



Agenda

Special Meeting of Audit & Performance Review Committee

Date: Tuesday, 1 November 2016

Time: 14:00

Venue: Council Chamber,
Council Offices, Garshake Road, Dumbarton

Contact: Craig Stewart, Committee Officer
Tel: 01389 737251 craig.stewart@west-dunbarton.gov.uk

Dear Member

Please attend a special meeting of the **Audit & Performance Review Committee** as detailed above. The business is shown on the attached agenda.

Yours faithfully

JOYCE WHITE

Chief Executive

Distribution:

Councillor J McColl (Chair)
Councillor G Black
Councillor J Brown
Councillor P McGlinchey
Councillor I Murray (Vice Chair)
Councillor T Rainey
Councillor G Robertson
Councillor M Rooney
Mr SJ Doogan
Ms E McKerry

All other Councillors for information

Chief Executive
Strategic Director – Transformation & Public Service Reform
Strategic Director – Regeneration, Environment & Growth
Chief Officer of West Dunbartonshire Health & Social Care Partnership

Date of issue: 27 October 2016

AUDIT & PERFORMANCE REVIEW COMMITTEE

TUESDAY, 1 NOVEMBER 2016

AGENDA

1 APOLOGIES

2 DECLARATIONS OF INTEREST

Members are invited to declare if they have an interest in the item of business on this agenda and the reasons for such declarations.

3 MINUTES OF PREVIOUS MEETING 5 - 8

Submit for approval as a correct record, the Minutes of Meeting of the Audit & Performance Review Committee held on 28 September 2016.

4 INTERNAL AUDIT REPORT – “PROCUREMENT APPROVED CONTRACTORS LIST” 9 - 49

Submit report by the Strategic Lead – Resources providing the full report resulting from the audit entitled “Procurement – Approved Contractors List” and advising of progress made against the agreed action plan.

AUDIT & PERFORMANCE REVIEW COMMITTEE

At a Meeting of the Audit & Performance Review Committee held in the Council Chambers, Clydebank Town Hall, Clydebank on Wednesday, 28 September 2016 at 2.00 p.m.

Present: Councillors George Black, Jonathan McColl, Ian Murray, Tommy Rainey, Gail Robertson, Martin Rooney and Lay Member Ms Eilidh McKerry.

Attending: Angela Wilson, Strategic Director – Transformation & Public Service Reform; Richard Cairns, Strategic Director – Regeneration, Environment & Growth; Stephen West, Strategic Lead – Resources; Jim McAloon, Strategic Lead - Colin McDougall, Audit and Risk Manager; Gillian McNeilly, Finance Manager; Martin Feeney, Building Services Manager; and Craig Stewart, Committee Officer.

Also Attending: Mr David McConnell, Assistant Director; Mr Peter Lindsay, Audit Manager and Ms Karen Cotterell, Senior Auditor, Audit Scotland.

Apologies: Apologies for absence were intimated on behalf of Councillors Jim Brown, Patrick McGlinchey and Mr Stevie J. Doogan, Lay Member. Apologies were also intimated from Joyce White, Chief Executive.

Councillor Jonathan McColl in the Chair

CHAIR'S REMARKS

Councillor McColl, Chair, welcomed new Lay Member Eilidh McKerry to her first meeting of the Committee, and introductions were then given.

DECLARATIONS OF INTEREST

It was noted that there were no declarations of interest in any of the items of business on the agenda.

MINUTES OF PREVIOUS MEETING

The Minutes of Meeting of the Audit & Performance Review Committee held on 8 June 2016 were submitted and approved as a correct record.

TREASURY MANAGEMENT ANNUAL REPORT 2015/16

A report was submitted by the Strategic Lead - Resources providing an update on treasury management during 2015/16.

The Committee agreed:-

- (1) to note the treasury management stewardship information within the report;
- (2) to note the 2015/16 actual prudential indicators as advised within the report (Tables 2, 3, 4 and 5 refer); and
- (3) to note that this report had been submitted to Council on 31 August 2016.

AUDITED ANNUAL ACCOUNTS

A report was submitted by the Strategic Lead - Resources submitting the audited Financial Statements for 2015/16 for both the Council and the Charitable Trusts managed by the Council; and highlighting matters of interest, as delegated to this Committee by Council on 29 June 2016.

After discussion and having heard the Strategic Director – Transformation & Public Service Reform, the Strategic Lead – Resources and relevant officers in further explanation of the report and in answer to Members' questions, the Committee agreed:-

- (1) to approve the audited Annual Accounts for 2015/16 for WDC and for WDC Charitable Trusts; and
- (2) otherwise to note the contents of the report.

AUDIT SCOTLAND: ANNUAL REPORT

A report was submitted by the Strategic Lead - Resources advising of the findings of the Council's external auditors in relation to:-

- (a) the audit of the Council and its Annual Accounts for 2015/16; and
- (b) the Financial Statements for the Charities managed by the Council.

After discussion and having heard Mr McConnell, Assistant Director, Audit Scotland, the Strategic Director – Transformation & Public Service Reform and Strategic Lead - Resources in further explanation and in answer to Members' questions, it was agreed to note the findings of these audits as detailed in Audit Scotland's reports dated September 2016.

AUDIT ACTION PLANS

A report was submitted by the Strategic Lead - Resources advising of:-

- (a) recently issued Internal Audit action plans; and
- (b) progress made against plans previously issued contained within Internal Audit and External Audit reports.

After discussion and having heard the Strategic Director – Transformation & Public Service Reform and the Audit and Risk Manager in further explanation and in answer to Members' questions, the Committee agreed:-

- (1) to note that Councillor McColl, Chair, would seek advice from the Legal Officer concerning a report, that was referred to in the context of discussions on this item, with a view to a possible Special Meeting of the Committee being called in this regard; and
- (2) otherwise to note the contents of the report.

STRATHCLYDE PENSION FUND

A report was submitted by the Strategic Lead - Resources providing further information on the Strathclyde Pension Fund.

After discussion and having heard the Strategic Lead - Resources in further explanation and in answer to Members' questions, the Committee agreed to note the contents of the report.

STRATEGIC RISK AND RESILIENCE – BI ANNUAL UPDATE

A report was submitted by the Strategic Lead - People & Technology providing the outcome of the latest assessment of strategic risks and an update on progress in relation to resilience planning.

The Committee agreed:-

- (1) to note the contents of the report; and
- (2) to note that any proposals to share services would be submitted to Council.

PUBLIC INTEREST DISCLOSURES 1 JANUARY TO 30 JUNE 2016

A report was submitted by the Strategic Lead – Resources advising of public interest disclosures received during the period 1 January to 30 June 2016.

After discussion and having heard the Audit and Risk Manager and relevant officers in further explanation and in answer to Members' questions, the Committee agreed to note the contents of the report.

MR DAVID McCONNELL AND MR PETER LINDSAY, AUDIT SCOTLAND

Councillor McColl, Chair, advised the Committee that this would be the last meeting that Mr David McConnell, Assistant Director and Mr Peter Lindsay, Audit Manager, Audit Scotland would be attending. On behalf of the Committee, Councillor McColl thanked both Mr McConnell and Mr Lindsay for the excellent working relationship that existed between them and Members and officers of the Council, and also took the opportunity to wish both gentlemen well in the future.

The meeting closed at 3.50 p.m.

WEST DUNBARTONSHIRE COUNCIL

Report by Strategic Lead - Resources

Special Audit and Performance Review Committee: 1 November 2016

Subject: Internal Audit Report: “*Procurement - approved contractors list*”

1. Purpose

- 1.1** The purpose of this report is to provide the Committee with the full report resulting from the audit entitled “*Procurement – approved contractors list*” and advise the Committee of progress made against the agreed action plan.

2. Recommendations

- 2.1** It is recommended that Members consider and note the contents of this report.

3. Background

- 3.1** At the Audit and Performance Review Committee meeting on 28th September 2016, the normal update on progress in relation to Audit Action Plans (item 7) was discussed.
- 3.2** Following this discussion the Chair advised, and Committee agreed, that he would request that a special meeting of the Audit and Performance Review Committee should take place at which a redacted version of the full Internal Audit Report entitled would be submitted.

4. Main Issues

- 4.1** The audit in question was carried out as part of the of the agreed audit plan for Internal Audit for 2015/16. The audit report concluded as follows:
- The only pre-approved contractor list kept by the Council is that kept by Regeneration, Environment & Growth (REG). Contractors were originally listed following a bid under a tender process. The only element of the list currently being maintained is the Health Safety part, to confirm the Health & Safety qualifications of contractors tendering for contracts. Building Services only use contractors that are on this list and make use of the tendering process for works with an aggregated valued over £50,000. The use of pre-approved lists is not in line with best procurement practice and is in contravention of the Council’s Financial Regulations (both current and previous).

- The DLO maintain a back-up framework from which outside contractors are selected where their own workers are unable to do the work for example in the case of an emergency resulting from storm damage. The framework is also used in times of peak workload. The back-up framework was established following a tendering process. The most recent back-up framework is out of date since June 2013 and needs to be renewed. The DLO continues to use this framework despite it being out of date. No record is kept detailing the use of 2nd and 3rd listed contractors and the explanation as to why they were called upon. A procedure needs to be put in place to record the contractors contacted and why they could not perform the work before the next rated contractor is contacted. The continued use of this framework is in contravention of current and previous Financial Regulations.
- The work of specialist contractors needs to be regularised. At present Building Services use preferred contractors who they call upon to undertake work for the Council to the exclusion of other contractors. For fencing the preferred contractor is Doherty & Lafferty and for flat roofs it is Allander Roofing. These two contractors do not have formal contracts. The last contract for fencing, landscaping and tree surgery, which Doherty & Lafferty won, expired in 2008. In the case of Allander Roofing, while they were the lowest bidder, in 2010 when the contract for repair and renewal of flat roofs was last put out to tender, the contract was not let. Over the years since these contract periods expired Building Services have agreed prices with both contractors and no other contractors are being engaged for this type of work. This is in contravention of the Council's current and previous Financial Regulations; and also Buildings Services own procedures which requires that three quotes should be obtained before contractors are awarded work. The services of the Corporate Procurement Unit (CPU) should be utilised to ensure formal contracts are put in place for all of works undertaken by specialist contractors such as Allander roofing Limited and Doherty & Lafferty. All contracts should comply with the Council's procurement procedures. This will include undertaking appropriate processes where the cumulative value of work undertaken exceeds £50K.
- The CPU is undertaking an exercise to identify major suppliers, including contractors, who do not have contracts with the Council. This review of suppliers is still on-going and no final conclusion or recommendations have yet been made.
- Internal Audit have held individual meetings with a number of current and former employees within REG who continue to have or had responsibility for this area of work. In addition, meetings were also held with several contractors. None of these discussions provided any information or evidence to suggest that improper practices have been used in the engagement of specific contractors.

- The work undertaken at 40 Lennox Road to remove several trees and repair / replace fencing and clear the garden was appropriate in principle and management have assured Internal Audit that this type of fence is typically installed as standard for rear gardens especially where there is a security issue as was apparent in this instance. , In addition as mentioned above, the work of specialist contractors does need to be regularised.
 - There is some anecdotal evidence to support the claim that material was buried in the garden of 4 Overtoun Drive. However, without digging up the garden it cannot be said with certainty that this is the case.
 - There is no clear policy as to when a tenant is to be charged for some repairs. The decision to charge or not is left to the Property Officer who raises the order for the work to be completed. In the case of large repairs there may be a case for review where the authorisation of a manager is required to authorise the Housing Revenue Account (HRA) to bear the cost of the repair.
 - A lack of formal / up to date contracts being in place presents the potential for fraud and corruption in areas where significant levels of expenditure are being incurred in contravention of current and previous Financial Regulations.
- 4.2** The final report was issued on 12th August 2016 and is included at Appendix A, subject to appropriate redaction.
- 4.3** Progress on the agreed action plan, attached at Appendix B, shows that, of 11 actions, eight are fully complete and three are in progress with all actions due to be completed by 31st March 2017.
- 4.4** The Council thoroughly investigates issues of concern that come to light and this is what has been done in this case. There is no evidence or, indeed, any specific allegations of fraudulent or corrupt practice having taken place. If the audit had uncovered or identified potentially corrupt or fraudulent practices then clearly appropriate action would have been taken with regard to consideration of involvement of the Police.
- 4.5** The audit has, however, identified a significant breach of the Council's own rules regarding procurement and as a result an action plan has been agreed with management in order to undertake appropriate procurement activity and improve other control processes within the service.
- 4.6** The role of Internal Audit is to identify such issues and bring to the attention of management and thereafter, management have the responsibility to determine any further action in accordance with the appropriate Council policy.

5. People Implications

- 5.1** There may be people implications with this report, dependent on any action taken by management in relation to the findings and conclusions. This would be a matter for management determination in accordance with the appropriate Council policy.

6. Financial and Procurement Implications

- 6.1** Implementing the actions contained within the action plan for this report may have financial implications.
- 6.2** The action plan identifies a number of procurement processes requiring to be implemented to normalise the contractual position for these works. Progress on these is noted within Appendix B.

7. Risk Analysis

- 7.1** There is a risk that failure to follow established Council procedures in relation to contractors will result in weaknesses in internal control and an inability to demonstrate that best value has been fully achieved.

8. Equalities Impact Assessment (EIA)

- 8.1** There are no significant issues identified in relation to equality impact at this time.

9. Consultation

- 9.1** This report has been subject to consultation with appropriate Strategic Leads. In addition, relevant services have been consulted in the update of the action plan included at Appendix B.

10. Strategic Assessment

- 10.1** This report relates to Assuring Our Success through strong financial governance and sustainable budget management.

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Stephen West
Strategic Lead - Resources
Date: 26 October 2016

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Appendices: A - Internal Audit Report: "*Procurement – approved contractors list*"
B - Covalent Report: Progress on Implementation of Action Plan

Background Papers: Audit and Performance Review Committee on 28th September 2016: Audit Action Plans

Wards Affected: All Wards

INTERNAL AUDIT SERVICES
REPORT REF No S/014/16
(August 2016)

Procurement – approved contractors list



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1. DIRECTOR'S SUMMARY

1.1 Introduction

- 1.1.1 As part of the planned programme of audits for 2015/16 an audit was conducted on *Procurement – approved contractors list*.
- 1.1.2 In addition, an Elected Member enquiry prompted further work to be carried out in relation to the use of specific contractors.
- 1.1.3 The review highlighted a number of issues in current practice and actions to strengthen internal controls and enhance the service provided, the most important of which are listed below.
- 1.1.4 Full details of all issues identified during the audit are included in the Action Plan, which forms Section 3 of this report.

1.2 Findings and Conclusions

- 1.2.1 In the course of the audit the Auditor has identified a number of findings and generated a number of opinions:
 - Within Building Services officers refer to a pre-approved list of firms when selecting outside contractors to undertake work on behalf of the Council. Contractors were historically included on the list as a result of their submission of a bid through the Council's tendering process. Potential contractors were assessed as to their financial suitability and competence to perform the work required as part of the tender process. A check was also undertaken to ensure all contractors on the list comply with the Council's Health & Safety standards. Following a departmental restructure in 2010, the list is no longer fully maintained by Regeneration, Environment & Growth (REG), formerly known as HEED. The only element of the list being maintained currently is the Health & Safety checks.
 - Specialist contractors are engaged by REG services to complete jobs where REG themselves do not have the competencies needed to carry out the work or where demand outstrips capacity. It has been found that a number of contractors are being engaged without formal contracts being in place where significant levels of expenditure is directed to them. In the Auditor's opinion, this is in contravention of the Council's procurement policies and Financial Regulations. This is due to the continued use of a number of contractors beyond the period for which they were contracted following a tendering process. Another example is where a contractor is continually engaged to carry out work for the Council where a tender process has not been completed. In the Auditor's opinion, this is in contravention of the Council's procurement policies and Financial Regulations. It is acknowledged that some attempts were made by Building Services to ensure competitiveness via Consultancy Services by comparison with industry indices for similar work at that time.

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- The DLO operates a back-up framework to assure that repairs are carried out within a reasonable time frame. The back-up framework is a listing of contractors covering a number of trades from which contractors are selected to carry out work on behalf of the DLO. The list is used on occasions when DLO operatives are unable to do the work for example in emergencies or at peak workloads. The framework was last put out to tender in 2010 and contracts were awarded for two years ending in June 2012. In the Auditor's opinion, this is in contravention of the Council's procurement policies and Financial Regulations. The contract had an option to extend for one - 12 month period which was taken up by WDC and so on this basis the contract was still fully valid up until June 2013.
- The Council's Financial Regulations stipulate that use be made of tools such as Public Contracts Scotland to assist in the selection of contractors. It was found that services within REG were not making full use of such tools to ensure that the Council was achieving value for money in their use of contractors.
- It was found that the work undertaken at 40 Lennox Road to remove several trees and repair / replace fencing and clear the garden was required.. The existing fence at the rear of the garden had to be removed for access equipment and couldn't be reinstalled. Management have assured Internal Audit that this type of fence is typically installed as standard for rear gardens especially where there is a security issue as was apparent in this instance. The divisional fence was damaged by the overgrown vegetation and also had to be replaced. Should it ever become necessary to replace fencing for adjoining properties, management have advised that the same style of fencing will be used.. This work was carried out on the basis of agreed rates without several quotes being sought. It is recognised that these rates may increase once tested on the open market. However, as mentioned above, the work of specialist contractors does need to be regularised so that best value can be demonstrated.
- The work carried out at 4 Overtoun Drive to replace the hedge at the property with a metal fence was appropriate. In addition the removal of the Anderson shelter from the site on health & safety grounds was also appropriate. It was found that Council procedures were not followed in the engagement of Doherty & Lafferty to carry out the work as was similar to their selection to carry out the work at 40 Lennox Road. A person who the Auditors spoke to at the scene did advise that material from the contents of the Anderson shelter was buried on site and not removed by the contractor as required. However, without digging up the garden it cannot be said with certainty that this is the case.
- A lack of formal / up to date contracts being in place presents the potential for fraud and corruption in areas where significant levels of expenditure are being incurred in contravention of current and previous Financial Regulations.

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- Over recent years there have been both resource challenges that have contributed to delays in a formal tendering process being put into effect. A report entitled “Building Services Procurement Provision” was submitted to the Housing and Communities Committee on 5 August 2015, in which Elected Members approved procurement processes to tender for repairs and maintenance related areas, with approval to award contracts to successful tenderers being delegated to the Executive Director of Infrastructure and Regeneration, in consultation with the Convenor of the Committee. These processes are now being progressed, though significantly delayed. A further report entitled “Building Services Procurement Provision Update” was submitted to the Housing and Communities Committee on 3 August 2016 which covers another range of procurement requirements.
- Internal Audit have held individual meetings with a number of current and former employees within REG who continue to have or had responsibility for this area of work. In addition, meetings were also held with several contractors. None of these discussions provided any information or evidence to suggest that improper practices have been used in the engagement of specific contractors.

1.3 Recommendations

- 1.3.1** The Strategic Lead - Regeneration should, in consultation with HR, take what action, if any, he deems necessary in relation to the findings of this report.
- 1.3.2** The attached action plan contains recommendations to improve internal controls and financial procedures in relation to the matters discussed in this report.

2. MAIN REPORT

2.1 Introduction

- 2.1.1 An audit was carried out on *Procurement – approved contractors list* as part of Internal Audit's Planned Programme of Audits for 2015/16.
- 2.1.2 In addition, an Elected Member enquiry prompted further work to be carried out in relation to the use of specific contractors.
- 2.1.3 Internal Audit met with Officers from Corporate Procurement, Health & Safety, and Building Services in order to discuss arrangements, if any, for the use of approved contractors by the Council.

2.2 Objectives and Scope

- 2.2.1 The objective and scope of the audit work was as follows:
- Ascertain the processes involved in generating the approved providers list; accepting new contractors to join the list and removal of contractors from the list;
 - Ascertain the rationale for use of specific contractors compared to formal procurement route;
 - Ascertain how work jobs are allocated to particular contractors;
 - Ascertain from Corporate Health & Safety on their validation of contractors;
 - Ascertain from management within REG on the use, if any, of pre-approved contractors list (including discussions with some former REG employees);
 - Ascertain nature and extent of usage of approved contacts and values involved, in particular: Allander Roofing Limited and Doherty & Lafferty;
 - Ascertain how job orders are implemented, priced and controlled throughout the process from identifying work required to final payment for completion, including variances to works orders;
 - Investigate work carried out at 40 Lennox Street by Doherty & Lafferty; and
 - Investigate work carried out at 4 Overtoun Drive Clydebank by Doherty & Lafferty; and
 - Hold meetings with a number of contractors.

2.3 Findings

(a) Introduction

- 2.3.1 The findings are based upon evidence obtained from the audit work carried out.
- 2.3.2 The audit was conducted in conformance with the Public Sector Internal Audit Standards (PSIAS).
- 2.3.3 This report details all points arising during the audit review, full details of which are included in the Action plan contained within Section 3 of this report.

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We stress that these are the points arising via the planned programme of work and are not necessarily all of the issues that may exist.

- 2.3.4 The factual accuracy of this report has been verified by the officers involved in the audit.
- 2.3.5 Audit would like to thank all staff involved in the audit process for their time and assistance.

(b) Corporate Procurement Unit

- 2.3.6 It was confirmed that the Corporate Procurement Unit (CPU) does not maintain a pre-approved list of contractors who can tender for council contracts, or have work directly awarded to them without having followed an appropriate procurement process. The CPU has been working with Legal, Democratic and Regulatory services (LDRS) (from 1st April 2016 Regulatory Services) on a revised version of the Council's Financial Regulations and at its meeting on 16th December 2015, the Council agreed to approve revised Financial Regulations and revised Part 4 of Standing Orders forming the appendices 1a and 1b to that report; all changes to take effect on 1st January 2016.
- 2.3.7 Specific to the issue of approved contractors, the revised Financial Regulations state at Section Q - PROCUREMENT - CONTRACTS FOR SUPPLIES, WORKS AND SERVICES (the *Procurement Financial Regulations*), paragraph 16:

The Council will not operate a list for the pre-selection of contractors to tender for Contracts having an aggregated value in excess of £50,000.

For the avoidance of doubt, the Council may retain records of recent contractor vetting or make use of tools such as the Scottish Government's Scottish Procurement and Commercial Directorate's e-Vendor Management tool in order to reduce the information that bidders require to provide each time they bid for a Council contract and to ensure that the tendering processes remain efficient and cost effective.

Use of such tools must be approved by the Corporate Procurement Manager in consultation with the Head of Legal, Democratic and Regulatory Services and must not preclude any bidder from submitting more up to date information.

- 2.3.8 Under Council Standing Orders prior to being updated in December 2015 any procurement with an aggregated value of over £50,000 must be formally tendered. Tenders for works, goods or services can be either open or restricted and are advertised on the Public Contracts Scotland portal. Contracts for any construction work over this threshold are restricted to suppliers who have been successfully vetted against the Council's Health & Safety criteria, Executive Directors have delegated authority for purchases of up to £50,000 and within the four Directorates there are various authorisation

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levels at which purchases can be approved. For larger requirements within this bracket written quotations will be sought and decisions to purchase will be made on the basis of best value. Executive Directors should have regard to the aggregation of such contracts.

(c) Corporate Health & Safety

2.3.9 A list of pre-approved contractors is kept by REG. Previously potential contractors were assessed as to their financial suitability and competence to perform the work required. A check was also undertaken to ensure that they met the Council's Health & Safety standards. The assessments and checks were carried out as part of the selection process when contracts were put out to tender. The list is no longer fully maintained by REG following the restructure of the department in 2010. The only element of the list being maintained currently is the Health & Safety checks to ensure contractors engaged by the Council comply with the Council's health & safety standards. New contractors engaged by the council are assessed by the Health & Safety service to ensure they meet the Council's standard before they are added to the list. The list is not closed and new contractors are able to "apply" to be added to the list.

2.3.10 When a contract has been put out to tender, the Corporate Health & Safety Section are asked to check the health and safety qualifications of the contractors who have submitted tenders. The Corporate Health & Safety Section will check to confirm if a contractor is up to date in their registration with CHAS (Construction Health & Safety Scheme). This is a nationwide scheme which maintains health and safety standards across the United Kingdom construction industry.

2.3.11 As CHAS registration has to be renewed annually the Corporate Health & Safety Section is continually updating the list. Where the contractor is not registered with CHAS the Council Health & Safety service will carry out its own vetting procedure. This will involve the contractor completing a detailed questioner and supplying relevant supporting documentation.

2.3.12 All employees of contractors engaged by the Council must hold a CSCS (Construction Safety Certification Scheme) card.

(d) Building Services

2.3.13 Building services is responsible to deliver a wide range of services from offices and depots in Dumbarton and Clydebank. It links directly to the housing estates management service and is now managed within the Strategic Lead - Regeneration service. It provides an appropriate client and contractor service for both the Council's housing and non-housing properties and combines both housing and public building DLO's. Building Services also manage the HRA repairs & maintenance budget. Building Services, in its roll of managing the HRA repairs budget, has in place a SLA with housing services for the delivery of repairs, planned maintenance and approved capital investment works to the council's housing stock. Building Services, in its roll of managing the CRA

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and the HRA budgets, will engage specialist contractors to undertake the work when appropriate. The specialist contractors are selected from the Pre-Approved list kept by REG (the purpose of this list only being to confirm compliance with health and safety requirements). Major works undertaken by the Council, such as building new schools will be put out to tender.

2.3.14 Building Services maintains a Back-up Framework for occasions when they are unable to do the work required, for example in emergencies or at periods of peak workloads. The major property damage resulting from the significant storms in 2012 and 2013 were such occasions. Building Services operates the backup framework to enable them to select contractors to undertake the work on such occasions

2.3.15 The backup framework is a listing of contractors created following a tender process in 2010 covering a number of trades including:

1. Masonry / concrete
2. Glazing
3. General void clear outs
4. External Wall Insulation (EWI), i.e. render / plaster
5. Electrical;
6. Joinery;
7. Plumbing;
8. Roofing; and
9. Decoration.

Going forward, items 1 to 3 above will be resourced internally, whilst items 4 to 9 will be the subject of tendering processes.

2.3.16 The current framework expired in 2012 with an option to extend for one year to 2013 taken up but still continues to be used, with the same conditions and rates, as the basis for selecting contractors when required. Building Services together with the assistance of the CPU is currently putting together a tender process to generate a new back-up framework agreement. It is the intention that through this procured framework that a number of contractors will be listed for each trade and when required the first rated contractor will be called on to undertake the work. Should they not be able to undertake the work the second rated contractor will be contacted, etc.

At present no record is kept of which contractors are contacted on the list and whether or not they can respond. Over the period the current contract has been running there were no circumstance where the first ranked was not used. Second ranked and so on have been used a small number of times and then only alongside the first ranked contractor. The last time this occurred was following the storms of December 2012 and 2013. It was therefore not deemed practicable or necessary to put in place a procedure to record when the first ranked contractor wasn't used.

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2.3.17 The operation of the Back-up Framework eliminates the need to obtain three quick quotes in emergency situations and periods of peak workloads. This enables essential repairs to be completed in a timely manner.

2.3.18 In addition to the Back-up Framework contractors, Building Services uses a number of specialist contractors where certain expertise is required which cannot be provided in-house, as follows: spend for 2014/15

Plumbing & Heating	J Doherty Plumbing & Heating	£362,384
Plant Hire	Mather Plant Hire	£31,783
Fencing, tree felling and Landscaping	Doherty & Lafferty	£261,664
Flat Roofs	Allander Roofing	£505,320

The specialist contractors are selected from the pre-approved contractors list kept by REG. Contractors were added to the list as part of the selection process when contracts were put out to tender. The only part of the list currently maintained is the health and safety checks to ensure contractors comply with the Council's health and safety standards. It was established during the audit that Building Services continuously engage the same specialist contractors for certain types of work. This is particularly the case as regards the repair and renewal of flat roof and for fencing/ landscaping work. The specialist contractors engaged by Building Services are Allander Roofing for flat roofs and Doherty & Lafferty for fencing and landscaping. A review of the use of specialist contractors was carried out, the results of which are provided in (e) below.

(e) Review of Specialist Contractors

2.3.19 Audit testing was carried out on the use of two specialist contractors, Allander Roofing Limited and Doherty & Lafferty, in relation to invoices and jobs. Both Allander Roofing Limited and Doherty & Lafferty were added to the pre-approved contractors list following tender processes between 2006 and 2008. However there are no formal contracts in place at present. Due to the lack of formal contracts and the high level of expenditure it was decided to investigate the basis on which work is being allocated to the two contractors. The following table shows the value of work undertaken by both Allander Roofing and Doherty & Lafferty across the Council as a whole.

	<u>2012/13</u>	<u>2013/14</u>	<u>2014/15</u>	<u>2015/16</u>
Allander Roofing	£427,398	£428,007	£506,419	£386,135
Doherty & Lafferty	£685,529	£750,071	£590,006	£556,914

2.3.20 In 2010 Building Services put out to tender the contract to renew and repair flat roofs on Council properties including housing stock. The tender was widely

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advertised and Allander Roofing was the successful bidder. This process was reported through reports to Tendering Committee in February 2010 (to get approval to proceed to tender) and January 2011 (to get approval to award the contract to the successful bidder (Allander Roofing)). However, despite this, the tender was never let, as Building Services were using other local contractors at that time who were cheaper than the rates supplied by the successful tenderer. Management of Building Services decided to continue using these local contractors. However, following complaints from residents regarding the work done by these other contractors, it was later decided by Building Services to award all future flat roof work to Allander Roofing. One such contractor previously undertook all types of roofing contracts including flat roofs. They are no longer used by the Council. Building Services management advise that Allander Roofing is a local firm whose standard of work Building Services consider they can rely upon. They are also available at short notice and in emergencies. They specialise only in flat roofs and have obtained certification for the various types of flat roofs that they repair or install. Building Services have agreed prices with them which are applied to the work done. The prices were last agreed in 2010. They are included on the Pre-approved contractors list kept by REG.

2.3.21 Doherty & Lafferty specialise in steel fencing and garden landscaping, including tree surgery. They do not have an existing contract with the Council. They were last awarded a contract for fencing in February 2008, which expired in September 2008. Building Services have agreed prices with them which were last renewed in 2013. They are included on the Pre-approved contractors list and are the only firm used by Building Services for the work they specialise in. This includes steel fencing, landscaping and tree surgery. On occasions Greenspace and another external contractor were also used.

2.3.22 Building Services in conjunction with Corporate Procurement intend to undertake a tender process for the types of specialist work now been undertaken by Allander Roofing Limited and Doherty & Lafferty, and others. The CPU will first access the Scotland Excel online procurement service available to Local Councils to identify possible contractors for flat roof and fencing. Should no contractors be selected through Excel Scotland the council will undertake the full tender process itself.

2.3.23 Specific testing was carried out on invoices/Jobs for these two contractors, with an initial sample of 30 Invoices (46 Jobs) being examined. An additional 20 Allander Roofing invoices relating to work carried as a result of storm damage in January 2012 and January 2013 were added to the sample tested. The samples were split between Doherty & Lafferty and Allander Roofing and spread over the years 2011/12, 2012/13, 2013/14, 2014/15, and 2015/16. A total of 74 jobs were tested as follows:

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	<u>2011/12</u>	<u>2012/13</u>	<u>2013/14</u>	<u>2014/15</u>	<u>2015/16</u>
Allander Roofing	15	10	6	8	11
Doherty & Lafferty		10	6	2	6

2.3.24 The following points are made as a result of examining these invoices:

- A number of site visits were made by internal audit from the samples selected for 2015/16 to view work completed and invoiced.
- All invoices were matched to the relevant job.
- The Council's procedure for the selection of contractors was not followed. MF0426-Procedure 001 Sub-contracting work states that three quotes must be obtained from the pre-approved list of contractors before a contractor is selected for a job. In all the samples tested no quotes were obtained from contractors other than Allander Roofing and Doherty & Lafferty.
- All invoices were authorised by senior managers in Building Services as required by MF0426- Procedure 001.
- The invoices selected included 15 relating to storm damage in January 2012 and five in January 2013 also storm related. Prices charged for storm damaged repairs were at the same level as for jobs carried out prior to the storms.
- Each Allander Roofing invoice issued is for one job only whereas Doherty & Lafferty Invoices are for multiple jobs (sometimes as many as 80 jobs). Five jobs have been selected from each such Doherty & Lafferty invoice.
- In addition an additional six Allander Roofing Invoices were tested for similar work carried out on Lock-up garages in Durban Avenue Clydebank where the price charged was the same for each job and the same garage numbers were invoiced twice between March 2015 and September 2015 of time. It was found that the incorrect garage numbers were inserted on the invoices for the repair of the garages in Durban Avenue. The numbers listed on the invoices were 21, 23 X2, 24 X2, and 25 X2. The correct numbers should have been 18, 19, 20, 22, 24, 25, and 26. The reason given for the error was that garages in a block are normally numbered left to right but that this was not the case here. The auditor visited the garages and it was confirmed that the flat roofs had recently been replaced on the seven garages and the numbering was confirmed.
- Two invoices, dated 31st March 2015, for work carried out on the roof of Alexandria CEC were also tested as the description of the work done and the cost of the job were the same. It was found that the two invoices for work carried out at Alexandria CEC were for two different jobs relating to repair of the roof.

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- 2.3.25 Building Services operates a paperless office policy. The supporting documentation for jobs undertaken is contained on the job sheet screens available from the Saffron System which is the client system for recording job requests and work completed. All paper signed work sheets and job completion reports are shredded.
- 2.3.26 All jobs are inspected prior to a pre-order being raised for the required work. A completion inspection and report is filled out on completion of the job. In the case of flat roof repairs Allander Roofing Limited are contracted to do the work. The job can require the patching of the existing roof or its complete replacement. Flat roofing is the only type of work undertaken by Allander Roofing Limited. One of the Council Building Services Officers (quality sold property) stated that he would defer to them and their expertise when deciding the exact work required in a particular job. This, however, is not the normal practise. It is the job of the Building Services Officer to decide the work to be done and fully inspect the job on completion. Allander Roofing will provide the Building Services Officer with a quote for the job by e/mail before any work is authorised to commence. The details of the quotes supplied are retained centrally within the Council's e/mail system for a period of 3 years. Any variance to the original job specification must be authorised by the Building Services Officer. All invoices are approved by senior management before payment is authorised. The ledger showed that there are blocks of similar priced jobs carried out. The reason given for this is that similar size units repaired or replaced will incur the same charges. An example of this is lock-up garages in a block which require renewal. Another example is the renewal of balconies in a block of flats. In the case of storm damage, where similar properties have been heavily damaged, the cost of renewing the felt roofs was the same.
- 2.3.27 A similar process is operated for work carried out by Doherty & Lafferty who is a specialist in steel fencing and landscaping. A major difference is that a single invoice can be for a large number of jobs (up to 80). All invoices for that job are matched against the quote and agreed prices before they are authorised for payment.
- 2.3.28 It is now the intention of Building Services, in collaboration with the CPU, to regularise the contracts for flat roofs, fencing and landscaping. This will involve putting the works out to tender.
- (f) **Work at 40 Lennox Road (Includes installation of 6 ft high wooden fences)**
- 2.3.29 Internal Audit was asked to investigate work carried out by Doherty & Lafferty at No 40 Lennox Road, Milton, in July 2015. This was in relation to the necessity of carrying out the work and in particular the replacement of the dividing fence and also the basis of use of a specific contractor. Internal audit were also asked to investigate why missing ridge tiles at the gable end of no's 38/40 have not been replaced.

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2.3.30 A Council Sold Property Officer, on checking entrance steps at No. 36 and No. 34 Lennox Road on 2nd July 2015, was made aware that trees in the garden of No. 40 Lennox Road were potentially causing damage to the walls, guttering and the roof of No. 36 and No. 38 Lennox Road. This had been previously reported to Building Services by the Housing Officer in 2013 but, following inspection, no action was taken at that stage. On further inspection in July 2015, it was found that there were three trees rooted in the garden of No. 40 that were close to the building causing damaged to both No. 40 and adjoining property at No. 36 and No. 34. There was also another tree rooted near the dividing fence between No. 40 and No. 42 which had contributed to the dilapidated state of this fence. The Building Services Officer (Quality Sold Property) made the decision that the trees had to be removed in order to protect the properties and for health & safety reasons. Work was carried between 8th and 10th July 2015. In addition it was noted that about 33% of the garden in No. 40 was completely overgrown and resembled “a jungle” in places.

2.3.31 It is the responsibility of tenants to maintain their gardens (Paragraph 2.10 and 2.11 Secure Tenancy Agreement), e.g. grass cutting and hedge maintenance, unless the Council have agreed to take care of it. Tenants are not expected to undertake major works within their gardens such as the removal of mature / overgrown trees. Paragraphs 2.10 and 2.11 also state that if the tenant does not maintain the garden the Council may do the work (after consultation with the tenant) and charge for it. In this case it was evident to the Sold Property Officer that the tenant of No.40 was not fit enough to undertake the work, nor, it is understood, did he have the financial means to pay a contractor to undertake the work. In this circumstance, the Building Services Officer (Quality Sold Property) made the decision that the Council would undertake the removal of the trees and the clearance of the garden. The Officer also determined that the Council's Greenspace Section within REG did not have the required expertise in tree surgery to undertake the work.

2.3.32 The Building Services Officer (Quality Sold Property) contacted Doherty & Lafferty to assess the work to be done and provide a quotation for the cost. Doherty & Lafferty were selected for the job as the Council already had agreed prices for fencing and tree surgery with this company and are the preferred contractor for this type of work. Prices for all types of work undertaken by Doherty & Lafferty were agreed with the Council in 2013. The prices were market tested by REG Consultancy Service to ensure the council receives best value. The test undertaken consisted of comparing the current Construction Price Index with the Index when prices were last agreed with Doherty & Lafferty. It then recommended a percentage increase matching the movement in the Index. In order to bring in the heavy machinery to uproot the trees and remove them it was necessary to remove the fence at the rear of the garden of No. 40. In addition the uprooting of the trees caused further damage to the dividing fence between No. 40 and No. 42. Both fences were replaced as part of the work done. Paragraph 5.4 of the Secure Tenancy Agreement states that it is the responsibility of the Council carry out repairs to boundary walls and fences but there is no mention of dividing fences. The work was funded by the Housing Revenue Account (HRA) as No. 40 is a

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Council owned property. The Building Services Manager approved the expenditure for new fencing and the Building Services Officer approved the extensive gardens works.

- 2.3.33 A site visit was undertaken by Internal Audit on 24th February to No 40 Lennox Road following the enquiry from an Elected Member. It was observed from the lane at the rear of the properties that there was a new 6ft high wooden fence at the rear of no's 38/No 40 and a new 6ft high dividing fence between the gardens of no's 38/40 and no's 42/44. REG management have advised that the fence at the rear of the property was installed for security reasons as the property backed onto a lane next to an open field. Any future replacement of rear fences to this area will include the installation of similar 6ft high wooden fences which management have advised is typical in these circumstances . The picture below shows both the rear and dividing fence at 38/40 Lennox Road.



- 2.3.34 It was also observed during the visit that ridge tiles close to the gable end of no's 37/40 were missing. A pre-inspection request was raised on 19th January 2016 for the repair of the ridge tiles following an email from the tenant of no 36. A site visit was arranged by the property officer for 19th January 2016 but he was unable to obtain access on the day. A further visit is to be arranged by the property officer to inspect the property for water damage before a repair order is raised.

(g) Work at 4 Overtoun Drive Clydebank

- 2.3.35 Internal Audit was asked to investigate work carried out in 2015 by Doherty & Lafferty at No 4 Overtoun Drive, Clydebank. This was for the removal of an Anderson shelter from the property and the replacement of an existing hedge with a palisade metal fence. It was also suggested that the contents of the Anderson shelter, which included plastic sheeting and paint tins, were buried

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on the property and not removed from the site as is required. Internal Audit was also asked to establish the basis of use of a specific contractor to carry out the work.

2.3.36 The Council received a request from the tenant of No 4 Overtoun Drive, Old Parkhall, Clydebank on 12th March 2014 to have a fence fitted at the rear of property's garden. The tenant said that people were coming into his garden from the adjacent golf course, stealing his bins and setting them on fire. Following inspection it was decided to remove the existing hedge, through which people were gaining access to the tenants garden, supply and install 28M of 1.8M high rounded and notched palisade fence. The Council are responsible for repairs to boundary walls or fences as stated in paragraph 5.4 of the Secure Tenancy Agreement. A Building Services Officer, made a decision on health and safety grounds to remove an Anderson shelter from one corner of the garden. It was deemed to be in a dangerous condition and posed a risk to the tenant. The Council will undertake to remove existing Anderson shelters, after consultation with the tenant, on health and safety grounds. The Building Services Manager approved the expenditure for new fencing and the other work was approved by the Building Services Officer.

2.3.37 The Building Services officer contacted Doherty & Lafferty to assess the work to be done and provide a quotation for the cost of removing the hedge and installing the new fence. Doherty & Lafferty were selected for the job as the Council already had agreed prices for fencing with this company and are the preferred contractor for this type of work. No other contractors were asked to provide a quote. It was agreed that Docherty & Lafferty would remove the Anderson shelter as part of the fencing installation. The job was completed July 2015 and a post inspection review was made by a Building Services Officer

2.3.38 A site visit was undertaken by Internal Audit on 24th February. The tenant was not at home - a neighbour advised that the tenant had been in hospital for a time. A neighbour confirmed that the hedge had been replaced by a fence and the Anderson shelter had been removed in the last year. He also said that the contractors had used an excavator to dig a hole into which plastic sheeting and old paint tins from the Anderson shelter were buried. The pictures below show the garden before and after completion of the work installing the fence and removal of the Anderson shelter. The cost of the Job was £2,864.96.

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(h) Meetings with employees and contractors

2.3.39 Internal Audit have held individual meetings with a number of current and former employees within REG who continue to have or had responsibility for this area of work. In addition, meetings were also held with several contractors. None of these discussions provided any information or evidence to suggest that improper practices have been used in the engagement of specific contractors.

2.4 Conclusions

- 2.4.1 The only pre-approved contractor list kept by the Council is that kept by REG. Contractors were originally listed following a bid under a tender process. The only element of the list currently being maintained is the Health Safety part, to confirm the Health & Safety qualifications of contractors tendering for contracts. Building Services only use contractors that are on this list and make use of the tendering process for works with an aggregated valued over £50,000. The use of pre-approved lists is not in line with best procurement practice and is in contravention of the Council's Financial Regulations (both current and previous).
- 2.4.2 The DLO maintain a back-up framework from which outside contractors are selected where their own workers are unable to do the work for example in the case of an emergency resulting from storm damage. The framework is also used in times of peak workload. The back-up framework was established following a tendering process. The most recent back-up framework is out of date since June 2013 and needs to be renewed. The DLO continues to use this framework despite it being out of date. No record is kept detailing the use of 2nd and 3rd listed contractors and the explanation as to why they were called upon. A procedure needs to be put in place to record the contractors contacted and why they could not perform the work before the next rated contractor is contacted. The continued use of this framework is in contravention of current and previous Financial Regulations.
- 2.4.3 The work of specialist contractors needs to be regularised. At present Building Services use preferred contractors who they call upon to undertake work for the Council to the exclusion of other contractors. For fencing the preferred contractor is Doherty & Lafferty and for flat roofs it is Allander Roofing. These two contractors do not have formal contracts. The last contract for fencing, landscaping and tree surgery, which Doherty & Lafferty won, expired in 2008. In the case of Allander Roofing, while they were the lowest bidder, in 2010 when the contract for repair and renewal of flat roofs was last put out to tender, the contract was not let. Over the years since these contract periods expired Building Services have agreed prices with both contractors and no other contractors are being engaged for this type of work. This is in contravention of the Council's current and previous Financial Regulations; and also Buildings Services own procedures which requires that three quotes should be obtained before contractors are awarded work. The services of the CPU should be utilised to ensure formal contracts are put in place for all of works undertaken by specialist contractors such as Allander roofing Limited and Doherty & Lafferty. All contracts should comply with the Council's procurement procedures. This will include undertaking appropriate processes where the cumulative value of work undertaken exceeds £50K.
- 2.4.4 The CPU is undertaking an exercise to identify major suppliers, including contractors, who do not have contracts with the Council. This review of

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suppliers is still on-going and no final conclusion or recommendations have yet been made.

- 2.4.5 Internal Audit have held individual meetings with a number of current and former employees within REG who continue to have or had responsibility for this area of work. In addition, meetings were also held with several contractors. None of these discussions provided any information or evidence to suggest that improper practices have been used in the engagement of specific contractors.
- 2.4.6 The work undertaken at 40 Lennox Road to remove several trees and repair / replace fencing and clear the garden was appropriate in principle and management have assured Internal Audit that this type of fence is typically installed as standard for rear gardens especially where there is a security issue as was apparent in this instance. , In addition as mentioned above, the work of specialist contractors does need to be regularised.
- 2.4.7 There is some anecdotal evidence to support the claim that material was buried in the garden of 4 Overtoun Drive. However, without digging up the garden it cannot be said with certainty that this is the case.
- 2.4.8 There is no clear policy as to when a tenant is to be charged for some repairs. The decision to charge or not is left to the Property Officer who raises the order for the work to be completed. In the case of large repairs there may be a case for review where the authorisation of a manager is required to authorise the HRA to bear the cost of the repair.
- 2.4.9 A lack of formal / up to date contracts being in place presents the potential for fraud and corruption in areas where significant levels of expenditure are being incurred in contravention of current and previous Financial Regulations.

3. Recommendations

- 3.1 The Strategic Lead - Regeneration should, in consultation with HR, take what action, if any, he deems necessary in relation to the findings of this report.
- 3.2 The attached action plan contains recommendations to improve internal controls and financial procedures.

3. Action Plan: Procurement – approved contractors list						
Ref. No.	Finding	Recommendation	Priority	Management Comment	Manager Responsible	Date to be Completed
1.	<u>Specialist Contractors Contracts</u> The procurement of specialist contractors needs to be regularised. At present contractors are engaged for work without formal contracts being in place.	Building Services, with the support / assistance of the Corporate Procurement Unit (CPU) Section should regularise the contracts for flat roofs, fencing and landscaping and other work which is currently being undertaken by specialist contractors.	High	<p>A meeting between CPU and Building Services took place on 11 May 2016 where discussions took place on the pipeline of work and agreed timescales and responsible officers for development of tenders and contracts to ensure the Council is not exposed where services are being provided and no contract is in place.</p> <p>The Building Services procurement pipeline has been agreed with the timeframe in which all contracts will be let. Most high priority contracts will be let by 31 October 2016.</p> <p>Until work is completed to let appropriate contracts, officers will be reinstructed on the requirement to follow Procedure 001 – Sub-contracting. Where repairs exceed the value of £2,000 a minimum of 2 quotations will</p>	<p>Andrew Gordon / Martin Feeney</p> <p>Martin Feeney</p> <p>Martin Feeney</p>	<p>31 March 2017</p> <p>31 March 2017</p> <p>22 June 2016</p>

3. Action Plan: Procurement – approved contractors list						
Ref. No.	Finding	Recommendation	Priority	Management Comment	Manager Responsible	Date to be Completed
		Corporate Procurement should review all specialist contractor supplies to ensure that all have appropriately procured contracts in place; and, if not assist, departments to get these in place.	High	<p>be obtained along with a third quotation using Building Services / National Schedule of Rates (NSOR) costs. Records of these will be scanned and filed on the 'X' drive, Maintenance and Repairs folder.</p> <p>CPU are currently reviewing areas where services have been supplied with no contracts being in place, and will work with departments to ensure that the relevant tender process or framework call off is carried out and contracts put in place.</p>	Andrew Gordon	30 September 2016
2.	<u>Back-up Framework Tender</u> Building Services maintain a Back-up Framework from which outside contractors are selected where their own workers are unable to do the work for example in the case of an emergency resulting from storm damage. The	A tendering process should be undertaken to enable a new Back-up Framework to be set up. This is essential to ensure that the Council is obtaining best value when outside contractors are called upon to undertake emergency repairs.	High	Following the meeting with Building Services on 11 May 2016, CPU will work with Building Services to ensure that the tender process previously commenced is completed and contracts put in place. Since the Back-up Framework contract commenced in 2010, there	Andrew Gordon / Martin Feeney	31 October 2016

3. Action Plan: Procurement – approved contractors list						
Ref. No.	Finding	Recommendation	Priority	Management Comment	Manager Responsible	Date to be Completed
	<p>current back-up framework was established following a tendering process in 2010 and expired in June .2013</p> <p>There is no record keep of contractors contacted for the allocation of work under the Back-up Framework.</p>	A procedure is to be put in place to record the contractors contacted under the Back-up Framework and why they could not perform the work before the next rated contractor is contacted.	Medium	<p>has been no uplift in the rates paid which does demonstrate that Value For Money was sustained.</p> <p>Although there have been no incidents where this has occurred over the last six years, a review of Procedure 001 Sub-contracting will be carried out. This will include a process to record information where non 1st ranked back up contractors are used with information on the reason why. If possible, we will include a flag on the IHMS to ensure this data is automatically recorded on the new management system.</p>	Martin Feeney	30 September 2016

3. Action Plan: Procurement – approved contractors list						
Ref. No.	Finding	Recommendation	Priority	Management Comment	Manager Responsible	Date to be Completed
3.	<u>Formal Tendering Arrangements</u> It is evident that formal tendering arrangements do not exist in all instances for significant levels of expenditure.	Formal tendering arrangements need to be put in place for all works that it is anticipated will cost in excess of £50K (cumulative) in accordance with the Council's Financial Regulations. Evidence should be maintained of the appointment of contractors where the value of the contract is between £2,000 and £50,000. This will include evidence of at least three quotes obtained under the quick quote process.	High	Following the meeting with Building Services on 11 May 2016, CPU will work with Building Services to ensure that the relevant tender process or framework call off is carried out and contracts put in place.	Andrew Gordon / Martin Feeney	31 March 2017

3. Action Plan: Procurement – approved contractors list						
Ref. No.	Finding	Recommendation	Priority	Management Comment	Manager Responsible	Date to be Completed
4.	<u>Record of Contracts</u> Building Services have allowed a number of tender agreements to expire and not taken steps to plan and put in place new tenders so that contracts can be arranged. In the case of flat roofing a tender process was organised but the tender was never let.	CPU should establish and maintain a register of contracts where the level of expenditure may require the work to be awarded by tender. All departments should review the register on a regular basis to ensure that all contracts relevant to them are listed and up to date.	Medium	CPU maintains a contracts register which contains all development, live and pipeline contracts. CPU regularly request updated procurement project pipelines from all departments to ensure that all future and recurring requirements are captured, and are tendered where required.	Andrew Gordon	Complete and ongoing
5.	<u>Inspection Checks</u> Instances were identified where the expertise of specialist contractors was accepted without sufficient scrutiny by the Council	Management must always ensure that, in determining the specific requirements of work done by specialist contractors, appropriate inspections and checks are performed and evidenced by a Building Services Officer (or other Officer with the required technical knowledge) before the work is authorised.	Medium	Officers will be reinstructed and briefed on their duty and need to specify works and not rely upon contractors to provide work schedules	Martin Feeney	30 June 2016

3. Action Plan: Procurement – approved contractors list						
Ref. No.	Finding	Recommendation	Priority	Management Comment	Manager Responsible	Date to be Completed
6.	<u>Expenditure Authorisation</u> There is no formal policy in place where it is decided that the Housing Revenue Account bears the cost of pays for work which a tenant is deemed to be unable to pay.	A formal policy should be introduced where the Housing Revenue Account is required to incur costs on essential repair and rectification costs that would normally be borne by the occupant of the property, this to include management authorisation.	Low	The existing process will be formalised into a formal policy in discussion with colleagues from estate management to include work that would normally be the responsibility of the tenant where it is recommended costs are met from the HRA including management approval process.	Martin Feeney	28 October 2016
7.	<u>Retention of Supporting Documentation</u> Building Services operates a paperless office policy. The supporting documentation for jobs undertaken is contained on the job sheet screens available from the Saffron System which is the client system for recording job requests and work completed. All paper signed work sheets and job completion reports are shredded.	Building Services should retain all relevant supporting documentation in accordance with Council's document retention schedules for housing. i.e.: Major Repairs-Current plus 10 years/5 years Minor Repairs- Current plus 7 years/5 years This can be achieved by	High	Data on all repairs is already retained within Client and Contractor systems. A procedure for document retention is already in place. This will be reviewed and amended if appropriate and reissued to teams. In addition and for the implementation of the IHMS document scanning is being introduced. In the interim, all post inspection records will be scanned and filed in the	Martin Feeney	Already implemented 30 September 2016 29 July 2016






3. Action Plan: Procurement – approved contractors list						
Ref. No.	Finding	Recommendation	Priority	Management Comment	Manager Responsible	Date to be Completed
		scanning all signed inspection reports and completion reports.		'X' drive, Maintenance and Repairs folder		
8.	<u>Separation of Duties</u> In the samples tested relating to fencing and roofing work it was found that the same Property Officer was responsible for raising the order for the work, supervising the job and also carrying out the post inspection when the work was complete	The post inspection checks of work done should be carried out by an Officer independent of the Officer responsible for raising the works order and supervising the work.	Medium	The current practice is that an independent officer carries out sample testing of post inspections (in the region of 30%); this officer is entirely detached from the repair inspection and completion of works processes. This arrangement will be reinforced in view of the results of audit testing.	Martin Feeney	Already implemented
9.	<u>Keeping Committees up to date</u> In the examination of the process to procure Allander Roofing, it is clear that officers decided not to implement a decision by the Tendering Committee	<p>The Strategic Director of Regeneration, Environment & Growth should ensure that all Committee decisions are implemented.</p> <p>If for some reason a Committee decision is not implemented then the Strategic Director of Regeneration, Environment & Growth</p>	<p>Medium</p> <p>Medium</p>	In the unlikely event a committee decision can't be implemented, a report will be submitted to the appropriate committee outlining the issues and seeking approval for any variance in future	Martin Feeney	Ongoing

3. Action Plan: Procurement – approved contractors list						
Ref. No.	Finding	Recommendation	Priority	Management Comment	Manager Responsible	Date to be Completed
		should ensure that a further report is provided to that Committee advising of the issues.				



Appendix B: Covalent Report – Progress on Implementation of Action Plan



Generated on: 26 October 2016











Action Status	
	Cancelled
	Overdue; Neglected
	Unassigned; Check Progress
	Not Started; In Progress; Assigned
	Completed





Project 102. Procurement - approved contractors list (Report Issued August 2016)







Recommendation	Agreed Action	Status	Progress Bar	Original Due Date of Action	Actual Due Date of Action	Assigned To	Note
<u>1(a). Specialist Contractors Contracts</u> Building Services, with the support / assistance of the Corporate Procurement Unit (CPU) Section should regularise the contracts for flat roofs, fencing and landscaping and other work which is currently being undertaken by specialist contractors. (High Risk)	A meeting between CPU and Building Services took place on 11 May 2016 where discussions took place on the pipeline of work and agreed timescales and responsible officers for development of tenders and contracts to ensure the Council is not exposed where services are being provided and no contract is in place. The Building Services procurement pipeline has been agreed with			31-Mar-2017	31-Mar-2017	Martin Feeney; Andrew Gordon	There are 3 milestones for this action, 2 of which have been completed. Six of the priority tenders were published at the end of September, including specialist contracts for Fencing & Light Engineering and Flat Roofing. Tender returns and contract awards for these are due to be completed by end of December 2016. The remaining tenders have been programmed to be published over the coming months which are still on target to have contracts in place by the

Recommendation	Agreed Action	Status	Progress Bar	Original Due Date of Action	Actual Due Date of Action	Assigned To	Note
	<p>the timeframe in which all contracts will be let. Most high priority contracts will be let by 31 October 2016.</p> <p>Until work is completed to let appropriate contracts, officers will be reinstructed on the requirement to follow Procedure 001 – Sub-contracting. Where repairs exceed the value of £2,000 a minimum of 2 quotations will be obtained along with a third quotation using Building Services / National Schedule of Rates (NSOR) costs. Records of these will be scanned and filed on the 'X' drive, Maintenance and Repairs folder.</p>						end of March 2017.
<p><u>1(b). Specialist Contractors Contracts</u> Corporate Procurement should review all specialist contractor supplies to ensure that all have appropriately procured contracts in place; and, if not assist, departments to get these in place. (High Risk)</p>	<p>CPU are currently reviewing areas where services have been supplied with no contracts being in place, and will work with departments to ensure that the relevant tender process or framework call off is carried out and contracts put in place.</p>			30-Sep-2016	30-Sep-2016	Andrew Gordon	This process has been embedded within the Category Strategy arrangements.

<p><u>2(a). Back-up Framework Tender</u></p> <p>A tendering process should be undertaken to enable a new Back-up Framework to be set up. This is essential to ensure that the Council is obtaining best value when outside contractors are called upon to undertake emergency repairs.</p> <p>(High Risk)</p>	<p>Following the meeting with Building Services on 11 May 2016, CPU will work with Building Services to ensure that the tender process previously commenced is completed and contracts put in place. Since the Back-up Framework contract commenced in 2010, there has been no uplift in the rates paid which does demonstrate that Value For Money was sustained.</p>			<p>31-Oct-2016</p>	<p>23-Dec-2016</p>	<p>Martin Feeney; Andrew Gordon</p>	<p>There are 3 milestones in this action, 2 of which have been completed.</p> <p>This priority tender was published at the end of September, unfortunately it has been necessary to extend the initial target date to award and let this from 31 October until 23 December 2016. This was due to a number of factors including the complexity of contracts required to be developed by teams from Building Services, Consultancy Services and the Corporate Procurement Unit and other services demands particularly to administrate and let other high profile contracts.</p> <p>In the interim and when it is necessary to sub contract work, Building Services will continue to follow council procedures to ensure best value is being achieved.</p>
<p><u>2(b). Back-up Framework Tender</u></p> <p>A procedure is to be put in place to record the contractors contacted under the Back-up Framework and why they could not perform the work before the next rated contractor is contacted.</p> <p>(Medium Risk)</p>	<p>Although there have been no incidents where this has occurred over the last six years, a review of Procedure 001 Sub-contracting will be carried out. This will include a process to record information where non 1st ranked back up contractors are used with information on the reason why. If possible, we will include a flag on the IHMS to ensure this data is</p>			<p>30-Sep-2016</p>	<p>30-Sep-2016</p>	<p>Martin Feeney</p>	<p>Action complete.</p> <p>A review of Building Services Procedure 001 Sub Contracting Work has been carried out and this now includes an instruction to record information on systems where the first ranked contractor cannot complete the work in the required timeframe and where it has been necessary to use a lower ranked contractor.</p> <p>Teams and Officers were briefed on the revised</p>

	automatically recorded on the new management system.						procedure on the 21 June 2016.
<u>3. Formal Tendering Arrangements</u> Formal tendering arrangements need to be put in place for all works that it is anticipated will cost in excess of £50K (cumulative) in accordance with the Council's Financial Regulations. Evidence should be maintained of the appointment of contractors where the value of the contract is between £2,000 and £50,000. This will include evidence of at least three quotes obtained under the quick quote process. (High Risk)	Following the meeting with Building Services on 11 May 2016, CPU will work with Building Services to ensure that the relevant tender process or framework call off is carried out and contracts put in place.		 33%	31-Mar-2017	31-Mar-2017	Martin Feeney; Andrew Gordon	This action has 3 milestones, 1 of which has been completed. The target date for the 2 remaining milestones is the 31/03/17. Progress to let high profile contracts is on target to be achieved by the end of March 2017 which will significantly reduce the requirement to obtain quotations under the quick quotes process. In the interim, a quotation folder has been set up to record all estimates and costs received from contractors where it is necessary to sub-contract work. Quotations are scanned to Building Services folder within the 'X'-Drive and records will be available to be reviewed at future dates if necessary.
<u>4. Record of Contracts</u> CPU should establish and maintain a register of contracts where the level of expenditure may require the work to be awarded by tender. All departments should review the register on a regular basis to ensure that all contracts relevant to them are listed and up to date. (Medium Risk)	CPU maintains a contracts register which contains all development, live and pipeline contracts. CPU regularly request updated procurement project pipelines from all departments to ensure that all future and recurring requirements are captured, and are tendered where required.		 100%	31-Aug-2016	31-Aug-2016	Andrew Gordon	Complete and ongoing.

<p><u>5. Inspection Checks</u> Management must always ensure that, in determining the specific requirements of work done by specialist contractors, appropriate inspections and checks are performed and evidenced by a Building Services Officer (or other Officer with the required technical knowledge) before the work is authorised.</p> <p>(Medium Risk)</p>	<p>Officers will be reinstructed and briefed on their duty and need to specify works and not rely upon contractors to provide work schedules.</p>			<p>30-Jun-2016</p>	<p>30-Jun-2016</p>	<p>Martin Feeney</p>	<p>A briefing session was delivered at Clydebank Town Hall on Tuesday 21 June 2016 entitled Audit Report - Procurement and Approved Contractors. Building Services Officers, Craft Supervisors, Technical Officers and other officers attended the briefing session where we discussed the updated Building Services Procedure 001 - Sub Contracting Work. Item 9 in the procedure states "Whilst it is acceptable to use contractors' expertise and experience, the Authorising Officer is responsible to specify works and should not rely upon contractors to provide work schedules including dimensions and quantities of the works required". The updated Procedure 001 - Sub Contracting Works has been distributed to all officers involved in the process of sub contracting works.</p>
<p><u>6. Expenditure Authorisation</u> A formal policy should be introduced where the Housing Revenue Account is required to incur costs on essential repair and rectification costs that would normally be borne by the occupant of the property, this to include management authorisation.</p> <p>(Low Risk)</p>	<p>The existing process will be formalised into a formal policy in discussion with colleagues from estate management to include work that would normally be the responsibility of the tenant where it is recommended costs are met from the HRA including management approval process.</p>			<p>28-Oct-2016</p>	<p>28-Oct-2016</p>	<p>Martin Feeney</p>	<p>Action complete. A formal procedure is now in place where work which is normally the responsibility of the tenant will not proceed without prior approval from the estates operations team.</p>

<p><u>7. Retention of Supporting Documentation</u> Building Services should retain all relevant supporting documentation in accordance with Council's document retention schedules for housing. i.e.: - Major Repairs-Current plus 10 years/5 years - Minor Repairs- Current plus 7 years/5 years</p> <p>This can be achieved by scanning all signed inspection reports and completion reports.</p> <p>(High Risk)</p>	<p>Data on all repairs is already retained within Client and Contractor systems.</p> <p>A procedure for document retention is already in place. This will be reviewed and amended if appropriate and reissued to teams.</p> <p>In addition and for the implementation of the IHMS document scanning is being introduced. In the interim, all post inspection records will be scanned and filed in the 'X' drive, Maintenance and Repairs folder.</p>		 100%	30-Sep-2016	30-Sep-2016	Martin Feeney	<p>Action complete.</p> <p>Procedure 009 - Retention of Supporting Documentation for repairs and projects has been developed and issued to teams.</p> <p>Briefing sessions were held with teams and Officers on the 21 June 2016.</p> <p>Data on all repairs is retained within Client and Contractor systems.</p> <p>Where current systems don't have the facility to hold supporting documentation such as signed post work inspections; these are scanned to Building Services folder within the 'X'-Drive.</p>
<p><u>8. Separation of Duties</u> The post inspection checks of work done should be carried out by an Officer independent of the Officer responsible for raising the works order and supervising the work.</p> <p>(Medium Risk)</p>	<p>The current practice is that an independent officer carries out sample testing of post inspections (in the region of 30%); this officer is entirely detached from the repair inspection and completion of works processes. This arrangement will be reinforced in view of the results of audit testing.</p>		 100%	31-Aug-2016	31-Aug-2016	Martin Feeney	<p>Action complete.</p> <p>Whilst it can be beneficial the instigating officer completes post work inspections as they are most familiar with the work required, ordered, repair locations and any variation to work schedule, approximately 30% of all post inspections are completed by independent employees from those that instructed, managed or completed the works.</p>
<p><u>9. Keeping Committees up to date</u> The Strategic Director of Regeneration, Environment & Growth should ensure that all Committee decisions are implemented. If for some reason a Committee</p>	<p>In the unlikely event a committee decision can't be implemented, a report will be submitted to the appropriate committee outlining the issues and seeking approval for any</p>		 100%	31-Aug-2016	31-Aug-2016	Martin Feeney	<p>All building services officers that produce committee reports have been briefed on the need to submit a further report to a subsequent committee if a decision made at a previous committee cannot be implemented</p>

<p>decision is not implemented then the Strategic Director of Regeneration, Environment & Growth should ensure that a further report is provided to that Committee advising of the issues.</p> <p>(Medium Risk)</p>	<p>variance in future.</p>						<p>outlining the reasons why and seeking committee approval for any variation.</p>
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