

**AUDIT COMMISSION PUBLIC INTEREST REPORT:  
HIGHWAYS AND ENGINEERING SERVICES CONTRACT MANAGEMENT AND AWARD**

**ACTION PLAN**

| <b>RECOMMENDATION</b>  | <b>PRIORITY</b> | <b>AGREED ACTION</b>  | <b>DATE FOR ACTION</b>  | <b>RESPONSIBLE OFFICER</b>                      |
|--|-----------------|---|-------------------------|---|
| <b>Recommendation 1</b><br>Reconsider the issue of the declaration of interests for the HES contract having regard to the information now available. | High            | Declaration of Interest issue has been reconsidered and an investigation commenced.   | March 2012              | Chief Executive                                 |
|  |                 | Independent investigator has been appointed to carry out the investigation.   | April 2012              | Chief Executive                                 |
|  |                 | To consider investigator's final report once received.  | Within month of receipt | Chief Executive                                 |
| <b>Recommendation 2</b><br>Reinforce to all staff their responsibilities for accurate, complete and timely declarations of interests.                | High            | Existing Policy and obligations reinforced to officers of the Executive Team.   | Completed (August 2012) | Chief Executive                                 |
|  |                 | Revise and issue guidance on Declarations of Interests (including the revision of the Declaration of Interests Form).   | Mid Oct 2012            | Acting Director of Law, HR and Asset Management |
|  |                 | All staff to be reminded of Policy and obligations in relation to making declarations of interests through management briefings/team meetings and the Council's 'OneBrief' communication. | End Oct 2012            | Chief Executive/<br>Directors                   |

|  |      |  |  |   |
|--|------|--|--|---|
| <p><b>Recommendation 3</b><br/>Provide training to all staff involved in procurement on communication with tenderers during the pre-tender and tender evaluation periods.</p>      | High | <p>Training - Annually train Responsible Officers (as defined in the Contract Procedure Rules ('CPR')), as set out at R14</p> <p>Establish an Officer Contract Monitoring Group to share best practice.</p>  | <p>See R14</p> <p>See R12</p>  | <p>See R14</p> <p>See R12</p>   |
| <p><b>Recommendation 4</b><br/>Review arrangements for ensuring that tender specifications are robust and do not contain ambiguities that limit future benefit realisation.</p>    | High | <p>See Recommendation 14 for process and reporting</p> <p>Review and re-organise the Procurement function, to have access to category managers and a strategic approach to Procurement.</p> <p>Resolve the relationship of Procurement and Commissioning.</p>  | <p>See R14</p> <p>Dec 2012</p> <p>Oct 2012</p>   | <p>See R14</p> <p>Interim Director of Finance</p> <p>Interim Director of Finance</p>  |
| <p><b>Recommendation 5</b><br/>Quantify and report to elected members the additional cost of using the electrical sub-contractor during the period April 2009 to October 2010.</p> | Low  | <p>Specific report to be presented to Cabinet.</p>   | <p>27 September 2012 (Cabinet Meeting)</p>   | <p>Interim Director of Technical Services</p>   |
| <p><b>Recommendation 6</b><br/>Review procedures for challenging individual rates and the overall impact of rates tendered during the tender evaluation process</p>                | High | <p>Training - Annually train Responsible Officers, as set out at R14</p> <p>As part of the Procurement/Commissioning process, both in design and award, establish the challenge process, as an integral feature, to be policed by the Procurement section.</p> <p>Analysis of tender submissions to include identification of outlying prices and seek appropriate and specific clarification.</p> | <p>See R14</p> <p>Dec 2012 Undertake annually every March</p> <p>See R14 (1<sup>st</sup> action)</p> | <p>See R14</p> <p>Interim Director of Finance (with the Responsible officer for each contract)</p> <p>Responsible Officer for each contract</p> |

|   |        |  |   |  |
|---|--------|--|---|--|
| <p><b>Recommendation 7</b><br/>Ensure that any decision to commence contracts prior to contract signature is recorded in risk registers, appropriately approved and reported to elected members.</p>  | High   | <p>Review Procurement Toolkit and update to ensure obligation to update the risk register, seek prior approval and Members are informed is included.</p> <p>Ensure that the Risk Register is maintained and completed for each major procurement exercise.</p> <p>Responsible Officer must ensure that all relevant parties including the Directors of Law, HR and Asset Management and Finance have been consulted, prior to any decision to start the contract and that Members are aware of any significant risks when agreeing a start date.</p> | <p>Oct 2012</p> <p>Ongoing</p> <p>Ongoing</p> | <p>Interim Director of Finance</p> <p>Responsible Officer for each contract</p> <p>Responsible Officer for each contract</p> |
| <p><b>Recommendation 8</b><br/>Undertake an option appraisal to evaluate the risk and benefits of HES contract form migration, and evaluate and consider the findings, in advance of any such migration.</p>  | Medium | <p>Appraisal to be undertaken to evaluate risks and benefits of the HESPE contract form migration having regard to Cabinet's decision whether to extend the HESPE contract.</p>  | Dec 2012                                      | Interim Director of Technical Services   |
| <p><b>Recommendation 9</b><br/>If migration of the contract is considered then the Council will need to consider whether this represents a material change which would result in a breach of procurement requirements before making a decision.</p> | Medium | <p>Action linked to Recommendation 8 and will be included as part of the report.</p>   | Dec 2012                                      | Interim Director of Technical Services   |
| <p><b>Recommendation 10</b><br/>Provide and consider reports on departures from contract mobilisation plans and the associated risks.</p>   | High   | <p>See Recommendation 14</p> <p>Implement on a RAG basis, with Red flags reported strategically.</p>   | <p>See R14</p> <p>Dec 2012</p>                | <p>See R14</p> <p>Interim Director of Finance and Responsible officer for each contract</p>                                  |

|   |      |   |  |  |
|---|------|---|--|--|
| <p><b>Recommendation 11</b><br/>Provide a clear summary to elected members on variations and new rates, the reasons for these and the financial impact (quantifying it against the original tender or the latest activity information) in order to inform the value for money assessment and ensure compliance with Contract Procedure Rules.</p> | High | <p>CPR's to be reviewed and enhanced, particularly regarding value for money.</p> <p>Ensure that tender documentation is clear about the reporting arrangements – see R14</p> <p>Responsible Officers to be clear in reports to Members on cost, quality and/or quantities (as applicable) on the award of the contract and any variations and new rates which shall include relevant market benchmarking.</p> <p>Note : Link to Recommendation 5 on reporting any subsequent changes to Cabinet.</p> | <p>Jan 2012</p> <p>Oct 2012</p> <p>Ongoing</p> | <p>Acting Director of Law, HR and Asset Management</p> <p>Interim Director of Finance</p> <p>Responsible Officer for each contract</p> |
| <p><b>Recommendation 12</b><br/>Monitor compliance with the revised Contract Procedure Rules for variations.</p>  | High | <p>See R14</p> <p>Implement on a RAG basis, with Red flags reported strategically.</p>  | <p>See R14</p> <p>Dec 2012</p>                 | <p>See R14</p> <p>Interim Director of Finance and Responsible officer for each contract</p>  |
| <p><b>Recommendation 13</b><br/>Establish clear standards for documentation of contract management procedures and monitor.</p>  | High | <p>See R14</p> <p>CPRs to be enhanced regarding the principles of contract management.</p> <p>Procurement Toolkit to include clear standards for documentation contract management procedure.</p>   | <p>See R14</p> <p>Jan 2012</p> <p>Dec 2012</p> | <p>See R14</p> <p>Acting Director of Law, HR and Asset Management</p> <p>Interim Director of Finance</p>                               |

**Recommendation 14**  
 Introduce an effective performance management system from the start of a contract.

High

As part of the Procurement/Commissioning process, both in design and award, establish contract monitoring and compliance, as an integral feature, to be policed by the Procurement section.

Oct 2012

Interim Director of Finance

Procurement Toolkit to set out obligations and requirements and provide relevant advice and guidance in relation to:

Nov 2012

Interim Director of Finance

- procurement processes
- contract monitoring
- contract variation
- identification of risk
- escalation of identified risk
- performance management; and
- compliance.

Annually train Responsible Officers in the contract life cycle, which will cover:

Initially Dec 2012

Interim Director of Finance

- Design
- Award
- Monitoring
- Exit
- Dispute process

Thereafter annually every March

Report variations to contracts as part of the monthly monitors, for capital and revenue.

Dec 12 on

Interim Director of Finance/Responsible officer for each contract

Revise the governance of report production, to ensure relevant officers contribute to reports, as a matter of system design.

Dec 2012

Acting Director of Law, HR and Asset Management

|   |               |   |  |  |
|---|---------------|---|--|--|
| <p><b>Recommendation 15</b><br/>Undertake regular tests on the accuracy of performance information reported.</p>  | <p>Medium</p> | <p>Corporate Performance Team and Corporate Procurement Unit ('CPU') set out and promulgate the data standards.</p> <p>Train Responsible Officers in new standards.</p> <p>Ensure compliance following training of Responsible Officers.</p> <p>Internal Audit, to ensure that the systems and controls are appropriate and effective, by revising the three year Audit Plan to ensure coverage.</p>        | <p>Dec 2012</p> <p>Jan 2012 - Feb 2013</p> <p>Mar 2013</p> <p>Oct 2012</p>   | <p>Director of Public Health and Interim Director of Finance</p> <p>Interim Director of Finance</p> <p>Director of Public Health</p> <p>Chief Internal Auditor</p>   |
| <p><b>Recommendation 16</b><br/>Establish and implement clear procedures for identifying risks and escalating them through departmental and corporate risk registers.</p> | <p>High</p>   | <p>Revised Risk Management Framework agreed by Executive Team</p> <p>Framework to be presented to Members for approval.</p> <p>Capital Programme risk review imbedded in Gateway process for scheme monitoring.</p> <p>Ensure that for projects, Risk Registers exist from procurement to implementation.</p> <p>Risks considered weekly at Executive Team and advised to Administration of the Council</p> | <p>Completed (Sept 2012)</p> <p>Nov 2012</p> <p>Oct 2012 &amp; Ongoing</p> <p>Post Oct 12 and Ongoing</p> <p>Completed (July 2012)</p> | <p>Interim Director of Finance</p> <p>Interim Director of Finance</p> <p>Interim Director of Finance and then Responsible officer for each contract</p> <p>Chief Executive and Responsible officer for each contract</p> <p>Chief Executive and Executive Team</p> |

|  |        |  |  |  |
|--|--------|--|--|--|
|  |        | <p>Institution of monthly financial monitoring reports to Cabinet, which includes risk reporting, through with Portfolio-Holders and Ward Members are advised of issues.</p> <p>Corporate Risk Register agreed by Executive Team and reported quarterly to Audit &amp; Risk Overview Committee.</p>  | <p>Sept 2012 and Ongoing</p> <p>Nov 2012</p>   | <p>Chief Executive and Executive Team</p> <p>Interim Director of Finance</p>   |
| <p><b>Recommendation 17</b><br/>Ensure significant risks are reported promptly to elected members</p>  | High   | <p>Risks considered weekly at Executive Team and advised to the Administration of the Council.</p> <p>Institution of monthly financial monitoring reports to Cabinet, which includes risk reporting, through with Portfolio-Holders and Ward Members are advised of issues.</p> <p>Revised Risk Management Framework agreed by Executive Team and to be presented to Members for approval.</p> | <p>Completed (July 2012) and Ongoing</p> <p>Sept 2012 and Ongoing</p> <p>Sept/Nov 2012</p> | <p>Chief Executive</p> <p>Interim Director of Finance and Responsible Officer for each contract</p> <p>Chief Executive and Interim Director of Finance</p> |
| <p><b>Recommendation 18</b><br/>Ensure elected members receive and consider the full reports for all 'Gateway' reviews, to enable them to understand fully the risks facing the Council and agree corrective action.</p>     | Medium | <p>Procurements involving the use of Gateway Reviews - all Gateway Review reports to be appended to relevant Cabinet reports for Members consideration. This is included within the Procurement Toolkit.</p>   | <p>As and when Reviews are received</p>  | <p>Responsible Officer for each contract</p>   |
| <p><b>Recommendation 19</b><br/>Agree for all procurements the arrangements for collating on a routine basis the financial and performance information needed to evaluate the effectiveness of the procurement exercise.</p> | Medium | <p>Ensure all pre-award and baseline information is included in the report on awarding the contract.</p> <p>Framework to be established by Corporate Procurement Unit. This is to be included in the Procurement Toolkit.</p>  | <p>Sept 2012</p> <p>Sept 2012</p>  | <p>Responsible Officer for each contract</p> <p>Interim Director of Finance</p>  |

|   |        |   |  |   |
|---|--------|---|--|---|
|   |        | Effectiveness of any procurement exercise should be evaluated by the Responsible Officer and the Corporate Procurement Unit as part of the Council's standard procurement process.  | Oct 2012   | Responsible officer for each contract with the Interim Director Finance                           |
| <b>Recommendation 20</b><br>Consider the results of the fundamental review of Internal Audit at elected member level and agree corrective action.   | High   | Review of Internal Audit to be undertaken to include issues raised in respect of Internal Audit.<br><br>Report review and recommendations to the Improvement Board and the Council's Audit and Risk Management Committee.<br><br>Implement agreed recommendations.                                  | Dec 2012<br><br>January 2012<br><br>As soon as practicably possible. | Interim Director of Finance<br><br>Interim Director of Finance<br><br>Interim Director of Finance |
| <b>Recommendation 21</b><br>Review at elected member level the adequacy of existing arrangements for receiving and considering concerns from whistleblowers and for agreeing corrective action. | Medium | Council's Whistleblowing Policy reviewed and approved by Cabinet. Ongoing awareness raising through internal communications is in place.<br><br>Raise further the awareness of revised Whistleblowing Policy through management briefings/team meetings and the Council's 'OneBrief' communication. | Completed (April 2012)<br><br>Nov 2012                               | Director of Law, HR and Asset Management<br><br>Chief Executive and Directors                     |