



**Internal Audit Report**

Operational Services

**Review of Tendering Procedures**

August 2009

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## **1 INTRODUCTION**

This report has been prepared as a result of the Internal Audit review of Operational Services - Tendering Procedures as part of the 2009/10 Internal Audit programme.

The Property Section based in Argyll House, Dunoon and forming part of Facility Services provide a maintenance service for all Council property and in addition offer a design and project management service for new building for all Council Services but excluding Community Services. The Section recovers its costs by way of fees charged to client services. The project selected for audit is the upgrade to Helensburgh Swimming Pool for Leisure Services.

## **2 AUDIT SCOPE AND OBJECTIVES**

The broad objective of the review was to verify that the pre tender process culminating in the selection of contractors requested to submit a tender complied with Contract Standing Orders and EU directives and regulations.

In addition to the Internal Control Questionnaire (ICQ) issued to the relevant department contact for completion the scope of this review encompassed verifying that:

- The business gateway process has been operated and an appropriate IBC/OBC has been prepared
- The details included in the Capital Plan have been subject to the business gateway process
- The project has been assessed against EU directive requirements and the selection of tenderers complied with EU regulations
- Procedures for evaluating tenders, pre-qualification submissions and successful tenders are properly controlled

## **3 CORPORATE GOVERNANCE**

There are no Corporate Governance issues to be reported as a result of this audit.

## **4 MAIN FINDINGS**

The findings generated by the Internal Audit review of Tendering Procedures are in fact largely identical to those found by the Service as a result of a challenge to specification and selection procedures by a contractor on a previous project which resulted in the introduction of a new process for the project reviewed. The main findings are:

Prior to this project Tendering Procedures did not ensure compliance with the principals of transparency, non-discrimination and equal treatment which guarantee that tenders are assessed in conditions of effective competition (see Appendix 1 Item 1).

The Capital Programme Planning and Management Guide gateway process has not been fully understood and applied in approving the project and the

appropriate budget resulting in Facility Services having to clarify a concern that future year project spend is not approved prior to the tender process (see Appendix 1 Item 2).

## **5 RECOMMENDATIONS**

Four recommendations were identified as a result of the audit, 1 high, 2 medium, and 1 low priority. The recommendations are shown in the action plan below.

## **6 AUDIT OPINION**

The auditor is satisfied that the section has answered the ICQ in an appropriate manner.

Based on the findings we can conclude that the Section has an excellent understanding of tendering procedures and the ancillary processes but as in all cases needs to be alive to statutory changes as and when they occur.

Recommendations arising from the audit work should be implemented by the nominated responsible officer within the agreed timescale. Recommendations not implemented will require explanation to the Audit Committee. This could lead to findings being reported in the Internal Control Statement produced by the Council in support of the Annual Accounts.

## **7 ACKNOWLEDGEMENTS**

Thanks are due to the Property Section staff in Argyll House for their co-operation and assistance during the Audit and the preparation of the report and action plan.

Argyll & Bute Council's Internal Audit section has prepared this report. Our work was limited to the objectives in section 2. We cannot be held responsible or liable if information material to our task was withheld or concealed from us, or misrepresented to us.

This report is private and confidential for the Council's information only and is solely for use in the provision of an internal audit service to the Council. The report is not to be copied, quoted or referred to, in whole or in part, without prior written consent.

**APPENDIX 2      ACTION PLAN**

<b>No.</b>	<b>FINDINGS</b>	<b>PRIORITY</b>	<b>RECOMMENDATION</b>	<b>RESPONSIBLE OFFICER</b>	<b>IMPLEMENTATION DATE</b>
1	Tendering Procedures did not ensure compliance with the principals of transparency, non-discrimination and equal treatment which guarantee that tenders are assessed in conditions of effective competition.	Medium	<p>All consultants contracts, and building contracts less than £349,731, continue to be tendered as per the status quo. All other public works contracts in excess of £349,731 will be advertised in <a href="http://www.Publiccontractsscotland.gov.uk">www.Publiccontractsscotland.gov.uk</a> the Scottish Government's official national portal for Public sector contract opportunities and contracts in excess of £3,497,313 will also be advertised in the OJEU. In order to determine the appropriate award procedure a checklist and assessment matrix will be required to assist the decision between open and restricted procedure and thereafter to assess the pre-qualification bids and tender bids.</p> <p>It would be prudent if the Council sought clarity as to whether the circular also applied to works</p>	Asset Management Strategic Board	30 November 2009

No.	FINDINGS	PRIORITY	RECOMMENDATION	RESPONSIBLE OFFICER	IMPLEMENTATION DATE
			contracts.		
2	The project has effectively been approved but a budget has been set for about a third of the project value thus the assumption is that future block allocations will cover the balance.	High	There is a need for clarification of the approval process as it relates to Outline Business Cases and Final Business Cases and project approval for Capital Plan and Capital Budget inclusion.	Asset Management Strategic Board	30 November 2009
3	The responses were issued to the assessment personnel in non editable electronic format. In this way the assessors could in no way influence the responses received.	Medium	The process of the E-procurement Team placing adverts and ensuring un-editable electronic files being issued to the questionnaire assessors provides a necessary internal control and should be continued for all future projects.	Exchequer Manager	30 November 2009