
**Executive Member for Neighbourhoods and
Advisory Panel**

26 July 2006

Report of the Director of Neighbourhood Services

**Response to Audits in Commercial Services, “Appointment and
use of sub-contractors” and “Recruitment and Selection”**

Summary

1. This report details the actions Neighbourhood Services (formerly Commercial Services) have taken in response to the recommendations from two audits completed in Jan 2006, surrounding issues raised through the whistle blowing policy in August 2005.

Background

2. This report has been brought to members following a request from the Commercial Services EMAP of March 7th 2006. There were two audits arising from whistle blowing which detailed issues in Commercial Services in three main areas.
 - Irregularities in appointing staff.
 - Irregularities in the appointment and use of sub contractors
 - Failures of supervision and irregularities in the payment of sub contractors

The details of the allegations made by the whistle blowers and the conclusions from the investigations are contained within the reports attached as **Annex 1 and Annex 2**. Many of the allegations were proved to be unfounded however the audits did highlight many control weaknesses and it is these issues which are addressed in this report.

This report makes reference to the recommendations in the audit reports, the action taken to address each recommendation and the timescale for completion. Much of the work around the use of sub-contractors was already being formulated as part of a review of the building department taking place before, during and after the audit. This report is for information only, consequently there are no decisions required.

Response to the recommendations from “Appointment and use of subcontractors”.

3. **Recommendation 4.1. *Commercial Services should undertake a full exercise to identify all current supplies and services which are expected to exceed the thresholds set in the Council’s Financial Regulations. An appropriate procurement exercise (or request for a waiver) should be completed for all identified expenditure, including sub-contracted work, without delay.***
4. **Response.** A complete review of sub contract activities from the old Commercial Services is now well underway to ensure all the procurement and value for money issues highlighted in the report are addressed. A PIN (Prior Identification Notice) was issued in May and an OJEU (Official Journal of the European Union) notice was issued in June with a good response so far for some areas of the notice. The current programme allows for tenders to be sent out in September with contract awards or select lists prepared by the end of October. A copy of the work programme for the tender exercise is attached as **Annex 3**. The OJEU process is slow and this programme represents the best that can be achieved assuming no hold ups occur.

The majority of building material suppliers in the future will be procured via a framework agreement negotiated with the OGC (Office of Government Commerce). This process eliminates the need for prolonged tendering. Value for money is assured as the framework agreements are in line with Gershon efficiency targets set by the Government. Each agreement can be tailored to our local needs and the agreements are in place for electronic invoicing and purchase cards once CYC has the necessary infrastructure in place. Once this is working it will be extended to cover material purchases in other areas of business. All the above work is being undertaken of in full consultation with and the help of the Central Procurement Team. First stage (Building) to be completed by September 2006.

5. **Recommendation 4.2. *Sub-contractors should not be appointed until written confirmation has been obtained of their suitability to undertake the work (including references and assurance of health and safety processes).***
6. **Response.** All sub-contractors will be required to fill in a standard CYC, PQQ (pre-tender qualification questionnaire) form which will detail all the issues around suitability such as Health and Safety, financial stability and previous experience. Only after this process has been completed and approved will suitable candidates be allowed to tender. To be completed by October 2006
7. **Recommendation 4.3. *Written contracts should be prepared for work awarded to sub-contractors where the value of the work is expected to exceed £50,000.***

8. **Response.** Where contracts currently exceed £50,000 and there is no formal arrangement a contract is being developed in accordance with the recommendation. Since the last EMAP to consider this item only one contract has been awarded which falls into this category and the process has been followed. New contracts for the tendered works will be prepared and signed as part of the above process. To be completed by October 2006.
9. **Recommendation 4.4. *Commercial Services should undertake a full inspection of the work performed by the company from Barnsley with a view to recovering any overpayment.***
10. **Response.** All the work undertaken by this contractor (110 separate jobs) has been inspected. The inspection work is now complete and any defects, which were found to be as a result of poor workmanship, have been put right at no cost to CYC. A list of the job inspections is attached as **Annex 4**. We only identified one job where no work had been undertaken and this has been rectified again at no cost to CYC. A series of meetings have been held with the contractor, who has now completed remedial works to our satisfaction.
11. **Recommendations 4.5 – 4.8. *Completed job tickets submitted by sub-contractors should be properly checked by supervisors. Errors or omissions should be investigated. Inspections should be carried out on work undertaken (on a reasonable sample basis or in accordance with an appropriate quality assurance scheme). Details of inspections should be recorded and retained within the department. Invoices should only be authorised once the relevant officer is satisfied that the work has been carried out, and to a satisfactory standard (in accordance with the appropriate quality control arrangements). Written records should be retained of meetings with sub-contractors so as to avoid the potential for future disputes.***
12. **Response.** Within our existing quality control arrangements staff have been made aware of requirements to ensure work is adequately checked before being signed off. However we recognise weaknesses within the existing system, some of which have been in place since the early rounds of CCT in the late 1980's. Therefore a complete review of the building department is being undertaken which will address all of the issues around supervision and checking of work. This involves a restructure of the department along with new job plans that make clear the responsibilities of each staff member. New systems are being developed which will ensure adequate post inspections of work take place to ensure a quality product is delivered right first time. Due to be completed during the current financial year.
13. **Recommendation 4.9. *A review of the current works ordering process on Servitor from end to end should be undertaken so as to ensure that records of work ordered and/or outstanding invoices are accurate, are properly matched to job tickets and all payments are properly authorised before being processed.***

14. **Response.** The first stage of a review of Servitor (our job allocation and costing system) is well underway and is due to be completed by September 2006. This will include the issues raised in the audit. Other work include the phased introduction of mobile technology to further enhance the issuing and signing off of works orders.
15. **Recommendation 4.10. *A full and complete register of staff interests should be prepared and maintained by Commercial Services.***
16. **Response.** The list of staff interests is being reviewed in line with the new financial regulations. To be completed by August 2006
17. **Recommendation 4.11. *Commercial Services (in consultation with Resources department staff) should undertake a review of the practice allowing staff to take Council vehicles home. The review should consider all implications of the practice including operational and tax/NI issues.***
18. **Response.** The practise of staff being allowed to take vans home has been in place for at least 15 years. It is not practical for security reasons or space to leave vans in the depot. It also enables staff to go straight to the first job in the morning and not make an un-necessary journey to the depot. All of this is done with the full knowledge of the Inland Revenue.
19. **Recommendation 4.12. *Senior Managers in Commercial services should consider what action is needed in respect of the managers and staff involved further to findings of the audit and respond accordingly.***
20. **Response.** The issues highlighted by the audit are being addressed as part of the restructuring exercise within the building department which will put in place more robust systems to prevent further occurrences of these problems. Training is being arranged for senior managers on the new financial regulations. All senior managers have received a copy of the regulations.

Summary.

21. All the issues arising from the report are being addressed. Staff have been made aware of their obligations with regards following financial regulations and that breaches of these will be regarded very seriously. Further training on the new financial regulations and procurement rules is being arranged with the head of audit. The main issue surrounding correct procurement procedures is being dealt with through two main routes. The procurement and use of sub-contractors is being completely overhauled through a procurement exercise now well underway and due for completion during October 2006 (Para. 4 above). The purchasing of materials is being sourced through the OGC route (Para. 4) and should be completed within the building department by September 2006. If this proves successful then the arrangement will be extended to the whole construction. The management issues around checking and supervision of work are being dealt with through a re-organisation of the department. Job plans are being revised to ensure ownership of all processes from end to end to improve the management and

control of all work. The restructure is underway and should be complete by the end of the year.

Response to the recommendations from the “Recruitment and Selection” audit.

22. **Recommendation 4.1. *Accurate and complete records relating to the distribution and receipt of application forms should in future be retained and held on a central recruitment and selection file for the relevant position.***
23. **Response.** A summary pro-forma has been created to log the distribution and receipt of all application packs/forms, which will be held on the relevant central file.
24. **Recommendation 4.2 *An appropriate scoring mechanism should be in place for each part of the recruitment and selection process. This mechanism should be documented, completed and a copy retained on the central recruitment and selection file.***
25. **Response.** A scoring mechanism was used for both the short listing and the interview assessment, based on the person specification for the posts. Individual score-sheets were kept by panel members initially to provide feedback to unsuccessful candidates, but these could not be located. In future they will be returned to the central file to be kept for 6 months per standard practice.
26. **Recommendation 4.3 *Upon completion of any recruitment and selection process, all documentation¹ should be held centrally in a structured file in order to maintain a complete and comprehensive audit trail.***
27. **Response.** All documentation will be held on the relevant central recruitment file.
28. **Recommendation 4.4 *Written references should always be obtained. Verbal references should be confirmed in writing as soon as possible. Written references should be requested and held on file for the two managers.***
29. **Response.** Written references will continue to be taken up and chased if not received. However, experience shows that in some instances they are not forthcoming. When this occurs, the note of the verbal reference will be recorded on file.

¹ Including: List of recruitment panel, application forms from all applicants, short listing criteria and method of selection, assessment scores, interview questions, notes and scores, reason for appointment etc from all members of the recruitment panel.

30. **Recommendation 4.5** *Managers with responsibility for staff recruitment should undertake the Council's recruitment and selection course. Managers should also undertake refresher training after three years.*
31. **Response.** Neighbourhood Services is reviewing its compulsory training programme for managers. A skills matrix is to be established for each post, which will include recruitment training where appropriate.
32. **Recommendation 4.6** *Candidates applying via email, internet etc should be asked to sign their completed application form at the interview.*
33. **Response.** This is now being implemented.

Summary

34. Neighbourhood Services has recently reviewed its recruitment and selection processes and standard pro-forma's and example documents are stored on the shared drive. A representative from Human Resources sits on all recruitment panels and advises accordingly on the implementation of the correct procedure and supporting documentation. The Recruitment and Selection Checklist has been reviewed and updated. The Council has also recently reviewed and updated its Recruitment and Selection policy in light of statutory changes and these will be incorporated in to Directorate procedures. Managers and staff involved in recruitment and selection will be briefed on the revised Council policy.

Consultation

35. Comments from the Head of Internal Audit. "Internal Audit are satisfied that the actions taken or proposed by the department, as set out in this report, will address the control weaknesses and other concerns identified in the two investigation reports. A review of the progress made by the department will be undertaken as part of our "follow up" arrangements. Where necessary, this review will include additional audit testing to confirm that issues have been adequately addressed. The results of this follow up work will be reported to the Audit & Governance Committee".

Options

36. There are no options for consideration

Analysis

37. Not applicable

Corporate Priorities

- 38 Not applicable

Implications

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- **Financial** There are no financial or budgetary implications to consider within this report
- **Human Resources (HR)** There are no further human resources implications to consider within this report.
- **Equalities** There are no equalities issues to consider within this report
- **Legal** The actions taken in response to the recommendations of the two audit reports will ensure compliance with legal requirements, finance and contract regulations and best practise
- **Crime and Disorder** There are no crime and disorder implications to consider within this report
- **Information Technology (IT)** There are no IT implications to consider within this report

Risk Management

40. Any failure to adequately address the specific control weaknesses identified by Internal Audit would increase the risk of further breaches of the Council's Financial Regulations, policies and procedures resulting in potential challenge and financial loss.

Recommendations

41. Members are requested to note the contents of the report.

Reason: To update Members of the response to the recommendations from two audits completed in Jan 2006, surrounding issues raised through the whistle blowing policy in August 2005.

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Wards Affected: *List wards or tick box to indicate all*

All *tick*

For further information please contact the author of the report

Background Papers:

There are no background papers

Annexes

- Annex 1.** Audit report Appointment and use of sub-contractors
- Annex 2** Audit report Recruitment and selection
- Annex 3.** Tendering work programme.
- Annex 4.** Work inspection list