

WIRRAL COUNCIL

AUDIT AND RISK MANAGEMENT

10 JUNE 2013

SUBJECT:	<i>HESPE ACTION PLAN – PROGRESS REPORT</i>
WARD/S AFFECTED:	<i>ALL</i>
REPORT OF:	<i>CHIEF EXECUTIVE</i>
RESPONSIBLE PORTFOLIO HOLDER:	<i>CLLR PHIL DAVIES</i>
KEY DECISION?	NO

1.0 EXECUTIVE SUMMARY

- 1.1 This report provides Members with an update on continued progress in delivering the Highways and Engineering Service Procurement Exercise (HESPE) action plan. A commentary against each of the recommendations in the action plan is set out in Appendix 1. The report highlights where progress has been delayed and the steps being taken to address this.
- 1.2 Given the significance of this action plan the Chair has approved its consideration as an item of urgent business, in view of the importance of advising Members of progress before the next scheduled meeting in September.

2.0 BACKGROUND AND KEY ISSUES

- 2.1 The HESPE Action plan was drafted in response to the issues raised in the public interest report published by the Audit Commission in June 2012. The plan was endorsed by the Improvement Board at their September meeting and approved by Cabinet on 18 October 2012. Following approval of the HESPE action plan the actions were cross-referenced to the actions contained in the Council's Improvement Plan to ensure consistency and the alignment of relevant work areas.

3.0 SUMMARY OF PROGRESS

- 3.1 A detailed summary of progress against each action within the plan is set out in Appendix 1. Many of the actions have been completed, however some have been re-scheduled. There is still work to do in addressing some of the actions in relation to finalising the Contract Procedure rules and reinvigorating the Corporate Procurement Board under the new Strategic Director for Transformation and resources.

4.0 RELEVANT RISKS

- 4.1 The public interest report identifies a number of issues and concerns in relation to the Council's corporate governance arrangements. The Council exposes itself to risk and challenge should it fail to respond fully to the recommendations.

5.0 OTHER OPTIONS CONSIDERED

- 5.1 Cabinet have committed to delivering the improvements detailed in the HESPE action plan therefore no other options have been considered.

6.0 CONSULTATION

6.1 None undertaken.

7.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

7.1 There are none arising from this report.

8.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS

8.1 There are none arising from this report.

9.0 LEGAL IMPLICATIONS

9.1 There are none arising from this report.

10.0 EQUALITIES IMPLICATIONS

10.1 Has the potential impact of your proposal(s) been reviewed with regard to equality?

(a) No – an EIA is not required.

11.0 CARBON REDUCTION IMPLICATIONS

11.1 There are none arising from this report.

12.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

12.1 There are none arising from this report.

13.0 RECOMMENDATION/S

13.1 Members are requested to reflect upon the contents of this report and provide any comments as appropriate.

14.0 REASON/S FOR RECOMMENDATION/S

14.1 To keep Members informed about progress in delivering this action plan.

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APPENDICES

Appendix 1 – Action Plan Update

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Cabinet	18 October 2012
Audit & risk Management Committee	26 November 2012
Cabinet	29 March 2012
Cabinet	13 February 2012
Cabinet	13 January 2011

Appendix 1

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

ACTION PLAN

RECOMMENDATION	PRIORITY	AGREED ACTION	DATE FOR ACTION	RESPONSIBLE OFFICER	UPDATE
Recommendation 1 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	Investigation completed and report published.
		Independent investigator has been appointed to carry out the investigation.	April 2012	Chief Executive	No further action.
		To consider investigator's final report once received.	Within month of receipt	Chief Executive	
Recommendation 2 Reinforce to all staff their responsibilities for accurate, complete and timely declarations	High	Existing Policy and obligations reinforced to officers of the Executive Team.	Completed (August 2012)	Chief Executive	Completed August 2012
		Revise and issue guidance on Declarations of Interests (including the	Mid Oct 2012	Acting Director of Law, HR	Revised policies and procedures for Gifts and Hospitality and Conflict of

of interests.		revision of the Declaration of Interests Form). 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	and Asset Management Chief Executive/Directors	Interests were approved by Employment & Appointments Committee on 14 February 2013. http://democracy.wirral.gov.uk/ieListDocuments.aspx?CId=197&Mid=3926&Ver=4 Following approval at E&A Committee, an item on the revised policy & procedure was included in March's Onebrief. http://wbcnet.admin.ad.wirral.gov.uk/one-brief/18-03-2013/one-brief-march-2013
Recommendation 3 Provide training to all staff involved in procurement on communication with tenderers during the pre-tender and tender evaluation periods.	High	Training - Annually train Responsible Officers (as defined in the Contract Procedure Rules ('CPR')), as set out at R14 Establish an Officer Contract Monitoring Group to share best practice.	See R14 See R12	See R14 See R12	Approximately 150 staff from all departments attended 7 Procurement workshops held between October 2012 and January 2013. The Terms of Reference from the existing Procurement Board will be amended to include contract monitoring. The Board will establish task & finish groups to target any specific areas, if required.
Recommendation	High	See Recommendation 14	See R14	See R14	

<p>4 Review arrangements for ensuring that tender specifications are robust and do not contain ambiguities that limit future benefit realisation.</p>		<p>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>Dec 2012 (Revised to June 2013)</p> <p>Oct 2012</p>	<p>Interim Director of Finance</p> <p>Interim Director of Finance</p>	<p>Review of Procure to Pay (P2P) function is underway but is being considered alongside the wider restructure and exploration of shared services.</p> <p>The revised management structure of the Council separates the function of Commissioning and Procurement.</p>
<p>Recommendation 5 Quantify and report to elected members the additional cost of using the electrical sub-contractor during the period April 2009 to October 2010.</p>	<p>Low</p>	<p>Specific report to be presented to Cabinet.</p>	<p>27 September 2012 (Cabinet Meeting)</p>	<p>Interim Director of Technical Services</p>	<p>Completed - report submitted to Cabinet 27 September 2012 http://democracy.wirral.gov.uk/ieListDocuments.aspx?CId=121&MId=3861&Ver=4 (Item 88)</p>
<p>Recommendation 6 Review procedures for challenging</p>	<p>High</p>	<p>Training - Annually train Responsible Officers, as set out at R14</p> <p>As part of the</p>	<p>See R14</p>	<p>See R14</p>	<p>Approximately 150 staff from all departments attended 7 Procurement workshops held between October 2012 and January 2013.</p>

<p>individual rates and the overall impact of rates tendered during the tender evaluation process</p>		<p>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>Dec 2012 Undertake annually every March</p> <p>See R14 (1st action)</p>	<p>Interim Director of Finance (with the Responsible officer for each contract)</p> <p>Responsible Officer for each contract</p>	<p>The challenge process is contained within page 32 of the Procurement Toolkit. The toolkit is complete but further work is underway to enhance the toolkit, making it more user-friendly.</p> <p>The contract procedure rules are currently revised, a working draft of which was presented to Audit & Risk Management committee in April http://democracy.wirral.gov.uk/ieListDocuments.aspx?CId=119&MId=4448&Ver=4 (Item 63)</p> <p>All tenders over £10,000 are evaluated through a clarification process applied within the electronic sourcing portal. Further improvements will derive from the implementation of the contract monitoring module to be introduced later this</p>
<p>Recommendation</p>	<p>High</p>	<p>Review Procurement</p>	<p>Oct 2012</p>	<p>Interim</p>	<p>Roles and responsibilities are</p>

<p>7 Ensure that any decision to commence contracts prior to contract signature is recorded in risk registers, appropriately approved and reported to elected members.</p>		<p>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>Ongoing</p> <p>Ongoing</p>	<p>Director of Finance</p> <p>Responsible Officer for each contract</p> <p>Responsible Officer for each contract</p>	<p>set out in section 5 of the Procurement Toolkit http://wbcnet.admin.ad.wirral.gov.uk/my-services/procurement-services and Page 8 of the revised Contract Procedure Rules http://democracy.wirral.gov.uk/ieListDocuments.aspx?CId=119&MId=4448&Ver=4</p>
<p>Recommendation 8 Undertake an option appraisal to evaluate the risk and benefits of</p>	<p>Medium</p>	<p>Appraisal to be undertaken to evaluate risks and benefits of the HESPE contract form migration having regard to Cabinet's decision</p>	<p>Dec 2012</p>	<p>Interim Director of Technical Services</p>	<p>Complete - Options appraisal undertaken and reported to the Cabinet Member for Streetscene and Transport Services on 21st December 2012. It was agreed not to</p>

HES contract form migration, and evaluate and consider the findings, in advance of any such migration.		whether to extend the HESPE contract.			migrate the current contract.
Recommendation 9 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.	Medium	Action linked to Recommendation 8 and will be included as part of the report.	Dec 2012	Interim Director of Technical Services	The current contract will not be migrated. A procurement exercise for a new contract has been initiated.
Recommendation 10 Provide and consider reports on departures from contract mobilisation plans and the	High	See Recommendation 14 Implement on a RAG basis, with Red flags reported strategically.	See R14 Dec 2012	See R14 Interim Director of Finance and Responsible officer for each contract	The revised constitution was agreed by Council on 30 th April and includes a strengthened role for Audit & Risk Management Committee. http://democracy.wirral.gov.uk/ieListDocuments.aspx?CId=

associated risks.					123&MId=4376&Ver=4
Recommendation 11 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.	High	CPR's to be reviewed and enhanced, particularly regarding value for money. Ensure that tender documentation is clear about the reporting arrangements – see R14 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. Note: Link to Recommendation 5 on reporting any subsequent changes to Cabinet.	Jan 2012 Oct 2012 Ongoing	Acting Director of Law, HR and Asset Management Interim Director of Finance Responsible Officer for each contract	The contract procedure rules are currently revised, a working draft of which was presented to Audit & Risk Management Committee in April http://democracy.wirral.gov.uk/ieListDocuments.aspx?CId=119&MId=4448&Ver=4 (Item 63) The revisions to the Council's Constitution include a review of the Scheme of Delegation. http://democracy.wirral.gov.uk/ieListDocuments.aspx?CId=123&MId=4376&Ver=4 The roles and responsibilities of Officers are set out in Page 8 of the revised Contract Procedure Rules.
Recommendation 12 Monitor	High	See R14 Implement on a RAG	See R14 Dec 2012	See R14 Interim	The contract procedure rules

compliance with the revised Contract Procedure Rules for variations.		basis, with Red flags reported strategically.		Director of Finance and Responsible officer for each contract	are currently revised, a working draft of which was presented to Audit & Risk Management Committee in April http://democracy.wirral.gov.uk/ieListDocuments.aspx?CId=119&MId=4448&Ver=4 (Item 63)
Recommendation 13 Establish clear standards for documentation of contract management procedures and monitor.	High	See R14 CPRs to be enhanced regarding the principles of contract management. Procurement Toolkit to include clear standards for documentation contract management procedure.	See R14 Jan 2012 Dec 2012	See R14 Acting Director of Law, HR and Asset Management Interim Director of Finance	The Contract Procedure Rules are currently revised, a working draft of which was presented to Audit & Risk Management Committee in April http://democracy.wirral.gov.uk/ieListDocuments.aspx?CId=119&MId=4448&Ver=4 (Item 63) Contract management standards and documentation requirements are set out in section 15 of the Procurement Toolkit http://wbcnet.admin.ad.wirral.gov.uk/my-services/procurement-services
Recommendation	High	As part of the	Oct 2012	Interim	Contract monitoring module

<p>14 Introduce an effective performance management system from the start of a contract.</p>		<p>Procurement/Commissioning process, both in design and award, establish contract monitoring and compliance, as an integral feature, to be policed by the Procurement section.</p> <p>Procurement Toolkit to set out obligations and requirements and provide relevant advice and guidance in relation to:</p> <ul style="list-style-type: none"> • procurement processes • contract monitoring • contract variation • identification of risk • escalation of identified risk • performance management; and • compliance. <p>Annually train Responsible Officers in the contract life cycle, which will cover:</p> <ul style="list-style-type: none"> • Design • Award 	<p>Nov 2012</p> <p>Initially Dec 2012 hereafter annually every March</p>	<p>Director of Finance</p> <p>Interim Director of Finance</p> <p>Interim Director of Finance</p> <p>Interim Director of Finance/Resp</p>	<p>of the eSourcing portal 'The Chest' to be introduced later this year and managed by Corporate Procurement</p> <p>This has been highlighted within the Procurement workshops.</p> <p>Compliance requirements are set out on page 7 of the Procurement Toolkit.</p> <p>Approximately 150 staff from all departments attended 7 Procurement workshops held between October 2012 and January 2013. This exercise will be repeated</p>
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		<ul style="list-style-type: none"> • Monitoring • Exit • Dispute process <p>Report variations to contracts as part of the monthly monitors, for capital and revenue.</p> <p>Revise the governance of report production, to ensure relevant officers contribute to reports, as a matter of system design.</p>	<p>Dec 12</p> <p>Dec 2012</p>	<p>onsible officer for each contract</p> <p>Acting Director of Law, HR and Asset Management</p>	<p>on an annual basis.</p> <p>The Contract Procedure Rules are currently under revision, a working draft of which was presented to Audit & Risk Management Committee in April. This provides new instructions with regard to the reporting of variations http://democracy.wirral.gov.uk/ieListDocuments.aspx?CId=119&MId=4448&Ver=4 (Item 63)</p> <p>Good practice in respect of report development is being disseminated to report authors. Further functionality of the ModGov System is being implemented to support this. A project plan has been prepared which will enable this functionality to be implemented by end of October 2013.</p>
Recommendation 15	Medium	Corporate Performance Team and Corporate	Dec 2012	Director of Public Health	A wider review of performance has been

Undertake regular tests on the accuracy of performance information reported.		<p>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>Jan 2012 - Feb 2013</p> <p>Mar 2013</p> <p>Oct 2012</p>	<p>and Interim Director of Finance</p> <p>Interim Director of Finance</p> <p>Director of Public Health</p> <p>Chief Internal Auditor</p>	<p>forward as part of the revised framework is embedded.</p> <p>See reference below to Internal Audit Strategic Plan.</p> <p>The Internal Audit Strategic Plan (2013-16) was submitted to Audit & Risk Management Committee on 19th March 2013 http://wir06metrognome.admin.ad.wirral.gov.uk/ieListDocuments.aspx?CId=119&MId=3893&Ver=4</p>
<p>Recommendation 16 Establish and implement clear procedures for identifying risks and escalating them through</p>	High	<p>Revised Risk Management Framework agreed by Executive Team Framework to be presented to Members for approval.</p>	Completed (Sept 2012)	Interim Director of Finance	<p>Completed September 2012.</p> <p>A review of the Capital Programme was undertaken</p>

departmental and corporate risk registers.	Capital Programme risk review imbedded in Gateway process for scheme monitoring.	Nov 2012	Interim Director of Finance	and reported to Cabinet 29 November 2012. http://wir06metrognome.admn.ad.wirral.gov.uk/ieListDocuments.aspx?CId=121&MId=3866&Ver=4 (item 136)
	Ensure that for projects, Risk Registers exist from procurement to implementation.	Oct 2012 & Ongoing	Interim Director of Finance and then Responsible officer for each contract	The Council's approach to delivering budget savings has been based on a robust and continuous assessment of risk through dedicated project management arrangements. The Council has also recently reviewed its corporate risk register in light of the budget challenges and identified savings. The Chief Executive has also established a quarterly strategic management meeting focusing on governance, risk and audit.
	Risks considered weekly at Executive Team and advised to Administration of the Council	Post Oct 12 and Ongoing	Chief Executive and Responsible officer for each contract	Monthly financial monitoring reports have reported to Cabinet from August 2013. A standard agenda has been implemented for Portfolio holder meetings which
	Institution of monthly financial monitoring reports to Cabinet, which includes risk reporting, through with Portfolio-Holders and Ward	Completed (July 2012)	Chief Executive and Executive Team	

		<p>Members are advised of issues.</p> <p>Corporate Risk Register agreed by Executive Team and reported quarterly to Audit & Risk Overview Committee.</p>	<p>Sept 2012 and Ongoing</p>	<p>Chief Executive and Executive Team</p>	<p>includes a section on issues.</p> <p>Revised on 23 April 2013 will be reported to Cabinet on 23 May 2013.</p>
<p>Recommendation 17 Ensure significant risks are reported promptly to elected members</p>	<p>High</p>	<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</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</p>	<p>Completed July 2012.</p> <p>Monthly monitoring implemented from August 2012.</p> <p>Completed September 2012.</p>

		Team and to be presented to Members for approval.		Finance	
<p>Recommendation 18 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	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.	As and when Reviews are received.	Responsible Officer for each contract	<p>Guidance on the use of Gateway Reviews to be included within phase 2 of the Procurement Toolkit.</p> <p>Gateway Reviews will be reported to Cabinet as and when they are undertaken.</p>
<p>Recommendation 19 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>Effectiveness of any procurement exercise should be evaluated by the Responsible Officer and the Corporate</p>	<p>Sept 2012</p> <p>Sept 2012</p> <p>Oct 2012</p>	<p>Responsible Officer for each contract</p> <p>Interim Director of Finance</p> <p>Responsible officer for each contract with the Interim</p>	<p>Procurement Initiation Approval document (Appendix 1, Procurement Toolkit) sets out the required baseline information for contracts.</p> <p>Framework to be included with phase 2 of the Procurement Toolkit.</p> <p><i>Lessons Learnt</i> exercises are undertaken by responsible</p>

		Procurement Unit as part of the Council's standard procurement process.		Director Finance	officers and the Procurement Unit on the procurement exercise process. The effectiveness of procurement exercises will be reviewed by departments as part of contract monitoring arrangements set out in the CPRs and Procurement Toolkit.
Recommendation 20 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. Report review and recommendations to the Improvement Board and the Council's Audit and Risk Management Committee. Implement agreed recommendations.	Dec 2012 January 2012 As soon as practicably possible.	Interim Director of Finance Interim Director of Finance Interim Director of Finance	The Internal Audit Service was evaluated by Interim Director of Finance and management of the service subsequently restructured. Ongoing collaborative arrangement put in place with Liverpool City Council's Internal Audit. Internal Audit Improvement Plan developed identifying 18 actions to address issues and improve/develop service (Objective 2.3.4 of Council Improvement Plan), implementation currently on schedule. Regular update reports presented to ARMC.

					A report was scheduled for Improvement Board (1 st February 2013) but was deferred due to other pressing matters. Updates on progress have been reported to Audit & Risk Management (Nov 2012, Jan 2013 and March 2013).
<p>Recommendation 21 Review at elected member level the adequacy of existing arrangements for receiving and considering concerns from whistleblowers and for agreeing corrective action.</p>	Medium	<p>Council's Whistleblowing Policy reviewed and approved by Cabinet. Ongoing awareness raising through internal communications is in place.</p> <p>Raise further the awareness of revised Whistleblowing Policy through management briefings/team meetings and the Council's 'OneBrief' communication.</p>	<p>Completed (April 2012)</p> <p>Nov 2012</p>	<p>Director of Law, HR and Asset Management</p> <p>Chief Executive and Directors</p>	<p>The revised Whistle-blowing policy was approved by the Employment and Appointments Committee on 29 September 2011.</p> <p>An item on the revised policy & procedures was included in March's Onebrief. http://wbcnet.admin.ad.wirral.gov.uk/one-brief/18-03-2013/one-brief-march-2013</p>