



Audit and Risk Management Committee

Date:	Monday, 22 November 2010
Time:	6.15 pm
Venue:	Committee Room 2 - Wallasey Town Hall

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SUPPLEMENTARY AGENDA

8. LESSONS LEARNED FROM THE HESPE/PIDA IN RELATION TO THE PACSPE CONTRACT (Pages 1 - 10)

Verbal Update from the Director of Technical Services

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Appendix 1 – Action Plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
Procurement - follow-up of PIDA disclosure on HESPE contract						
12	R1 Strengthen procurement and general governance policies and procedures to ensure the Council promotes the right culture, the risk and incidence of external challenge is managed and the benefits of procurement initiatives are not put at risk <ul style="list-style-type: none"> • Use the 'Lessons Learnt' from this review (Appendix 2) to form an action plan to keep members informed of progress and ensure actions are implemented • Ensure compliance testing is carried out and reported throughout the exercise. 	3				
13	R2 Consider the adequacy of the Whistleblowing procedures and how well it is complied with to ensure that individuals can have confidence that they will be safeguarded and issues will be fully investigated and lessons learnt.	2				

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PARKS & COUNTRYSIDE SERVICES PROCUREMENT EXERCISE (PACSPE) – ‘HESPE LESSONS LEARNT’ ACTION PLAN

Lessons learnt	Key Action:	Owner & Timescale:	Progress/ Comments:	RAG Status:
<p>1.1 Clear message required that Council needs to be able to respond effectively to external challenge. Note, since HESPE more extensive legal/procurement requirements to be introduced (on 20 December 2009) as part of Remedies Directive</p>	<p>ACTION 1.1.1: New directive and key messages to be included in Corporate Procurement Roadshows during 2011.</p>	<p>Ray Williams – complete by Dec 2011</p>	<p>Roadshows ongoing.</p>	<p>GREEN</p>
	<p>ACTION 1.1.2: Email to be sent to all Chief Officers and Heads of Service clarifying the importance of following robust procurement procedures and the associated risks of potential external challenges.</p>	<p>Ray Williams – Nov 2010</p>	<p>Outstanding.</p>	<p>GREEN</p>
<p>1.2 Standards of evidence to demonstrate compliance with legislation and provide assurance to members in support of decision making. Formal documentation to include thought process leading up to agreed decisions</p>	<p>Key principles to be included within Procurement Roadshows – see ACTION 1.1.1</p>	<p>See Action 1.1.1</p>	<p>Outstanding.</p> <p>Outstanding.</p> <p>Key principles to be reinforced at each stage of the project. ITT/ Project Definition phase covered in paper to Project Board 11th Nov 10.</p>	<p>GREEN</p>
	<p>ACTION 1.2.1: Corporate Procurement Board to have standing agenda item re new directives/ changes in legislation including monitoring of implementation across the Council.</p>	<p>Ray Williams – Nov 2010</p>		<p>GREEN</p>
	<p>ACTION 1.2.2: Key principles to be included in review of Council Contract Procedure Rules (CPR).</p>	<p>Surjit Tour – June 2011</p>		<p>GREEN</p>
	<p>ACTION 1.2.3: Key principles to be reinforced with all officers involved with PACSPE throughout life of project.</p> <p>Internal Audit to undertake formal review at the end of each stage of the PACSPE Project to ensure compliance – see ACTION 10.0.1</p>	<p>Mark Smith – Dec 2011</p> <p>See Action 10.0.1</p>		<p>GREEN</p>

1.3 'Exemplar Role Model' message needs to be reinforced. Standard of Conduct: "senior officers are expected to exercise leadership by conducting themselves as role models for others within the Authority to follow"	ACTION 1.3.1: Message to be cascaded down organisation via EMT/ Team Brief process. Include within review of Contract Procedure Rules – see ACTION 1.2.2	Jim Wilkie/ Bill Norman – December 2010 See Action 1.2.2	Outstanding.	GREEN
1.4 Ensure compliance with Code of Conduct, including Declaration of Conflicts of Interest procedure – annual statement (M15) to be completed even if no conflict to declare, and returned to manager at KIE. Any changes to be notified immediately	ACTION 1.4.1: All officers involved with PACSPE to complete Declaration/ Conflicts of Interest Form at each stage of the project in addition to annual statement (M15). Completion of Declaration/ Conflicts of Interest Forms to be included in Internal Audit Review at the end of each stage of the PACSPE project – see ACTION 10.0.1	Mark Smith/Karen Boulger – Dec 2011 See Action 10.0.1	Completion of forms for ITT/ Project Definition phase reported to Project Board 11 th Nov 10.	GREEN
1.5 In conjunction with potential Conflicts of Interest, line management responsibilities of relevant officers should be reviewed to ensure 'separation of duty' controls are effective	Refer Lessons Learnt 1.4 above – to be included in ACTION 1.4.1	See Action 1.4.1		
1.6 Officers to clearly set out governance arrangement in relevant committee papers. Members to recognise the importance of governance and challenge accordingly, in addition to ensuring proposals are aligned to the Council's priorities and will provide better value for money	ACTION 1.6.1: Project governance arrangements to be formally reviewed for each stage of the PACSPE project.	Mark Smith – Dec 2011	Project governance arrangements for ITT/ Project Definition phase approved by Project Board 30 th Sept 10 and endorsed by Member Steering Group 13 th Oct 10.	GREEN
1.7 Comprehensive procurement procedures – strengthen re support for in-house bids, tender evaluation/use of 'model', role of CPU including in-house bid	No in-house bid for PACSPE. Key principles to be included within Procurement Roadshows – see ACTION 1.1.1	See Action 1.1.1		

<p>2.0 Corporate Procurement Unit (CPU)</p> <ul style="list-style-type: none"> • separation of duties re main contract and in-house tender • Declaration of Interest by CPU staff – reviewed and approved • ‘shared drives’ created with specific access control for main contract and in-house bid 	<p>Separation of duties and Declaration/ Conflicts of Interest covered under Lessons Learnt 1.4, 1.5 and 1.6 – see ACTION 1.4.1 and ACTION 1.6.1</p> <p>ACTION 2.0.1: Information/ document control for PACSPE including ICT security to be formally reviewed for each stage of the PACSPE project.</p>	<p>See Action 1.4.1 and 1.6.1</p> <p>Mark Smith – Dec 2011</p>	<p>ITT/ Project Definition phase covered in paper to Project Board 11th Nov 10.</p>	<p>GREEN</p>
<p>3.0 Adequate capacity</p> <ul style="list-style-type: none"> • main contract: review capacity at start of project and again once contract strategy has been agreed e.g. partnering contract, to ensure appropriate skills and expertise are available to maximise the benefits. Ensure roles and responsibilities are clear and achievable. Strong message at outset that involvement is not optional e.g. attendance at meetings • in-house bid: review capacity as part of submission of proposal to include an in-house bid in the tender exercise • post contract award/contract management stage – recognise potentially different skill set required to implement operating procedures and control systems under new contract • downsizing of in-house ‘client function’ after contract award: delivery of savings whilst maintaining adequate controls systems 	<p>Review of resources undertaken at Outline Business Case approval stage – Cabinet on 22nd July 10 approved use of external consultants to assist with PACSPE procurement exercise plus creation of new Service Manager post to assist with the procurement project and ultimately be responsible for managing the new contract.</p> <p>Atkins appointed through Consultants Framework on 3rd Sept 10.</p> <p>ACTION 3.0.1: Resources required to deliver the PACSPE project to be monitored via standing item on Project Board re Project Plan and specific report to Project Board for each stage of the project.</p> <p>ACTION 3.0.2: The form and functions of the post contract award ‘intelligent client’ including resource levels/ no FTE to be approved by PACSPE Project Board</p>	<p>Mark Smith – Dec 2011</p> <p>Mark Smith – before go out to tender in April 2011</p>	<p>Project Plan included as standing item on all Project Board and Member Steering Group meetings from 30th Sept 10. Project resourcing for ITT/ Project Definition phase covered in specific Project Management Arrangements report to Project Board on 30th Sept 10.</p> <p>Outstanding.</p>	<p>GREEN</p> <p>GREEN</p>

<p>4.0 use of consultants:</p> <ul style="list-style-type: none"> • provision of confidentiality clause within contract – consistency: corporate template needed • Declaration of Interest followed by evaluation of appropriateness of arrangements • compliance with contract procedures/rules regarding engagement of consultants e.g. tender process • movement between different stages of the process e.g. supporting bid vs. contract management – assessment of confidentiality issues to be reviewed at approved for each piece of work. 	<p>ACTION 4.0.1: Develop standard Confidentiality Agreement template for use across the Council.</p> <p>ACTION 4.0.2: Ensure Confidentiality Agreement in place for key PACSPE consultancy commission with Atkins.</p> <p>Internal Audit to undertake formal review at the end of each stage of the PACSPE Project to ensure compliance re use of consultants – see ACTION 10.0.1</p>	<p>Rosemary Lyons - Nov 2010</p> <p>Mark Smith - Nov 2010</p> <p>See Action 10.0.1</p>	<p>Outstanding.</p> <p>Outstanding.</p>	<p>GREEN</p> <p>GREEN</p>
<p>5.0 Business case/ options appraisal</p> <ul style="list-style-type: none"> • links to Council's objectives and priorities clearly stated • detailed outcomes established to support subsequent monitoring of benefits • specific performance measures identified e.g. KPIs (to be captured in PM system & other performance monitoring systems) – to be created timely during procurement rather than once into contract management stage. Also, to be used as part of ITT process and evaluation of tender bids both financial and non-financial outcomes covered, in detail 	<p>Business case for PACSPE including links to Council objectives/ priorities clearly stated in project documentation (PID) since inception of the project.</p> <p>ACTION 5.0.1: Benefits Management Strategy/ Plan to be developed by end of ITT/ Project Definition phase.</p>	<p>Mark Smith - February 2011</p>	<p>Outstanding.</p>	<p>GREEN</p>

<p>6.0 In-house bid</p> <ul style="list-style-type: none"> • specific governance arrangements, including full clarity on role of director • role of director to be transparent with approval through Cabinet. Clear statement on whether the director will or will not be involved in any in-house bid. If not involved then alternative arrangements should be clearly stated and approved, including responsibility for approving the bid prior to submission (balance between competitive rates and subsequent delivery without deficit) • clarify role and responsibility of team members, including consultants and IA • 'Version' control during compilation of bid, with relevant documents retained • assumptions re in-house and sub-contract elements of the bid recorded and approved • details of approach to use of sub-contractors recorded e.g. uplift, lowest bid etc • clear separation within internal departments: separation of 'client' and 'provider' functions 	<p>No in-house bid for PACSPE.</p> <p>Refer Lessons Learnt 1.4, 1.5, 1.6, 2.0 – covered by ACTION 1.4.1, ACTION 1.6.1, ACTION 2.0.1</p> <p>ACTION 6.0.1: consider governance options for future procurement exercises with/ without in-house bids and include in review of Council Contract Procedure Rules (CPR).</p>	<p>See Actions 1.4.1, 1.6.1, 2.0.1</p> <p>Surjit Tour – June 2011</p>	<p>Outstanding.</p>	<p>GREEN</p>
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<p>7.0 tender process</p> <ul style="list-style-type: none"> • procedure to address potential canvassing – specific provision for existing contractors of the Council • all correspondence processed through specific procedure e.g. Data Room and nominated person • any contact/meetings during tender process recorded and subsequently reviewed/approved • Points of clarification logged – transparency re other contractors • retention of contract documents – responsibility clear 	<p>Refer Lessons Learnt 2.0 re information/ document control and ICT security – covered by ACTION 2.0.1</p> <p>ACTION 7.0.1: consider/ review tender process as part of review of Council Contract Procedure Rules (CPR).</p> <p>Internal Audit to undertake formal review at the end of the tender process/ evaluation stage of the PACSPE Project to ensure compliance – see ACTION 10.0.1</p>	<p>See Action 2.0.1</p> <p>Surjit Tour – June 2011</p> <p>See Action 10.0.1</p>	<p>Outstanding.</p>	<p>GREEN</p>
<p>8.0 responsibility for evaluating bids:</p> <ul style="list-style-type: none"> • separation of duties e.g. which director takes lead responsibility • dedicated evaluation teams: stable membership maintained – record of work done and conclusions created and retained • involvement of ‘experts’ to be documented, review by relevant ‘client’ manager e.g. sustainability of rates in context of technical evaluation: reasonableness check • control over design and information in ‘model’ e.g. cost vs. quality split – ‘model’/‘basket’ to be challenged to ensure no subsequent changes required, especially during evaluation of bids stage • use of firm or indicative quantities to be approved (integrity) • records to confirm accurate input of rates to model retained • process for financial evaluation to be approved – actual rates vs. average rates 	<p>Refer Lessons Learnt 2.0 and 7.0 – covered by ACTION 2.0.1 and ACTION 7.0.1</p> <p>Internal Audit to undertake formal review at the end of the tender process/ evaluation stage of the PACSPE Project to ensure compliance – see ACTION 10.0.1</p>	<p>See Action 2.0.1 and 7.0.1</p> <p>See Action 10.0.1</p>		

<ul style="list-style-type: none"> • financial and technical/quality appraisal separate then consolidated prior to recommendation regarding contract award • approach to points of clarity following tender submissions and evaluation e.g. integrity of rates – face to face interview procedure for clarification or formal written approach. Decisions on approach recorded. 				
<p>9.0 benefits realisation process</p> <ul style="list-style-type: none"> • benefits realisation strategy to be approved during tender stage, supported by detailed outcomes and appropriate performance measures. This should confirm that high level objectives have been properly thought through at the detailed level to ensure outcomes can be routinely measured • appropriate attention to role of Council as well as contractor in delivering benefits. Where appropriate part of tender specification. Relevant departments within Council to have confirmed assumption are achievable e.g. implementation of new ICT systems 	<p>Refer Lessons Learnt 5.0 re development of Benefits Management Strategy/ Plan – covered by ACTION 5.0.1</p> <p>ACTION 9.0.1: Benefits Management Strategy/ Plan to be subject to continuous development throughout the procurement exercise and subject to a formal review by PACSPE Project Board for each stage of the project.</p>	<p>See Action 5.0.1</p> <p>Mark Smith – Dec 2011</p>	<p>Outstanding.</p>	<p>GREEN</p>

<p>10.0 appropriate checks to confirm compliance with Council's policy and procedures</p>	<p>Implementation of new corporate programme management arrangements and ICT system will help ensure clear audit trail of project sign off and electronic store of all related project documentation.</p> <p>ACTION 10.0.1: Internal Audit to undertake formal review at the end of each stage of the PACSPE project to ensure compliance with AC recommendations, specifically Lessons Learnt 1.2, 1.4, 4.0, 7.0, 8.0 (cross referenced)</p> <p>ACTION 10.0.2: External/ peer review(s) of delivery of PACSPE project to be undertaken by Local Partnerships (OGC Gateway process) or other Local Authorities</p>	<p>Mark Gandy – December 2011</p> <p>Mark Smith – December 2011</p>	<p>Outstanding.</p> <p>OGC Gateway 0 and Gateway 1 Reviews undertaken for PACSPE.</p>	<p>GREEN</p> <p>GREEN</p>
<p>11.0 role of Internal Audit (IA)</p> <ul style="list-style-type: none"> • clarity that the primary role of IA is to provide assurance over the control environment, supported with agreed terms of reference, scope of audit, including attending project meetings. Any consultancy work to be clear to ensure there is added value and no conflict with the routine assurance role • work done and findings recorded, including outputs from attendance at project meetings • both main contract & in-house bid to be covered • specific review of role of decision makers and use of consultants • risk management during tender and beyond – including risk associated with delivery of financial and other benefits 	<p>Key points noted and covered by Lessons Learnt 10.0 and ACTION 10.0.1 for PACSPE above.</p>	<p>See Action 10.0.1</p>		