation: 1st June 2021</p>