

### Appendix 3 - Internal Audit Follow up Reviews

Audit Report	Outcome of Follow Up
Public Conveniences	<ul style="list-style-type: none"> <li>• 5 of 7 actions due for completion addressed</li> <li>• 2nd follow up in progress – awaiting response from service</li> </ul>
ICT Operations Management	<ul style="list-style-type: none"> <li>• 10 actions due for completion addressed</li> <li>• Remaining 5 actions in progress and due for next follow up in September 2014</li> </ul>
Welfare Advice	<ul style="list-style-type: none"> <li>• 3 actions due for completion addressed</li> <li>• Remaining 7 actions in progress and due for next follow up in September 2014</li> </ul>
Council Housing Responsive & Void Repairs	<ul style="list-style-type: none"> <li>• All actions due for completion addressed or form part of the longer-term Excellent Housing project</li> </ul>
Countryside Services	<ul style="list-style-type: none"> <li>• 4 actions due for completion addressed</li> <li>• Remaining 3 actions in progress and due for next follow up in December 2014</li> </ul>
North Wales Commissioning Hub	<ul style="list-style-type: none"> <li>• 2 actions due for completion addressed</li> <li>• Remaining 6 actions due for follow up in January 2015. 4 are in progress and 2 not yet commenced.</li> </ul>
St. Brigid's School, Denbigh	<ul style="list-style-type: none"> <li>• All 48 actions have now been addressed</li> </ul>
Fire Risk Assessments	<ul style="list-style-type: none"> <li>• All 16 actions have now been addressed</li> </ul>
Corporate Health & Safety	<ul style="list-style-type: none"> <li>• All 7 actions have now been addressed</li> </ul>
Residential care & extra care housing	<ul style="list-style-type: none"> <li>• All 13 actions have now been addressed</li> </ul>
Deputy for Finance (Court of Protection)	<ul style="list-style-type: none"> <li>• All 8 actions have now been addressed</li> </ul>
West Rhyl Housing Improvement	<ul style="list-style-type: none"> <li>• All actions due for completion addressed or form part of the longer-term Excellent Housing project</li> </ul>

# Action Plan

**Audit Review of:** Procurement of Construction Services

**Date:** February 2014

**Action Plan Owner:** Head of Finance & Assets

Corporate Risk/Issue Severity Key	
	<b>Critical</b> – Significant CET and Cabinet intervention
	<b>Major</b> – intervention by SLT and/or CET with Cabinet involvement
	<b>Moderate</b> – Containable at service level. Senior management and SLT may need to be kept informed

Risk/ Issue No.	Risk/Issue	Agreed Action Responsibility & Timescale	Current Status	Further Action Needed
1.	The Council's Procurement Strategy ran until March 2012. Setting the direction for Council procurement is vital to ensure that it is aligned with national, corporate and service requirements. A risk analysis of current spend should be assessed against the Council's requirements to show how procurement can contribute more effectively.	Develop a robust Procurement Strategy that will encompass the requirements in the latest Denbighshire Economic and Community Ambition Strategy, the Welsh Procurement Policy Statement and the Welsh Government's Construction Procurement Strategy.  Strategic Procurement Manager – January 2014	<b>In progress</b> The revision of the Procurement Strategy is currently in progress with a target to have a draft document completed by 31 March 2014	Final version will require Council approval
2.	Given the high value of construction-specific procurement across various Council services, not having a construction procurement strategy could lead to the key issues continuing without effective action and the area showing little or no improvement. In addition, the Council could suffer scrutiny if it does not adopt the National Construction Procurement Strategy.	The construction procurement strategy will be incorporated within the corporate procurement strategy. The SPU and Property Services will develop the construction procurement strategy element jointly with input from the other Council services that undertake construction procurement activity. This will need to align with the National Construction Procurement Strategy  Strategic Procurement Manager & Property Manager– January 2014	<b>In progress</b> This is on-going through the Construction Procurement Working Group. The basic premise has been established comprising <ul style="list-style-type: none"> <li>• 21<sup>st</sup> Century Schools Framework for OJEU works</li> <li>• Advertising on Sell 2 Wales for project over £250K and frameworks for work below this threshold</li> </ul>	Development of the Frameworks

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3.	<p>The SPU has previously identified several initiatives to improve construction procurement but little progress has been made, as resources are being pulled in different directions e.g. collaboration.</p> <p>Unless a clear procurement plan is developed and prioritised, with sufficient steer from a senior level, initiatives such as introducing an e-sourcing system corporately and category leads, are likely to slip further and result in longer delays.</p>	<p>E-sourcing will be rolled out by March 2014 but it does not include interfaces for third party job costing systems e.g. asset management. A project plan and Verto is being used for this.</p> <p>To ensure that this programme is rolled out effectively there is a need to establish a project board with a senior member of staff as chair to ensure the project plans are implemented efficiently.</p> <p>Acting Strategic Procurement Manager – March 2014</p>	<p><b>In progress</b> Delays in the creation of project templates and documentation have caused a slip in the expected roll-out date. This should now commence during April 2014. Some departments are using the system on small projects with assistance from the SPU.</p>	
4.	<p>Management information and performance measurement of construction-related spend has its limitations. This hinders the Council in identifying opportunities for price savings and cost reduction.</p> <p>The introduction of a corporate e-sourcing system over the next two years promises additional tools to help management and provide continuous improvement.</p>	<p>The SPU will develop reports to introduce better management information to services and senior managers. E-sourcing will introduce performance information by way of customer feedback logged against each supplier.</p> <p>Performance feedback will be input to the e-sourcing system and will be more transparent. The system can set reminders to prompt customers/clients to input their feedback.</p> <p>As part of the 21st Century Schools procurement project, KPIs are being established to promote continuous improvement.</p> <p>Acting Senior Procurement Manager – July 2014</p>	<p><b>Not yet due – in progress</b> This is currently on target. The introduction of M-Power in Finance will greatly assist this requirement.</p>	

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5.	<p>Awareness of and adherence to CPRs are weak in some services. For example:</p> <ul style="list-style-type: none"> <li>when requested, Bridges and Structures were unable to produce a signed contract for works valued over £50k</li> <li>aggregate spend on suppliers on the approved lists often exceeds £100k, but little comparison is done to make sure the Council gets value for money</li> </ul>	<p>Revised CPRs have been developed and are currently out for consultation. CPR awareness workshops will be held with various services to promote awareness and understanding of CPRs. Schools and Public Realm are a priority for this training due to recent cases of non-compliance.</p> <p>Acting Senior Procurement Manager - January 2014</p>	<p><b>In progress</b> All comments have been correlated and issued to the individuals for further review. The comments are now under review by Legal Services. Once these have been received Procurement and Legal will meet to identify the issues raised. The intention is to have a final draft copy available for 31 March 2014.</p>	<p>Final version will require Council approval</p>
	<p>There is also limited awareness that the SPU could be contacted as a source of knowledge on procurement activity.</p> <p>The introduction of the e-sourcing system over the next two years along with associated training is an opportunity to reach out to service representatives and promote compliance.</p>	<p>A Construction Procurement Working Group has been convened comprising the main construction procuring services and the SPU. This group will consider and determine what is achievable and drive forward changes in respect of framework agreements and how to deal with reactive small works procurement. This will be tied in with the new framework manager role within Property.</p> <p>Acting Strategic Procurement Manager and Property Manager - Informally by August 2013 with more formal arrangements from March 2014. First group meeting held September 2013.</p>	<p><b>Complete</b> The working group has been established and meets monthly. It includes representation from Property, Procurement, Housing and Housing Renewals. An agreed way forward in terms of reactive maintenance and asbestos removal procurement has been agreed and frameworks for these elements are being developed. There are some issues with the procurement of Housing renewals works, which are individually tendered. The procurement of works between £5K-£250K is now being considered.</p>	<p>Framework development on-going. Review of Housing Renewal scheme procurement to determine best way forward.</p>

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		<p>HR to be requested to provide a procurement training element into the standard induction training provided to all new starters within Denbighshire.</p> <p>Acting Senior Procurement Manager - October 2013</p>	<p><b>Complete</b> HR has been requested to include a Procurement Awareness session into their induction training. This will be a brief explanation on CPR's and Procurement procedures.</p>	<p>On-going discussions with the HR Trainer to ensure this takes place.</p>
6.	<p>The Council does not maintain a corporate contracts register, which is required for transparency and is an important management tool. Signed contracts are vital documents that should be easily accessible in case the Council needs to resolve disputes with any of its contractors.</p> <p><i>Note: Services may be spot purchasing goods or services but contracts specific to other departments may offer advantageous pricing if accessible.</i></p>	<p>Each service needs to start collating a list of service specific contracts in order to populate a central contract register. This requirement is already set within the revised CPRs for Heads of Service to action. In order to capture this information, the SPU has developed a spread sheet to issue to all 'tier 1' managers to populate with details of their current contracts. The spread sheet will be issued to departments in October 2013.</p> <p>Acting Senior Procurement Manager - January 2014</p> <p>Create contract register for Highways &amp; Environment.</p> <p>Performance Officer – December 2013</p> <p>E-sourcing will have a separate contract management module and any tenders going through this will automatically be included as and when services begin using it following roll-out.</p> <p>Acting Senior Procurement Manager - July 2014</p>	<p><b>In progress</b> Information has been received from the majority of departments and is currently undergoing review. Completion of the review by 31 March 2014</p> <p><b>No response</b></p> <p><b>Not yet due – in progress</b> Currently on target</p>	<p>Live contracts to be added to the Proactis e-Sourcing system when reviewed.</p>

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7.	<p>The Council has several different lists used for construction-related works. All have control deficiencies to different extents that could put the Council at risk of health and safety sanction, financial losses and reputation damage.</p> <p>There is an opportunity to combine approved lists, which should reduce errors, improve consistency and remove the duplication of their upkeep to reveal efficiencies.</p>	<p>The revised CPRs (out for consultation at the time of this report) reduce the limit for using approved lists for construction works to £250k (these are for individual items). It also specifies that the 'Head of Procurement' must approve the use of approved lists.</p> <p>Acting Senior Procurement Manager - January 2014</p> <p>Highways will review the Highways &amp; Environment approved list to ensure that all suppliers and contractors comply with the Council's criteria for inclusion. In the medium to long term, framework agreements for highways minor works will negate the need for approved lists in this area (See Risk Issue 9).</p> <p>Performance Officer – November 2013</p>	<p><b>Complete</b> Following the establishment of the Construction Procurement Working Group the use of Approved Lists will be discontinued for the majority of services and replaced by Framework Agreements. This removes the need for the Head of Procurement to approve their use.</p> <p><b>No response</b></p>	
8.	<p>On occasion, services and schools contract suppliers that are not on an approved list and without first consulting Property Services for advice. A contributing factor may be that they have concerns about the transparency of the costs they are being committed to without their consent or knowledge. Without clear communication channels and more cohesive working relationships, the Council and schools could fail in their obligation to maintain suitable health and safety arrangements, and poorly specified jobs could result in higher costs and</p>	<p>CPRs will be formulated to cover schools using the same format as the revised Council CPRs. This will give the necessary guidelines on acceptable procurement practices, with scope for sanction where there are any breaches.</p> <p>To support this, the SPU, Property and Internal Audit will work together to provide awareness training for schools (Finance Managers) to promote compliance.</p> <p>Acting Strategic Procurement Manager, Education Planning &amp; Resource Manager, Property Manager and Head of Internal Audit – January 2014</p>	<p><b>In progress</b> The School Cluster Groups will be used to disseminate training once CPR's have been developed. Legal Services and School Improvement are currently working on a version for schools.</p> <p>An initial awareness session with schools Finance and Business Managers has been undertaken.</p>	

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	inferior quality work.	<p>Enhance the Purchasing Systems (Proactis P2P) to create additional workflow approval for construction-related purchase orders i.e. before placing an order with a supplier, a nominated construction lead will have to approve it. A prototype has been tested in Flintshire County Council. A pilot project using the procurement of furniture will be established in this Council in October 2013. This will then be extended to other commodity areas including construction once the principle has been proved.</p> <p>Acting Strategic Procurement Manager to lead, with assistance from Construction Working Group and Senior Management Accountant – April 2014</p>	<p><b>Not yet due – in progress</b> Further discussion is required with Finance on this in order to create the additional workflow required.</p>	
9.	<p>There is an opportunity for services to collaborate and pool resources to reduce costs on minor works. A framework agreement, if arranged properly, should save time and money in the long term. The challenge is to maintain a transparent and fair process that gives local suppliers (Small Medium Enterprises) an equal opportunity to win the tender. This promotes diversity and competition and ties in with the National and Council's Corporate priority of economic</p>	<p>The SPU will formulate a working group to develop both projects (Highways and Property minor works framework agreements). The building minor works framework agreement will be developed separately to highways but using the same method/approach (see specific action below). The working group will carry out analysis of all construction spend. Based on the analysis, procurement action plans will be developed for the different areas of spend.</p> <p>Acting Strategic Procurement Manager &amp; Construction Working Group – September 2013</p>	<p><b>In progress</b> Working groups for both Highways and Property have now been established. Spend analysis is ongoing at this point in time along with identification of areas of spend to establish frameworks. The intention is to commence work on establishing frameworks for asbestos removal during April 2014 with other areas by July 2014.</p>	

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	regeneration.	<p>Property Services will work with the SPU business partner to develop frameworks for lower value work. Efficiencies should be possible through reducing management costs, but the cost needs to be balanced with quality and legislative compliance.</p> <p>Acting Strategic Procurement Manager &amp; Procurement Manager - Proposals will be developed by March 2014</p>	<p><b>In progress</b> As above</p>	
		<p>The Highways &amp; Environment Service Plan for 2013-14 contains an improvement activity under Outcome 1 for "Developing a minor works framework" (HES101a). Once developed, this can be rolled out to other areas of the service.</p> <p>Works Unit Manager / Performance Officer (with assistance from SPU) - Completion date for HES101a is 31 March 2014, but can possibly be brought forward should the need arise</p>	<p><b>In progress</b> This is currently in progress with the intention of having relevant frameworks in place by July 2014</p>	



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10.	<p>Tendering and contract-related templates (e.g. H05s and pre-qualification questionnaires) are inconsistent and direct the selection of suppliers to be based on lowest value instead of best value.</p> <p>In line with Welsh Government requirements, services need to standardise PQQs (pre-qualification questionnaires), tender and contract templates to make it easier for suppliers to tender for work. If possible, this should be in coordination with other local authorities to be most effective.</p>	<p>A construction procurement working group will be formed to review all current PQQ and tender documentation (including supplementary terms and conditions) and agree on a common set of construction-related documents. The Strategic Procurement Manager is developing a set of generic templates in line with the values set within the revised CPRs. These will be circulated as part of the CPR awareness training (see action again Risk Issue 8)</p> <p>Acting Strategic Procurement Manager – January 2014</p>	<p><b>In progress</b> This action is on target for completion by end March 2014</p>	
		<p>In partnership with the SPU business partner, Property Services will review forms/letters etc. used across the Council and develop a standard set of documents. These could be used as a model for use by other local authorities (consensus on the forms has proved difficult in the past).</p> <p>Acting Strategic Procurement Manager &amp; Property Manager – January 2014</p>	<p><b>In progress</b> This is currently in progress and due for completion during April 2014</p>	
		<p>Standardise the relevant Highways &amp; Environment documents and incorporate them into the service's ISO 9001 document control system.</p> <p>Performance Officer – December 2013</p>	<p><b>No response</b></p>	

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11.	Many procurement projects fail if they are not properly planned and adequately resourced. Such problems could be minimised if better links were established between procurement and project management. A large, complex procurement exercise should not be able to progress without a sound business case and agreed procurement plan.	<p>The SPU is developing a checklist for procurements valued over £100k and this will shortly be available as a spread sheet. These will be linked to CPRs, the project management system (Verto) and the procurement section of the business case template.</p> <p>Acting Strategic Procurement Manager – October 2013</p>	<p><b>In progress</b> The checklist has been completed and is now under review following comments received during the CPR consultation exercise. This should be finalised in conjunction with the CPR's</p>	
		<p>New CPRs state that a procurement checklist must be completed for contracts valued over £100k. The SPU must give approval and, if the construction relates to Property, HR or ICT, additional approval is required from each of the affected services. If valued less than £100k, the questionnaire should still be completed; however, the SPU approval is not required (note: approval from HR, ICT and/or Property still applies).</p> <p>Acting Strategic Procurement Manager and Corporate Programme Office Manager – October 2013</p>	<p><b>In progress</b> As above</p>	