



Internal Audit Report

Cross Service

Procurement Compliance

Issued to:

Steven Whyte, Director of Resources
Rob Polkinghorne, Chief Operating Officer
Andy MacDonald, Director of Customer Service
Craig Innes, Head of Commercial and Procurement Services
Fraser Bell, Chief Officer – Governance
Jonathan Belford, Chief Officer – Finance
External Audit

EXECUTIVE SUMMARY

Aberdeen City Council makes payments of over £500 million per annum to external sources. Where this includes the procurement of goods, services and works, legislation and internal rules and regulations set out specific requirements which must be complied with in order to meet the Council's legal obligations, and provide assurance over Best Value in procurement.

The objective of this audit was to provide assurance that the Council has appropriate arrangements in place, that are being complied with, to ensure compliance with procurement legislation and internal regulations. A sample of high value expenditure was reviewed, and this indicated that requirements are not being demonstrably complied with in several cases.

The Commercial and Procurement Shared Service (CPSS) supports the Functions by providing the structure, system, training, advice and support to demonstrate compliance with procurement legislation and regulations. Procurement activity is delegated to each of the Council's Functions and Chief Officers who may delegate authority to relevant officers.

Commitment to action was sought to ensure that: contracts will be subject to appropriate procurement, including public tender where they exceed the relevant thresholds individually and in aggregate; procurement intentions and awards will be appropriately published; adherence to Committee approvals will be monitored to ensure they are adhered to; and purchase orders will be raised in advance unless a specific exemption applies.

Actions were agreed with Directors on 16th July and presented to Extended Corporate Management Team (ECMT) on the same date advising of this and their commitment was also agreed. Procurement Compliance Reports will be a standing item on the ECMT Stewardship agenda.

CPSS will review whether additional data can be recorded to demonstrate that spend is linked back to contracts, approvals and business cases. Training and guidance will be updated following a review of the contracts register and associated processes to provide assurance over compliance. A new website is also being developed to assist buyers in the selection of appropriate contracts and signpost them to guidance should alternative options be required.

1. INTRODUCTION

- 1.1 Aberdeen City Council makes payments of over £500 million per annum to external sources. Where this includes the procurement of goods, services and works, legislation and internal rules and regulations set out specific requirements which must be complied with in order to meet the Council's legal obligations, and provide assurance over Best Value in procurement.
- 1.2 These requirements include:
- External requirements -
- Publicly advertised tenders for Council spend over relevant thresholds set by the Scottish Government and the European Union (EU)
 - Publishing a contracts register and forward procurement plans
 - Aggregation of spend across similar contracts in planning procurement
- Internal requirements -
- Obtaining Committee or officer delegated approval of all spend, via procurement plans and supporting business cases
 - Demonstrating best value by subjecting contracts exceeding specified internal thresholds to appropriate competition
 - Maintaining a detailed contracts register with evidence of the procurement process followed
 - Obtaining approval from the Director of Commissioning (currently vacant) and Head of Commercial and Procurement Services in respect of any proposals to divert from standard practice
 - Raising purchase orders in advance of spending, unless exempted
- 1.3 The objective of this audit was to provide assurance that the Council has appropriate arrangements in place, that are being complied with, to ensure compliance with procurement legislation and internal regulations. To do so, a sample of recurring high value expenditure was selected from financial reports, and evidence sought that it had been incurred and recorded under appropriately procured contracts with prior approval in line with the Council's Scheme of Governance. The tender receipt, review, and award decision making processes have not been reviewed in detail as part of this audit.
- 1.4 A review of the process in operation, and recommendations for improvement and adherence to the process have been made in section 2 below. Details of issues identified and the areas of expenditure in which they were identified are set out in section 3.
- 1.5 The factual accuracy of this report and action to be taken with regard to the recommendations made have been agreed with the Head of Commercial and Procurement Services and Directors.

2. CONCLUSIONS AND RECOMMENDATIONS

2.1 Public Tendering

- 2.1.1 All procurement in excess of Scottish procurement thresholds must be advertised as contract opportunities on the Public Contracts Scotland website. Adherence to this process also provides more assurance over compliance with EU tendering requirements at higher levels of spend. The Council has also set out its own procurement thresholds beyond which varying degrees of competition must be applied to demonstrate best value in procurement.
- 2.1.2 Council, Scottish, and EU procurement thresholds appear to have been breached in several instances (3.1, 3.2, 3.3, 3.6, 3.13, 3.14, 3.15, 3.19, 3.23, 3.28, 3.29, 3.32, 3.34, 3.35) where records (or the absence of records) indicate that contracts have not been subject to appropriate competition or formally extended, either at all, or sufficiently in advance of existing arrangements expiring.

Recommendation

Contracts should be subject to appropriate procurement, including public tender where they exceed the relevant thresholds.

Service Response / Action

Agreed.

Actions were agreed with Directors on 16th July and presented to Extended Corporate Management Team (ECMT) on the same date advising of this and their commitment was also agreed. Procurement Compliance Reports will be a standing item on the ECMT Stewardship agenda.

Procurement plans are being developed for review by the Strategic Commissioning Committee in November 2020. CPSS will support Services' efforts to collate information, and will be monitoring progress with implementing plans once agreed.

Implementation Date

November 2020

Responsible Officer

All Chief Officers, Service Managers and other Officers with delegated responsibility for the commission of goods, services and works

Grading

Major at a Corporate Level

- 2.1.3 Where contracts have been awarded as a result of competitive tendering, or following direct award without competition, an award notice must also be published on the Public Contracts Scotland (PCS) website. This requirement is not always being complied with (3.2, 3.22, 3.33, 3.34, 3.35), and in cases where notices have been published these have not always included the correct information, or been issued timeously (3.6, 3.20, 3.30).
- 2.1.4 Where there is an intention to not comply with procurement Regulations, e.g. by directly awarding a contract without competition, the Council can publish a Voluntary Ex-ante Transparency (VEAT) notice to signal its intentions and reasons to the market and by demonstrating transparency reduce the risk of legal challenge at a later date. This is not always being used where appropriate. (3.6)

Recommendation

Services should ensure procurement intentions and awards are appropriately published.

Service Response / Action

Agreed.

Actions were agreed with Directors on 16th July and presented to Extended Corporate Management Team (ECMT) on the same date advising of this and their commitment was also agreed. Procurement Compliance Reports will be a standing item on the ECMT Stewardship agenda.

A monthly report will be issued to Delegated Procurers on outstanding PCS Awards.

Implementation Date

October 2020

Responsible Officer

Strategic Procurement
Manager (Category
Management)

Grading

Major at a Corporate Level

2.1.5

All spend on similar types or categories of spend requires to be aggregated (typically over four years) in order to identify the Council’s overall requirement for those supplies and services, and plan procurement activity appropriate to that value of spend. A series of ‘one-off’ contracts for such supplies and services, procured using approaches designed for lower value contracts, may quickly exceed the procurement thresholds, and fail to demonstrate compliance with Regulations. This has occurred in a number of the areas reviewed. (3.2, 3.3, 3.6, 3.13, 3.14, 3.15)

Recommendation

Services should ensure they comply with aggregation rules for procurement of similar goods / services.

Service Response / Action

Agreed.

Actions were agreed with Directors on 16th July and presented to Extended Corporate Management Team (ECMT) on the same date advising of this and their commitment was also agreed. Procurement Compliance Reports will be a standing item on the ECMT Stewardship agenda.

Procurement plans are being developed for review by the Strategic Commissioning Committee in November 2020. CPSS will encourage and support Services’ efforts to collate information, including aggregation. Data, particularly from feeder systems, can make it difficult to identify related spend as discussed at 2.2.3 below. The Data Forum project may assist.

Implementation Date

November 2020

Responsible Officer

All Chief Officers, Service
Managers and other
Officers with delegated
responsibility for the
commission of goods,
services and works as
appropriate

Grading

Major at a Corporate Level

2.2

Council Approvals

2.2.1

Committee approval is required in advance for spend in excess of specified values, and requires submission of procurement plans and business cases. Such plans and business cases, or other approval documentation, were not found for several of the supplies

reviewed as part of this audit (3.1, 3.5, 3.6, 3.10, 3.20, 3.21, 3.26, 3.31, 3.32, 3.34). Whilst in some cases prior approval is evident (in different formats where these pre-date the current Procurement Regulations), the values, expiry dates, or other conditions of that approval had been breached or changed without recourse to Committee. (3.2, 3.3, 3.7, 3.12, 3.19, 3.24, 3.28, 3.33)

2.2.2 There has historically been no method of matching contracts entered into, back to the original approval. Whilst this functionality is available using the contracts register system it depends on clear links and consistent referencing, which are not in place for the majority of contracts reviewed as part of the audit. The Commercial and Procurement Shared Service agreed following the 2019 audit of this area (AC1914) to include contract references within Business Case files to demonstrate the link between contracts and approvals. Business cases are being allocated reference numbers to differentiate between them, but there is currently no link to the contracts derived from them.

2.2.3 Whilst there are methods for monitoring expenditure against revenue and capital budgets, and project and programme management and change controls, there is no set mechanism for monitoring expenditure against Committee approvals. Only a minority of spend includes a clear contract reference to facilitate monitoring at a contract level. Capital contracts typically include an internal contract reference number, though the format varies between projects and payments. Only a small number of purchase orders reviewed included reference to a particular contract, typically by name (which varies and is open to interpretation) rather than a reference number. Transactions processed through feeder systems do not generally pass contract information through to the financial system. Without a clear and consistent method of recording contract details against each payment, it will be difficult to ensure all spend is covered by a contract and is within approved levels of spend.

Recommendation

All spend should be clearly linked, e.g. through consistent reference numbers and inclusion of approval details in the Contracts Register, back to a contract and its approval.

A clear and consistent method of recording contract details against each payment should be developed and implemented.

Service Response / Action

Agreed. From July 2020 each Business Case sent to/prepared by CPSS for committee approval will be allocated a BOrganised reference number.

However no system is available at the moment to capture spend against contract, There is work ongoing as part of the Data Forum project to look at how a system can be implemented to capture spend against contract, no date has been agreed for this work to be concluded.

CPSS will work with the PECOS team to identify meantime whether it is possible for a contract reference box could be included for raising PO's, which could lead to improvement in ability to track contract spend via PECOS.

Implementation Date

December 2020

Responsible Officer

Strategic Procurement Manager (Category Management);
Strategic Procurement Manager (Commissioning & Contracts)

Grading

Significant within audited area

- 2.2.4 The requirement to seek further approval where it is anticipated the existing approval will be exceeded was reiterated to Services following the 2019 audit of this area (AC1914) and reminders were issued to relevant officers, including reference to the requirements in the annual budget letter from the Chief Officer – Finance.
- 2.2.5 If there is a change of plan, or if the plans originally provided to Committee for approval have not progressed within the timescales envisaged, new plans need to go back to Committee, or Officers will be acting outwith their delegated authority.
- 2.2.6 The reporting process is reliant on Officers recording their own information, and volunteering this to Committee, which typically only occurs when revised procurement intentions are published. This may be some time after expiry of Committee approval, or after plans have already been revised and acted on (or a decision taken not to act) by Officers. Continued expenditure in the interim will not have been subject to the requisite consideration and approval.

Recommendation

Services should ensure Committee approvals are obtained and adhered to, and further approval sought and obtained prior to continuing purchasing.

Service Response / Action

Agreed.

Actions were agreed with Directors on 16th July and presented to Extended Corporate Management Team (ECMT) on the same date advising of this and their commitment was also agreed. Procurement Compliance Reports will be a standing item on the ECMT Stewardship agenda.

Procurement plans are being developed for review by the Strategic Commissioning Committee in November 2020 – where new approvals will be sought. CPSS will support Services’ efforts to collate information, and will be monitoring progress with implementing plans once agreed.

CPSS provide training to delegated procurers which includes contract management.

Implementation Date

November 2020

Responsible Officer

All Chief Officers, Service Managers and other Officers with delegated responsibility for the commission of goods, services and works as appropriate

Grading

Significant within audited area

- 2.2.7 Some Services have historically requested dispensations from the requirement to obtain further Committee approval for works within wider capital programmes. Whilst this demonstrates Committee approval for the level of spend, the approval does not cover the requirement set out in the Procurement Regulations to prepare business cases for approval by the Director and the Head of Commercial and Procurement Services prior to undertaking procurement of individual contracts within the Committee approved level of spend. Business cases have not been produced in some cases. (3.3)

Recommendation

Services should ensure business cases are prepared for all spend in line with the Procurement Regulations, including where Committee approval is not required.

Service Response / Action

Agreed.

Actions were agreed with Directors on 16th July and presented to Extended Corporate Management Team (ECMT) on the same date advising of this and their commitment was also agreed. Procurement Compliance Reports will be a standing item on the ECMT Stewardship agenda.

Procurement plans and business cases are being developed for review by the Strategic Commissioning Committee in November 2020. CPSS will support Services' efforts to collate information, and will be monitoring progress with implementing plans once agreed.

Implementation Date

November 2020

Responsible Officer

All Chief Officers, Service Managers and other Officers with delegated responsibility for the commission of goods, services and works as appropriate

Grading

Significant within audited area

2.3 Maintaining Records

- 2.3.1 The Council maintains supporting records in a contracts register system, which is also used to generate the published version required to comply with Scottish Procurement Regulations. All contracts in excess of the Council's procurement thresholds should be recorded on the system, along with details of the value; start, end and potential extension dates; how they were procured; the approvals obtained to do so; and officers involved in the process. Copies of contracts and associated paperwork (e.g. business cases, approvals, tender documentation, rates, award letters and so on) should also be held on the system.
- 2.3.2 Maintenance of the contracts register has been delegated to procuring Services – which should be adding information in line with the Council's procurement guidance, with support from the Commercial and Procurement Shared Service only where necessary.
- 2.3.3 Some contracts have not been recorded on the system at all (3.22, 3.26, 3.27), others have not been accurately recorded (3.31) and there were no contracts in the sample reviewed where all of the required information and evidence is on the system. The absence of records and incomplete / inaccurate records was highlighted in the 2019 audit of this area (AC1914) and reminders were issued to relevant officers.

Recommendation

The contracts register should be complete and up to date, including evidence of authorisations and the procurement process.

Service Response / Action

Agreed. C&PSS plans to establish a short life working group in respect of reviewing the Contract Register (BOrganised) which will incorporate a review on how contract awards are registered along with a review of associated guidance and potential refresh of training programme.

Implementation Date

December 2020

Responsible Officer

Strategic Procurement Manager (Category

Grading

Major at a Corporate Level

Management); Strategic
Procurement Manager
(Commissioning &
Contracts)

- 2.3.4 The system also includes details of 'framework agreements' which have been adopted by the Council. These set out the terms and conditions which will apply to subsequent contracts entered into with counterparties who have bid and / or signed up to them. They are not in themselves contracts – no commitment is entered into on the Council's part to purchase any value of supplies or services from any one or more of the counterparties within the period covered by the framework. Call-off contracts need to be entered into with individual suppliers in a framework before orders can be placed and paid for.
- 2.3.5 It is a requirement of procurement legislation that call-off contracts be treated, and registered, as any other contract – i.e. each separate contract should have a separate listing and value in the contracts register. This was not the case in several instances reviewed – some of which included up to 24 separate counterparties, with no indication of which the Council had entered into contracts with and to what extent. (3.5, 3.9, 3.10, 3.21, 3.35). The need to record call-off contracts separately was highlighted in the 2019 audit of this area (AC1914) and reminders were issued to relevant officers.
- 2.3.6 Depending on the framework, call off contracts may be directly awarded or subject to mini-competition. There is no evidence to show the selection process that the Council has undertaken which resulted in orders of the value indicated being placed with the selected supplier. (3.5, 3.22, 3.35)

Recommendation

Call off contracts should be recorded, with supporting evidence of the selection process and anticipated spend, for each supplier the Council plans to obtain goods / services from.

Service Response / Action

Agreed. C&PSS plans to establish a short life working group in respect of reviewing the Contract Register (BOrganised) which will incorporate a review on how contract awards are registered along with a review of associated guidance and potential refresh of training programme. This review will include determining how framework call offs will be reported and recorded.

Implementation Date

December 2020

Responsible Officer

Strategic Procurement
Manager (Category
Management)/Strategic
Procurement Manager
(Commissioning &
Contracts)

Grading

Major at a Corporate Level

- 2.3.7 Additional non-contract services are being purchased from 'contracted' suppliers. There is a risk that these suppliers are used as a default for supplies that are associated with but not covered by the original contract and procurement. For example, procurement of equipment does not automatically mean parts and maintenance must be obtained from the same supplier. These elements would need to be included in the procurement plan and evaluated holistically as part of competitive bids. Where ancillary goods and services are not covered by the original contract, further procurement action should take place to ensure that they are being obtained from the best value source. The contracts register system does not typically include sufficient information to assist buyers in determining whether this is the case (3.18, 3.26).

Recommendation

The scope of contracts should be documented for purchasers to make it clear that goods or services outside of that scope must be subject to further procurement activity.

Service Response / Action

Agreed. C&PSS is working with ICT in Aberdeen City on launch of a new website which will be available for each of our Council clients and will contain up to date guidance / information.

Implementation Date

December 2020

Responsible Officer

Strategic Procurement Manager (Category Management) / Strategic Procurement Manager (Commissioning & Contracts)

Grading

Significant within audited area

- 2.3.8 In some circumstances there may be an appropriate justification for directly awarding a contract to one supplier without competition, however this carries a risk of legal challenge from potentially aggrieved competitors. This risk needs to be considered by the organisation at an appropriate level, prior to the award being made. Evidence of consideration of these risks is not always being retained. (3.1)

Recommendation

Direct award of contracts should be reviewed in conjunction with CPSS, and evidence retained of this review.

Service Response / Action

Agreed. A new regulation has been included in the 2020 refresh of the procurement regulations, CPSS are reviewing and will develop a process.

Implementation Date

October 2020

Responsible Officer

Legal Team Leader CPSS/Strategic Procurement Manager (Category Management)

Grading

Significant within audited area

2.4 Ordering Process

- 2.4.1 The Council operates a 'no purchase order, no payment' policy, however there are various agreed exceptions documented in the Financial Regulations – including systems and procedures that offer alternative controls, and covering specific instances where it would not be practicable to raise an order in advance. The majority of spend reviewed was either covered by an official purchase order, had been processed via an agreed alternative system, or was subject to an approved exception. However, this was not always the case. Instances of retrospective orders being raised and approved on receipt of an invoice (3.11), and of orders not being raised (3.12, 3.20, 3.24, 3.25, 3.27, 3.28, 3.29, 3.30, 3.34), where no exception is documented, were identified.
- 2.4.2 The requirement was reiterated to Services following the 2019 audit of this area (AC1914) and reminders were issued to relevant officers. The Accounts Payable team was asked by the Chief Officer – Finance to give due regard to invoices that do not have a purchase order, to consider the exemptions that have been defined and escalate non-compliance where appropriate. This may not have had the desired effect.

Recommendation

Purchase Orders should be raised in advance for all supplies and services unless there is a specific exemption confirmed with Finance in accordance with the Financial Regulations.

Service Response / Action

Agreed.

Actions were agreed with Directors on 16th July and presented to Extended Corporate Management Team (ECMT) on the same date advising of this and their commitment was also agreed. Procurement Compliance Reports will be a standing item on the ECMT Stewardship agenda.

CPSS in conjunction with Finance will issue a communication to remind commissioning officers of the requirements of the No PO no payment policy.

Implementation Date

October 2020

Responsible Officer

All commissioning officers within each Cluster

Grading

Significant within audited area

AUDITORS: D Hughes
C Harvey
R Brand

Appendix 1 – Detailed Findings

3. FINDINGS

3.1 Advertising

- 3.1.1 Over £795,000 was spent with one supplier in the four years to October 2019. This exceeds Council, Scottish, and EU procurement thresholds.
- 3.1.2 The Council last held a recorded contract for these services in 2015/16, and no formal extension has been agreed or a replacement tendered and awarded.
- 3.1.3 The Council is required to publish statutory notices in local newspapers, and will also publish advertisements for other activities – e.g. events and recruitment. The Service considers that existing negotiated discounts may not be achieved through a tender process, and as there is a requirement for local advertising, compliant options may be more limited. However, CPSS has indicated there is an available framework which should be considered.
- 3.1.4 There is no evidence of approval from Committee or Chief Officer in respect of this recurring spend, and no evidence of the Service having sought the Head of Commercial and Procurement Services' approval of a direct award without competition.
- 3.1.5 Purchase Orders are being raised for all advertising spend.

3.2 Roofing and Scaffolding

- 3.2.1 Over £1.5 million was spent with one supplier in the four years to October 2019. This exceeds Council, Scottish, and EU procurement thresholds.
- 3.2.2 The Council last registered a contract for these services in 2015/16, and no formal extension has been agreed or a replacement tendered and awarded.
- 3.2.3 There was approval for expenditure from the Communities, Housing & Infrastructure Committee in 2016 for up to £1.4 million, and thereafter the Strategic Commissioning Committee in 2018 for up to £270,000, but the latter approval expired in May 2019 – beyond which point the Committee had agreed the Service could spend up to £1.6 million over four years following a full tender exercise to be undertaken.
- 3.2.4 The Service re-considered its planned approach in March 2019 as it then considered a direct award to the existing supplier without competition would offer best value. As this was a proposal to breach EU law it was not presented for Committee approval. A tender process was not commenced.
- 3.2.5 A separate tender for roofing repairs 2019-21 was advertised via Public Contracts Scotland in January 2019, including a 'lot' for scaffolding. The Service considered that this removed its need to tender separately for its scaffolding requirements. At the end of February 2020 there is no indication on Public Contracts Scotland, or on the Council's contracts register, that a contract or contracts have been awarded in respect of the roofing repairs tender – though the Service has stated that a single contractor framework is in place.
- 3.2.6 The Service continued to spend in excess of £150,000 with the existing supplier between the end of May 2019 (when the Committee approval to do so expired) and October 2019.
- 3.2.7 £4.6 million has been spent on roofing repairs with a single contractor over the last four years. The roofing repairs contract notice indicates an estimated spend of £600,000 over

two years 2019-21. Between April and October 2019, the spend on roofing with one contractor was in excess of £600,000 and over £350,000 on scaffolding. The Service has indicated that the roofing repairs contract includes only specific scaffolding work: it obtains competitive quotes for ad-hoc scaffolding and roofing works, usually through quick-quotes exercises. The Service refers to these as 'tenders' but they are not full competitive tendering exercises: whilst a similar process is followed, using a part of the Public Contracts Scotland website, the pool of potential suppliers is limited by using this option. This will not demonstrate compliance with the requirements of the Council's, Scottish Government's and EU requirements for aggregation of spend.

3.2.8 Purchase Orders for scaffolding are placed, and invoices paid, via the building maintenance management system.

3.3 Lifts and Lift Maintenance

3.3.1 Over £100,000 per annum is spent maintaining lifts in the Council's Housing estate. Expenditure on replacement lifts varies but has averaged over £1 million per annum over the last three years.

3.3.2 A short term contract (up to 3 months) was entered into with a single supplier for lift maintenance in 2014, to supplement internal services which had experienced recruitment difficulties. No formal long-term contract or extension has been entered into, and the same supplier is still used, with inflation based uplifts in hourly rates applied since. Spend of up to £300,000 per annum was approved by the Communities, Housing and Infrastructure Committee in 2016, up to 2020. The Service drafted a procurement business case in 2018, anticipating spend of £50,000 per annum for four years, but has not yet progressed with a planned tender exercise, or sought approval for future annual expenditure.

3.3.3 Purchase Orders for maintenance are placed, and invoices paid, via the building maintenance management system.

3.3.4 Programmes to replace lifts are set out at summary budget level in the Housing Capital Plan. Approval was obtained from Council in March 2019 to:

2.8 Approve as estimated expenditure in terms of Procurement Regulation 4.1.1, in order for work to commence on the Ongoing Capital Programme, the sums shown against each heading of the Housing Capital Expenditure budget for the financial year 2019/20 set out in Appendix 1 (pages 17 to 19) to this report without the need for separate Committee approval of each;

2.9 Delegates authority to the Director of Resources, following consultation with the Head of Commercial and Procurement Services, to undertake or instruct appropriate procedures in accordance with the ACC Procurement Regulations to procure the works referred to in Appendix 1 (pages 17 to 19) for the capital programme for the financial year 2019/20 and award contracts relating thereto;

3.3.5 This removed the requirement for the Service to obtain further approval from Committee for tendering of individual contracts within the total budgeted amount for "Lift Replacement Multi Storey / Major Blocks: Replacement of lifts where they are beyond economical repair. This can be full replacement or replacement of specific parts of the lift." The capital budget for this was £1.82 million for 2019/20.

3.3.6 No procurement business cases were available to document the planned approach to procuring lift replacements. The Service has stated that it considers there is no requirement for business cases for the standard programmes under Housing Capital as they are approved by Council as a whole at budget setting. Business cases will be done for one-off works such as new build but not the works repeated annually such as the lift programme. However, the Council approval did not provide for the Service to proceed

with procurement of individual contracts without a procurement business case – which the Director of Resources and Head of Commercial and Procurement Services would have had to receive and consider in order to “undertake the appropriate procedures in accordance with the ACC Procurement Regulations”.

3.3.7 The same supplier has been awarded annual lift replacement contracts for (at least) the last three years. Contract notices and awards have been posted on Public Contracts Scotland. Although these have been recorded on the contracts register, no supporting paperwork has been uploaded to the system. Each is below the EU procurement threshold for Works contracts. However, as the requirement is continuing, as set out in the Housing Capital Plan, for more than a single year, it is not clear why the Service has not aggregated its requirements over several years – which would exceed the EU threshold. There is a risk that this may be seen as an attempt to avoid the requirement to follow EU procurement rules, presenting a risk of legal challenge.

3.3.8 In common with other capital contracts, payments are self-billed on the basis of the value of work completed, rather than via Purchase Order. This is an agreed alternative control process.

3.4 Early Learning and Childcare Providers

3.4.1 The Service has set out plans to spend up to £37.8 million with various providers, from ring fenced funding, to support the roll out of the 1140 hours programme. In 2019 individual business cases were set out for each contracted provider, and due to the individual values, these were approved under Officer delegated powers. A business case was presented to Strategic Commissioning Committee in January 2020 covering aggregate spend across all providers up to 2024.

3.4.2 Payments are made by payment voucher, based on applications for individual children rather than via Purchase Order. This is an agreed alternative control process.

3.5 Personal Protective Equipment

3.5.1 Services have spent over £200,000 over the past four years with one supplier for PPE. The supplier is included within a Scotland Excel Framework agreement call-off on the Council’s contracts register, however it is listed with no separate value amongst 20 other suppliers, with a cumulative estimated value of £1.4 million between 2017 and 2020. It is a requirement of procurement legislation that call off contracts be treated, and registered, as any other contract – i.e. each separate contract should have a separate listing and value in the contracts register. Within the framework, call off contracts can be directly awarded or subject to mini-competition. There is no evidence to show the selection process that the Council has undertaken which resulted in orders of the value indicated being placed with the selected supplier.

3.5.2 It was not possible to find Committee approval of the planned £1.4 million spend over three years from 2017.

3.5.3 Purchase Orders are being raised for all spend with the selected supplier.

3.6 Painting and Decorating

3.6.1 Over £200,000 has been spent with one supplier in each of the last two financial years for redecoration in void Housing units. This aids in improving turnover of vacant units. The Service has been obtaining quotes and raising purchase orders via the building maintenance management system for individual jobs averaging £2,500 each. There are no contracts in place for the overall service. Collectively the expenditure exceeds Council, Scottish and EU procurement thresholds before which a competitive tender exercise

should be undertaken. These services have not been included in procurement plans presented to Committee.

3.7 Electric Vehicle Charge Points

3.7.1 The Council has received various elements of Scottish Government funding to install and maintain electric vehicle charge points. There are two elements: installation, and maintenance. The majority of spend with a single supplier (£280,000 over the last four years) has taken place with advance Committee approval. Contracts have been recorded on the contracts register covering this expenditure.

3.7.2 However, in one case approval for £77,000 spend on maintenance was obtained retrospectively, following consideration by the Head of Commercial and Procurement Services, due to late notification of funding availability limiting the opportunity to spend within the grant period. The reasons for directly awarding to a single supplier included timing and that the equipment maintenance should be provided by the original installer.

3.7.3 In another case there is no record of Committee approval, or retrospective notification following officer approval, for a separate £77,000 contract for installation of new charging equipment, again from the same supplier.

3.8 High Rise Buildings Fire Protection

3.8.1 Contracts were directly awarded to two contractors for maintenance required in high-rise buildings as result of a post Grenfell disaster review. One was for £540,000 of preparatory works, and the other for £1.26 million for passive fire protection measure installation. The Service considered the works sufficiently urgent to seek approval from the Head of Commercial and Procurement Services for suspension of procurement regulations in the direct award of these contracts without prior Committee approval. The combined contracted expenditure was retrospectively reported to the next meeting of the Strategic Commissioning Committee.

3.8.2 Internal legal advice indicated that a 10 day standstill period should still be applied, despite the urgency, to comply with procurement legislation, and the contract award published appropriately. Although the Service complied with this, a standstill period is only appropriate where there are other bidders to inform of the contract award. The Service did not publish a VEAT notice to clarify its reasons and intentions for a direct award – providing no information or opportunity for the intention to be scrutinised. The contract award was published via Public Contracts Scotland the following month, but stated each contract was valued at £100,000. This was updated three months later with the correct contract values, although it still stated that there had been open competition with only a single bid. There is a risk that this could be seen as an attempt to avoid challenge from other potential bidders.

3.9 Children's Residential Care and Education

3.9.1 Various providers are available to meet requirements for children's residential care and education, and secure care arrangements, under Scotland Excel framework agreements. Approval of the use of these frameworks was obtained from the Strategic Commissioning Committee in September 2018. Two providers, with various locations, with combined spend of over £2.4 million over four years, were selected for review by Internal Audit. Contracts are entered into through Individual Placement Agreements with the providers.

3.9.2 The majority of spend with these providers is processed through the care management system. This system provides an approved alternative to raising Purchase Orders.

3.10 Library Books

- 3.10.1 Various suppliers are available to meet requirements for the supply and delivery of library books, educational textbooks and multimedia supplies, under a Scotland Excel framework agreement. The contracts register holds details of a call-off from this framework, but it includes 24 suppliers, and an estimated value of £2.14 million between February 2018 and January 2022. There are no records of this having been subject to recent Committee approval.
- 3.10.2 For the supplier selected by Internal Audit, expenditure has been over £790,000 in the last four years. There is no separate recorded contract for this element / supplier.
- 3.10.3 All spend with the selected supplier is processed through a libraries ordering system. This system provides an alternative to raising Purchase Orders.

3.11 Wide Area Network

- 3.11.1 The contracts register indicates that the Scottish Wide Area Network (SWAN) Programme is designed to deliver a single public services network available for the use of any, and potentially all, public service organisations within Scotland; with aggregated demand delivering both cost and performance advantages. A contract value of £3.4 million is recorded, for services between 2015 and April 2020.
- 3.11.2 Use of this contract was approved by the Finance, Policy and Resources Committee in 2015, as it offered a better option than the Council re-tendering for network circuits. At that time spend of £2.75 million over three years was approved. Subsequently in 2017, the Committee approved further expenditure of £2 million for the expansion of the network, to be funded through the City Region Deal. Neither approval matches the recorded contract. Similarly, expenditure cannot be easily linked back to either the contract or the Committee approvals. There are no cross-references, and although there have been Purchase Orders with the supplier for some of the contracted services in previous years, and invoices indicate that it is 'SWAN circuit billing', spend of over £470,000 in 2019 has been approved by Officers retrospectively without a Purchase Order.

3.12 Income Management System

- 3.12.1 The corporate income management system, including e-payments and cash receipting, was provided under a seven year £1.15 million contract, which was retrospectively notified to the Finance, Policy and Resources Committee in 2015, after Officers set aside Financial Regulations to award following expiry of a previous contract.
- 3.12.2 The contract, which was to run from 2015 to 2022 was replaced in 2019 with a new contract for five years at £675,000. It was not possible to find this on a Procurement Workplan or Business Case reported to Committee as required by the Procurement Regulations. Over £168,000 was spent in 2019, along with further sums of between £12,000 and £17,500 each for upgrades and additional functionality for the system, which will incur further annual fees.
- 3.12.3 Costs are generally aligned with the contract, though an element of the original approval is variable consultancy costs, and there is insufficient information recorded on invoices / payments, and in the contracts register to show which costs relate to the contract. There were no Purchase Orders raised for expenditure under this contract in 2019.

3.13 Bus Shelters

- 3.13.1 Bus shelter replacement has been funded through external funding and Committee approved use of the Bus Lane Enforcement net surplus. In 2019 around £100,000 has been spent, with over £300,000 spent over the last four years with one supplier. Each purchase is supported with an appropriately completed Purchase Order.

3.13.2 In each instance the Service has sought exemption from the requirement to obtain quotations from the Commercial and Procurement Shared Service, to maintain continuity of supply in terms of design. Although continuity of funding from any specific source is not guaranteed, as this is effectively recurring spend there should be a contract in place, following the appropriate procurement route for spend of this type and value. There are no contracts on the Contracts Register for this type of supply.

3.14 Agency Staff

3.14.1 Over £1.9 million has been spent with one supplier in the last four years. Refuse loaders and drivers are being ordered on a monthly basis via Purchase Orders (approximately £45,000 per month). Grounds and building maintenance staff are being obtained through another supplier, with which £2.6 million has been spent in the same period. This is substantially in excess of national and EU procurement thresholds. The suppliers used are not on a procurement framework, and there is no registered contract with them. No records of approval (except the Purchase Orders which have been signed by relevant officers) were available from the Service.

3.15 Skip Hire

3.15.1 Over £1.4 million has been spent with one supplier for skip hire and associated waste disposal. This is substantially in excess of national and EU procurement thresholds. The Service advised that this was the subject of a previous tender in 2012, the contract for which has now expired. The contract is not on the register. A procurement business case was produced in January 2019, but tendering has not yet commenced. The procurement strategy is being re-evaluated.

3.15.2 Quotation exemption request forms, which should be for one-off requirements, are being prepared by the Service on a monthly basis in the interim. Purchase Orders are being raised for approximately £20,000 per month.

3.16 School and Social Work Transport

3.16.1 Contracts are in place with multiple suppliers to meet school and social care transport requirements. At the time audited, there were 87 different contracts in place. There are two framework agreements in operation (one since 2016 and another since 2019), from which individual call-off contracts have been entered into. Each is registered separately and correctly on the contracts register.

3.16.2 Committee approval was obtained in advance (Finance, Policy & Resources, September 2017) for expenditure of up to £3.2 million on these services, with a requirement to advise the committee on an annual basis of expenditure made within that year, and cumulative expenditure against initial estimate. The Service planned to report in May 2020, however this has been delayed as Committees have been temporarily suspended during Covid-19 lockdown.

3.16.3 Although there are Purchase Orders being raised, these do not indicate the specific contract being used / paid for in each instance – each supplier receives one Order for school transport and another for social care transport, regardless of how many individual contracts are in place with that supplier. It is therefore not straightforward to match spend against contract, to ensure each is within the agreed value recorded on the contracts register.

3.17 Care Homes

3.17.1 The Integration Joint Board approved expenditure of £30.5 million for 2019/20 under the National Care Home Contract. Although a breakdown of planned expenditure by supplier

is available, this is not broken down by contract, though suppliers may operate multiple Homes. CPSS has stated that this information is available separately. Purchase orders are not required for this type of supply: there are individual placement agreements recorded on the Service's care management system. However, as with purchase orders for other supplies and services these do not always reference the contract from which they were derived. CPSS has noted that work is ongoing to determine whether contracts can be monitored through the care payments system.

3.18 Gas Servicing and Installations

- 3.18.1 Over £28 million has been paid to a contractor for gas servicing and installations. The servicing element had not been subject to competitive tender since 2013, and the contract expired in 2017. CPSS has stated that a business case was presented to Strategic Commissioning Committee on 28 May 2019 and approved on that date. The business case set out use of a Scotland Excel Framework for Gas Servicing 2017. A framework adoption report was subsequently prepared and signed by CPSS in November 2019. Following a capability and capacity enquiry carried out under the regional lot of the Scotland Excel framework in February 2020 it was identified that only one supplier (the incumbent) had the capacity / capability to carry out the requirements of Aberdeen City Council. A direct award (as permitted under the terms of the framework) was then undertaken and a contract award letter issued for a contract start date of 1 April 2020 for a period of 4 years.
- 3.18.2 Purchase Orders for servicing are placed, and invoices paid, via the building maintenance management system.
- 3.18.3 Additional payments have been made to the supplier for work outside of the 'contract'. Not all of these had an official Purchase Order, and the works are being directly awarded without competition. It is apparent that the contractor is being seen as the main provider of these services, despite the absence of a contract and these services being separate to the services which had been included in previous contracts. There is an additional risk if value for money of these ancillary services has never been tested.
- 3.18.4 Capital contracts have also been entered into with the contractor for gas heating replacement schemes. The contracts register indicates that these have been either competitively tendered or subject to a quick quote process. These contracts are paid for using payment vouchers, which are an agreed exception to the requirement to raise a Purchase Order. However, contract referencing varies between both contracts and payments, reducing the ability to discern the total cost of each contract from the financial system.

3.19 Flooring

- 3.19.1 Just under £2 million has been spent on flooring with a single contractor in the last four years. A business case provided to the Strategic Commissioning Committee in September 2018 set out that the previous contract had expired in 2016, and the existing contractor had maintained its rates, but that best value would be demonstrated through competitive tender with a view to awarding a new contract by July 2019. The Committee approved expenditure of £400,000 per annum for four years based on this. The contracts register indicates that no new contract has been procured and entered into, and there is no contract or award notice on Public Contracts Scotland – which must be used for all procurement in excess of £50,000.
- 3.19.2 Purchase Orders are placed predominantly via the building maintenance management system.

3.20 Milk

- 3.20.1 The Council spends over £260,000 per annum on milk and dairy products, with a single supplier selected from a Scotland Excel framework. The contracts register shows two call-offs, one for £1.2 million over four years (2018-2022) across multiple suppliers, another for the incumbent supplier for £223,000 over four years. This shows two errors in updating the register – the first should be recorded as a framework, not a call-off; and the second should be recorded as (at least) £223,000 per annum over four years (£892,000). The notice published on Public Contracts Scotland also incorrectly shows the award of a contract for four years with a value of £223,000.
- 3.20.2 There is no record of advance committee or other delegated approval of this expenditure.
- 3.20.3 Within the period reviewed, 45% of expenditure did not have an official Purchase Order.

3.21 Temporary Homeless Accommodation

- 3.21.1 Over £320,000 has been paid to a single supplier for temporary homeless accommodation in guest houses. The Council last tendered for this supply in 2018, at an estimated value of £2 million over 4 years. There is an entry for this on the contracts register, showing that the contract value is £1.65 million, but the counterparties have been redacted, and no call-off contracts with individual suppliers have been registered. The counterparties are however listed in a contract award notice on Public Contracts Scotland, which is open to the public. The reason for redacting information in a secure access controlled internal system is not clear. This will make it more difficult to select and identify appropriate suppliers, and ensure spend is appropriate.
- 3.21.2 There is no record of advance committee or other delegated approval of this expenditure.
- 3.21.3 Purchase Orders are being raised for all spend with the selected supplier.

3.22 Street Lighting Materials

- 3.22.1 The council has spent over £500,000 on street lighting materials from a single supplier in the last four years. Approval was obtained from the Strategic Commissioning Committee in September 2018 for business cases including up to £1.3 million of expenditure on street lighting lanterns and columns in phases over two years. Reference was made to a Framework and a mini-competition within it to award a contract. Whilst the supplier is on a Scotland Excel Framework, this is not included in the Council's contracts register, and there is no evidence of a call-off contract having been awarded by the Council on Public Contracts Scotland. The last registered contract for these supplies expired in 2017.
- 3.22.2 Purchase orders are being raised through the maintenance management system.

3.23 Drain Clearing

- 3.23.1 The Council has spent over £600,000 on drain clearance with one supplier in the last four years. Following competitive tender, contracts were awarded to this and one further supplier in June 2016 for two years, and this is recorded on both the Council's contracts register, and Public Contracts Scotland. The Service extended the contract through agreement with the supplier to July 2019. Although the option to extend up to a maximum of two years was included in the tender documentation (to the end of July 2020), there is no evidence on the contracts register of this option having been taken up. CPSS has indicated that a further direct award to extend the contract may be required due to the impact on the Service's ability to tender due to Covid19.
- 3.23.2 Purchase orders are being raised through the maintenance management system.

3.24 Design Consultancy Services

- 3.24.1 Following Finance, Policy and Resources Committee approval in June 2016 the Council entered into a £1.2 million contract for design consultancy in relation to a major regeneration project. A further £0.28 million was approved in June 2017. There is evidence of the contract having been advertised and awarded appropriately. However, actual costs have been in excess of £1.9 million and there is no evidence of an extension having been approved.
- 3.24.2 Purchase orders are not being raised, and there are no payment vouchers being used in their place. Payments are being made on the basis of invoices received, which whilst referencing a contract do not detail the work agreed and completed to date.

3.25 Learning Disability Support

- 3.25.1 Support including housing and personal care services, care at home and supported living (amongst other services) are provided by various social care providers, one of which was selected for review as part of this audit. In August 2017, the IJB approved procurement of contracts for these services for £13.78 million per annum.
- 3.25.2 Contracts are in place with the selected provider for around £2 million per annum. Whilst the majority of spend (just under £3 million per annum) with this provider appears to relate to the contracted services, there is limited assurance that this is always the case, because transactions are not all clearly linked to a specific contract reference.
- 3.25.3 Most individual transactions are linked to a supported individual's care management system reference (the use of which is an agreed alternative in lieu of a purchase order), however larger recurring payments (under contract) are approved retrospectively following receipt of an invoice.

3.26 Electrical Contractors

- 3.26.1 The Council has spent over £5.6 million with an electrical contractor in the last four years. A significant proportion of this relates to capital contracts for specific works – e.g. rewiring council dwellings or stair lighting. There is variation in how and whether these contracts are referenced in both the payments system and the contracts register.
- 3.26.2 In the period examined (April to October 2019), approximately one third of payments (£350,000) originated in the building maintenance management system. There is no contract registered for these recurring requirements for non-capital electrical work. At this level of requirement, EU compliant tender processes should be completed. Public Contracts Scotland shows that contracts were awarded under an Electrical Maintenance Term Framework in August 2017, for 2 years, plus an option to extend for a further 2 years. This is not reflected on the contracts register.
- 3.26.3 Another electrical contractor, also awarded contracts under the same Term Framework in 2017, has no record on the contracts register. Over £3.5 million has been spent with this contractor in the last four years.

3.27 Restoration Work (Gallery)

- 3.27.1 £220,000 has been spent with a supplier for timber veneer restoration work. There is no contract registered, and no record of a public tender or award for this work. Whilst there is no requirement for works under £250,000 to be reported to Committee or tendered, there is still a need to demonstrate best value in their procurement and selection. No evidence of a selection process was available. Payments are being made on the basis of invoices received, and not via purchase order, payment voucher or self-bill.

3.28 Multi-storey Building Cleaning

- 3.28.1 £1.6 million was spent over four years with one supplier for building cleaning services. Committee approval was last obtained in 2013, with a contract in place since 2015. The contract registered ran from 2015 to 2018, and there is no record of it having been formally extended. The contract was ended in July 2019 when the activity was in-sourced.
- 3.28.2 Purchase orders were not being raised for the core element of the contract, or for ad-hoc additional work.

3.29 Teacher Training Courses

- 3.29.1 Various schools have collectively spent over £190,000 with one supplier for teacher training, largely through Pupil Equity Funds. At this level of expenditure, EU and national procurement thresholds have been exceeded. There is no entry on the contracts register to demonstrate that appropriate procurement has been carried out in respect of these services.
- 3.29.2 Three of sixteen orders in 2019 had no purchase order.

3.30 Debt Collection

- 3.30.1 Over £2.8 million has been spent on debt collection via one supplier in the last four years. A contract was awarded in 2018 for four years at an estimated cost of £4.5 million, following approval from the Finance, Policy and Resources Committee in December 2017. The contract is on the contracts register, and was appropriately tendered, however the award notice on Public Contracts Scotland indicates a lower value of £1.75 million.
- 3.30.2 Expenditure is within the £4.5 million estimate, but there are no purchase orders being raised – payments are made on the basis of invoices raised by the supplier. Whilst it would be difficult to estimate the value in advance, as it depends on variable action to pursue debts, this is not a documented exception to the requirement in the Financial Regulations.

3.31 Traffic Signal Maintenance

- 3.31.1 Over £1 million has been spent over two years on traffic signal maintenance, provided by a single supplier. The contracts register indicates that a contract has been in place for £300,000 since 2014. A duplicate entry for 2014-2029 has been added, again for £300,000. Public Contracts Scotland shows that the Council tendered and awarded a contract to the same supplier jointly with neighbouring authorities for a £3.5 million contract in 2019, over a ten year period. There is no indication of the value attributed to Aberdeen City. The last Committee approval of spend on this service was obtained in advance of the 2014 contract being awarded. There is no record of Committee approval for the procurement exercise in 2019.
- 3.31.2 Purchase orders are being raised through the maintenance management system.

3.32 Remedial Works on High Rise Buildings

- 3.32.1 A specialist contractor is regularly used for specialist construction work at height, selected through quick-quotes exercises. These are not full competitive tendering exercises: whilst a similar process is followed, using a part of the Public Contracts Scotland website, the pool of potential suppliers is limited by using this option.
- 3.32.2 Over £10 million of work has been awarded to this contractor in the last four years, across more than one supplier number and several contracts. One contract with this supplier,

procured using the quick quotes process during 2019, is recorded on the contracts register with a value of £294,000. The Council's Procurement Regulations require a full tendering exercise, and advance reporting to Committee, for works over £250,000. There were no records on the contracts register system to demonstrate that this had taken place.

3.33 Vehicles

- 3.33.1 A vehicle replacement programme was agreed by the Strategic Commissioning Committee in September 2018 at an estimated cost of £4 million. Over £4.3 million has been spent on vehicle replacements with the selected supplier since 2018, and costs continue to be incurred on servicing and parts associated with those vehicles, which was to be included within the £4 million budget. The Council's Procurement Regulations require Chief Officers to report back to Committee where costs exceed the lesser of £100,000 or 50% of the contract value. This has not been reported back to the Committee.
- 3.33.2 The contracts register indicates that the supplier was selected through mini-competition within a framework agreement. Whilst use of a framework avoids the need to re-tender for the requirements, the award of call-off contracts still needs to be published and recorded on the contracts register. There is no record of a contract award being registered on Public Contracts Scotland for vehicles.
- 3.33.3 Purchase orders have been raised for all expenditure.

3.34 Hydrogen Bus Maintenance

- 3.34.1 The Council pays a maintenance fee for parts and labour for hydrogen bus maintenance, paying over £650,000 in the last four years. There is no evidence of advance Committee approval for this spend, and no tender or contract award notice on the Council's contracts register or the Public Contracts Scotland website, to demonstrate that it was appropriately procured. Invoices are paid on receipt – there are no purchase orders.

3.35 Plumbing Materials

- 3.35.1 The council utilises suppliers from a Scotland Excel framework for plumbing and heating supplies. The framework in use expired in November 2019, and in February 2020 the Service was still considering options for adopting a subsequent framework.
- 3.35.2 The Service spent over £3.4 million with one selected supplier from the framework in the last four years. Call-off contracts should be registered to a specific supplier, and the award of such contracts should be published on Public Contracts Scotland. The Service considers that it has the option to utilise any of the framework providers to source its requirements, however this would only be the case if a call-off contract were in place with each supplier. Whilst a call-off contract is registered, it is with 9 different suppliers at a total cost of £6 million, and there is no record of contracts with the individual suppliers on the register. There is also no record of a contract award notice from the Council to this supplier.

Appendix 2 – Grading of Recommendations

GRADE	DEFINITION
Major at a Corporate Level	The absence of, or failure to comply with, an appropriate internal control which could result in, for example, a material financial loss, or loss of reputation, to the organisation.
Major at a Service Level	<p>The absence of, or failure to comply with, an appropriate internal control which could result in, for example, a material financial loss to the Service/area audited.</p> <p>Financial Regulations have been consistently breached.</p>
Significant within audited area	<p>Addressing this issue will enhance internal controls.</p> <p>An element of control is missing or only partial in nature.</p> <p>The existence of the weakness identified has an impact on a system's adequacy and effectiveness.</p> <p>Financial Regulations have been breached.</p>
Important within audited area	Although the element of internal control is satisfactory, a control weakness was identified, the existence of the weakness, taken independently or with other findings does not impair the overall system of internal control.