



INTERNAL AUDIT
FINAL REPORT

Title: Housing Departmental Review – Maintenance Contracts

Report Distribution

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Contents	Page
Executive Summary	2
Introduction	3
Detailed Findings	4-5
Annex A – Audit Definitions / Responsibilities	6-7

EXECUTIVE SUMMARY

Introduction

UK and EU Competition Laws require organisations to avoid ant-competitive practices when negotiating commercial contracts and setting prices and terms. Penalties can be severe, including heavy fines. The penalties for breaching Public Procurement Law regulations are less severe, but could result in contract award processes being stopped or delayed and payment of damages to aggrieved suppliers.

With the objective of providing greater efficiency and value for money with respect to property maintenance contracts, Strategic Partnering is being introduced within the Housing Services Department.

Tenders have been invited for planned and responsive maintenance contracts. The values of the contracts are £3 million over three years for the responsive maintenance contract and for £2-3 million per annum for the planned maintenance contract.

Given the significance of the value of the contracts, Internal Audit undertook the review to provide assurance that the contract tender procedures are effective in protecting the authority from potential breaches of EU and UK legislation and regulatory requirements.

Principal Findings

	High	Medium	Low
Number of recommendations			2

The detailed findings and associated recommendations are provided in the second part of the report. There were no high or medium risk recommendations identified during the review.

Assurance Statement

Internal Audit can provide **substantial assurance** with respect to the adequacy and effectiveness of controls deployed to mitigate the risks associated with the areas reviewed.

INTRODUCTION

Objective & Scope

To ensure the authorities contract tendering, management and monitoring procedures are effective and efficient and compliant with UK and EU Competition Laws.

The scope of the review will incorporate the Planned and Responsive Housing maintenance contracts.

The key risks associated with the system objectives are:

- Failure to comply with UK and EU Competition Law and Regulatory requirements.
- Penalties for breach of Public Procurement Law.
- Failure to obtain “value for money” from goods and services from external suppliers.

The control areas included within the scope of the review are:

- Contract tender opening process.
- Contract tender monitoring (control schedule).
- Contract evaluation stage and methodology.

This audit report is presented on an exception basis. The detailed findings include only those areas where controls should be enhanced to improve their effectiveness and mitigate the risks that affect the authorities objectives for the system reviewed. Controls and risks identified in the scope that are not mentioned in the detailed findings were considered to be adequate and operating effectively.

Acknowledgement

A number of staff gave their time and co-operation during the course of this review. We would like to record our thanks and appreciation to all the individuals concerned.

DETAILED FINDINGS

Observation	Risks	Recommendation	Management's Response
<p>Recommendation 1 - Receipt of Contract Tenders Level of Risk - Low</p>			
<p>The submission of contract tender documents is currently made within the one stop shop. Receipts are provided upon submission and entered onto a control schedule. To demonstrate that submissions have been made in line with required deadlines and ensure all tenders are handled in a fair and consistent manner receipts should identify the name of the contract tendered and the dates and times of submission. All tenders were received by the stipulated deadline on the 12th July 2006, however, one receipt did not identify the contract or time of submission.</p>	<p>Failure to demonstrate compliance with the authorities Financial Regulations and Standing Orders relating to Contract Tendering procedures. Failure to demonstrate compliance with UK and EU Competition and Public Procurement Law.</p>	<p>To confirm compliance with the authorities Financial Regulations and Standing Orders it should be ensured that receipts provided for submitted contract tender documents identify the respective contract and confirm the date and time of submission. Action: Diane Grattage (Property Manager) Maintenance</p>	<p>Management Comment: Recommendation Agreed</p> <p>Planned Corrective Action: Standing orders relating to contract tendering procedures are currently being ratified. These provide for the submission of tenders to the Legal services team and will negate the issues outlined in the recommendation.</p> <p>Timescale: Upon adoption of the new standing orders.</p>

Observation	Risks	Recommendation	Management's Response
<p>Recommendation 2 – Contract Control Schedules Level of Risk - Low</p>			
<p>The contract control schedule (Strategic Partnering Schedule) and supporting contract files were obtained and reviewed.</p> <p>The contract control schedule is maintained to highlight the key dates throughout the contract tender process and demonstrate compliance with UK and EU Competition and Public Procurement Law.</p> <p>Documents held within the contract file confirmed the accuracy of the dates provided on the control schedules and subsequent compliance with legislative and regulatory requirements.</p> <p>The review of the contract files was hampered by the fact that the control schedule does not clearly identify actual dates of activity.</p>	<p>Failure to demonstrate compliance with UK and EU Competition and Public Procurement Law.</p>	<p>The contract control schedule should be enhanced to clearly identify actual dates in a separate column from target dates.</p> <p>Action: Diane Grattage (Property Maintenance Manager)</p>	<p>Management Comment: Recommendation Agreed</p> <p>Planned Corrective Action: For all future contract tender exercises, the contract control schedules will be enhanced to clearly identify actual dates.</p> <p>Timescale: Immediate</p>