



MANAGEMENT AUDIT UNIT

CUMBRIA POLICE INTERNAL AUDIT REPORT TENDERING

Draft Report Issued: August 2006
Final Report Issued:

1.0 INTRODUCTION

- 1.1 A review was performed to ensure that, where applicable, standing order procedures have been correctly followed before awarding high value contracts.
- 1.2 Since the previous audit the Constabulary have obtained the use of Blue-Light, a web-based e-tendering system hosted by Due North. This is resultant from a framework agreement exercise performed by Devon and Cornwall Constabulary. The system contains a number of inbuilt controls to ensure due diligence is correctly applied to the tendering process.
- 1.3 Cumbria Constabulary currently holds a contract with Capita for the tendering of building contracts. Capita are responsible for the following:
- Preparing pre-tendering estimates and job specifications.
 - Inviting companies to tender.
 - Checking submitted tenders for accuracy.
 - Preparing contracts
 - Corresponding with unsuccessful contractors.
- 1.4 The contract with Capita for the tendering of building contracts is due to expire at the end of the 2006/07 financial year. The Constabulary is currently reviewing options for the administration of tendering exercises for building contracts as from 01 April 2007.
- 1.5 Tendering exercises relating to building works are generally still administered manually. An exception is that relating to the building of new custody suites within the North area, where the Blue-Light system was used.
- 1.6 The recommendations made in this report are graded in accordance with their perceived importance. The grading falls into the following categories:
- Grade 1: Major recommendation that indicates a fundamental control weakness that must be addressed.
- Grade 2: Recommendation which should be addressed in order to establish a satisfactory level of internal control.
- Grade 3: Minor recommendation made to improve the system under review.
- 1.7 Recommendations to this report are included as Appendix 1 – Summary of Recommendations & Action Plan.
- 1.8 Information and assistance during the audit review was provided by:
- Andrew Butcher, Procurement Manager
 - Phil Robinson, Estates & Facilities Manager
 - Andrew Dobson, Director of Legal Services
- 1.9 Discussions were also held with various managers throughout the Constabulary concerning individual creditor payments in excess of current tendering limits.

2.0 OVERALL EVALUATION & CONCLUSION

- 2.1 **The evaluation of controls is based on testing carried out at the time of the audit, usually based on sampling. Management Audit assesses the controls operating in each audited area as ‘good’, ‘satisfactory’, ‘fair’ or ‘weak’. This assessment is based on the number and grading of recommendations made.**
- 2.2 **Controls have been evaluated as follows:**

AREA REVIEWED	EVALUATION
Tendering	Satisfactory

- 2.3 Overall the tendering process is adhered to in line with current standing orders. The Blue-Light system provides a good level of control in ensuring the fairness of the tendering process.
- 2.4 The overall assessment of satisfactory is primarily due to the late action of the grade one recommendation concerning completion of contract approval forms for building contracts. All missing have forms have been retrospectively complete post audit.
- 2.5 Other issues identified by Internal Audit are:
- Standing Orders have not been reviewed since the previous audit. It is noted that the proposed merger has led to a delay in updating this document, however it was agreed during the previous audit review that identified updates would be presented to the Police Authority by October 2005. This work has now commenced however, and it is hoped that they can be presented to the PA in the near future.
 - Envelopes from manual tendering exercises for building/ property tenders are still not always available for scrutiny or clearly date stamped. As the Constabulary intend to continue performing manual exercises for small property tenders, clear evidence should be retained to evidence the receipt of tender documents. Due to the high number of tenders the department performs over the course of the year and the considerable amount of contract documentation that is associated with building contracts it is sometimes difficult to recover the envelopes from the contract documents from Capita or from archive storage at the time of the audit. There are however, emerging proposals to re-engineer the way the Constabulary undertakes Estates business that will afford the opportunity to make changes to this system.

3.0 FOLLOW UP TO PREVIOUS AUDIT RECOMMENDATIONS

- 3.1 The previous audit review of tendering was carried out in January 2005 and resulted in seven recommendations. These recommendations were followed up as part of the current audit review.

RECOMMENDATION	GRADE	ACTIONED	ACTION TAKEN
Evidence that contracts have been formally approved by Finance and Legal Services should be retained.	1	No	At the time of the audit, limited formal evidence in the form of completed Contract Signature Request Forms provided for building contracts that have been tendered were available. Head of Legal Services explained that forms were not complete for building works as the form of approval is via a letter accepting tender details. He explained that all other contracts have been formally approved and can be evidenced, but these were not considered as part of the audit. Building/ property capital schemes are approved via the COG and PA and therefore PA papers provide an auditable route of evidence for formal approval. All missing forms have been retrospectively complete post audit.
The proposals to update Standing Order procedures should be presented to the Police Authority.	2	No	No updates have been presented to the Authority since the previous audit, partly due to the proposed merger with Lancashire Constabulary. The Treasurer of the Police Authority has formally commissioned the Director of Legal Services to review the Standing Order Procedures. (E mail of 31 October refers) and the work has commenced.

RECOMMENDATION	GRADE	ACTIONED	ACTION TAKEN
Standing Orders should be revised to include all officers authorised to approve tenders in excess of the lower or 10% of £10,000 of the original estimate or alternatively a formal Scheme of Delegation should be drafted to show who has delegated powers to act on behalf of the Chief Constable.	3	No	No alterations to standing orders since previous review. The Treasurer of the Police Authority has formally commissioned the Director of Legal Services to review the Standing Order Procedures. (E mail of 31 October refers) and the work has commenced.
As part of the ongoing monitoring of the Capita Property Services contract, spot Checks should be performed on tendering exercises completed by Capita to ensure adherence to Standing Orders.	2	Yes	Appropriate documentation obtained for property tendering exercises to evidence standing orders adhered to.
Tendering Opening forms should be clearly evidenced as witnessed by a representative of Legal Services. To ensure clarity, signatories should print their names alongside their signature.	3	Yes	All tendering exercises reviewed clearly evidence that opening of tenders has been witnessed by a representative of Legal Services.
Where practical, tender envelopes should be date stamped upon receipt and retained for review purposes for a minimum period of eighteen months.	3	No	The majority of exercises are now routed via blue-light, which records the date of submitted tenders. Two manual exercises relating to building contracts were also included within Internal Audit's sample. Envelopes were not available for scrutiny for one exercise and not clearly date stamped and initialled for the other.
To ensure the completion of records the tender opening registers should be updated to include to whom the contract has been awarded once Legal Services have been informed.	3	Yes	Legal Services note the successful client in the register of tenders once they are informed. There is evidence in the register that outstanding information is pursued.

4.0 AUDIT SCOPE

- 4.1 Management Audit obtained details of all creditor payments over the current tender limit (£35,000), which was reviewed to eliminate payments that were either exempt from the tendering process (such as contracts already subject to central government tendering arrangements and pension lump sum payments) and payments for contracts previous reviewed by Management Audit in past tendering audits.
- 4.2 Additional exercises were identified via the record of tendering exercises maintained by Legal Services. Overall a sample of twelve exercise were selected over a period of April 2005 to June 2006, of which two were cancelled/deferred and three have not been awarded as at the date of the audit.

5.0 DETAILED FINDINGS & RECOMMENDATIONS

5.1 Tendering

CONTROL OBJECTIVE	COMMENT	EVALUATION	REC. REF.
<p>Tendering procedures are documented and available to relevant staff.</p>	<p>Tendering procedures and financial limits are documented in Standing Orders relating to contracts. These were last approved by the Police Authority in May 2003.</p> <p>The Estates Manager has reminded Capita of their delegated responsibilities in relation to tendering procedures.</p> <p>It was agreed as part of the previous review that revised procedures would be presented and approved by the Police Authority by October 2005. However the presentation of updated standing orders has partially been delayed due to the now cancelled merger with Lancashire Constabulary.</p> <p>Changes to the tendering process caused by the introduction of an electronic tendering system will need to be included in the updated standing orders.</p> <p>Work has commenced to update the Standing Orders by collecting sample documents from other Police Forces to inform the decision making process.</p>	<p>Fair</p>	<p>R1</p>
RECOMMENDATIONS			
R1	<p>Standing Order procedures should be reviewed and updated prior to presentation to the Police Authority. (Grade 2)</p>		

CONTROL OBJECTIVE	COMMENT	EVALUATION	REC. REF.
Tenders are obtained for all major expenditure.	<p>A review of high value payments was performed to determine payments potentially subject to tendering arrangements.</p> <p>A number of payments not subjected to the tendering process were queried with relevant managers. Valid reasons were obtained, either because only one supplier was available or contracts were subject to GCAT or similar agreements.</p>	Good	
Tendering exercises have complied with EU requirements, where applicable	Three tendering exercises exceeded the EU limit. Appropriate evidence was obtained to demonstrate adherence to legislation, concerning submitting notice to OJEU.	Good	
Tendering exercises have complied with Standing Order requirements.	<p>Standing Order procedures were adhered to for tendering exercises reviewed by Internal Audit.</p> <p>The record of tendering exercise is well maintained with clear evidence that tenders are opened in the presence of a representative of Legal Services.</p> <p>Blue-Light is designed to ensure standing order controls are adhered to as follows:</p> <ul style="list-style-type: none"> • A standard tender document is made available online to all interested parties. • Queries raised by interested parties and subsequent answers are available to all other interested parties. • Tenders submitted cannot be opened until after the deadline for submission has passed and only after verification by a representative of Legal Services. <p>Audit histories of all actions performed are available for each exercise.</p> <p>Property tenders are currently still maintained manually by Capita. Three property reviews were included in Management Audit's sample, one of which was routed via Blue-Light (Due to the size of the tender).</p>		

CONTROL OBJECTIVE	COMMENT	EVALUATION	REC. REF.
<p>Tendering exercises have complied with Standing Order requirements.</p>	<p>Of the remaining two exercises the only concern was that tender envelopes were not retained for one exercise (Alterations to Stores building at HQ).</p> <p>Envelopes received for the remaining exercise (Barrow Police Station Alterations) were not date-stamped or initialled upon receipt.</p> <p>The retention of date-stamped tender envelopes provides evidence that tenders have been received on time and fairly.</p> <p>It was also noted that correspondence was not retained on file for unsuccessful property tenders. The Estates Manager informed Internal Audit that these are issued by Capita and that he would not necessarily receive copies of the documentation, however he is reasonably confident that appropriate documentation is sent.</p> <p>Once Legal Services are notified the successful tender is noted within the record of tendering exercises. Evidence found that this information is pursued by Legal Services where not provided.</p>	<p>Good</p>	<p>R2</p>
RECOMMENDATIONS			
<p>R2</p>	<p>Where practical, tender envelopes should be date stamped upon receipt and retained for review purposes for a minimum period of eighteen months. (Grade 3)</p>		

CONTROL OBJECTIVE	COMMENT	EVALUATION	REC. REF.
<p>Tender evaluation is fair and adequately documented</p>	<p>Building contracts are generally awarded on the lowest price tender. The modular custody facility for the North area was subject to a more rigorous evaluation process. Appropriate documentation has been provided to support the process.</p> <p>Other tenders have been evaluated in detail against set criteria & this is clearly documented in tender evaluation reports.</p>	<p>Good</p>	

CONTROL OBJECTIVE	COMMENT	EVALUATION	REC. REF.
<p>Where a tender exceeds the estimated cost by more than the lower of 10% or £10,000, a report shall be made to the Chief Constable for his consideration.</p>	<p>Of the tenders reviewed awarded contracts were generally either found to be within specified limits or not applicable to these limits due to the variable nature of the contract, for example the provision of cleaning materials.</p> <p>The modular custody facility had an initial budget estimate of £1.2M for a temporary model. The scheme approved by Members of £4.6M was for a more permanent facility with full infrastructure. The scheme has been supported by £2.8M of Home Office grant aid.</p> <p>Various reports have been presented to the Police Authority concerning the evaluation of this exercise.</p>	<p>Good</p>	
<p>Formal contract awards are approved by the budget holder, Director of Legal Services and Director of Finance and Resource in accordance with Standing Orders.</p>	<p>A Contract Signature Request Form giving approval from Finance and Legal Services should be completed for all contracts arising from a formal tendering process.</p> <p>Internal Audit requested forms for the four tendering exercises actually awarded as at the time of the audit.</p> <p>Only one of the four forms was provided. The Director of Legal Services explained that the remaining exercises, relating to property tenders are awarded via a letter agreeing details provided within the successful tender. As no specific separate written contract was drawn up, the Contract Signature Request Form was not been completed.</p> <p>Two of the three missing forms refer to capital schemes that were subject to financial approval by the PA.</p>		

CONTROL OBJECTIVE	COMMENT	EVALUATION	REC. REF.
<p>Formal contract awards are approved by the budget holder, Director of Legal Services and Director of Finance and Resource in accordance with Standing Orders.</p>	<p>The purpose of the form is to ensure adherence to financial regulations and standing orders, and that sufficient budgetary provision has been made for services to be provided. Where individual forms have been missing for high value capital projects, the schemes have received full financial approval from the Police Authority, which included amending the financing of the wider capital programme to include the costs of the schemes. This has been done in public reports in the joint names of the Public Authority Treasurer and the Chief Constable that were made available at the time of the audit. All missing forms have been retrospectively complete post audit.</p>	<p>Weak</p>	<p>R3</p>
RECOMMENDATIONS			
<p>R3</p>	<p>Prior to the award of work following a tendering exercise, confirmation should be documented to confirm that budget is available and contract terms are acceptable – as set out in standing Orders / Financial Rules. (Grade 1)</p>		

SUMMARY OF RECOMMENDATIONS & ACTION PLAN
(TO BE COMPLETED BY CUMBRIA CONSTABULARY)

REPORT REFERENCE	GRADE	RECOMMENDATION	ASSOCIATED RISK	PERSON RESPONSIBLE (to be completed by client)	AGREED / INTENDED ACTION (to be completed by client)	IMPLEMENTATION DATE (to be completed by client)
R1	2	Standing Order procedures should be reviewed and updated prior to presentation to the Police Authority. (Grade 2)	Standing orders do not reflect current practices.	Andrew Dobson/ Doug Thomas	Standing Order Procedures for tenders and contracts to be revised and then approved by the Police Authority.	March 2007
R2	3	Where practical, tender envelopes should be date stamped upon receipt and retained for review purposes for a minimum period of eighteen months. (Grade 3)	Non compliance with Standing Order 6: (Ensure late tenders not included in evaluation)	Estates – Phil Robinson	All tender envelopes to be date stamped upon receipt and retained for review purposes for a minimum period of eighteen months. Capita to comply with this procedure for the remaining duration of their contract.	March 2007
R3	1	Prior to the award of work following a tendering exercise, confirmation should be documented to confirm that budget is available and contract terms are acceptable – as set out in standing Orders / Financial Rules.	Non compliance with Standing Order 2 (Evidence that Director of Finance and Resource has confirmed budgetary provision and Director of Legal Services has approved the contract)	1. Procurement – Karen Crump 2. Estates – Phil Robinson	Confirmation of budget availability and acceptability of contract terms to be documented prior to award of contract in accordance with standing orders/ financial rules.	With immediate effect.

ACTION PLAN AGREED BY:	Karen Crump – Procurement Development Officer Philip Robinson – Estates and Facilities Manager Andrew Dobson – Head of Legal Services	DATE:	2/11/06
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