



BEDFORDSHIRE FIRE & RESCUE AUTHORITY

Procurement - Tendering

FINAL

Internal audit report: 1.17/18

2 August 2017

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1 EXECUTIVE SUMMARY

1.1 Background

As part of Bedfordshire Fire and Rescue Authority's approved internal audit plan for 2017/18, a review was conducted on the Service's procurement process, this included how goods and services are tendered for.

The Service uses the Bluelight e-Tendering Portal in order to manage the procurement process. Contracts over a certain limit are subject to the Official Journal of the European Union (OJEU) regulations; this includes a requirement for an open invitation via contracts finder which is a Government website. Tendering limits and the procedure for each limit are detailed within the Procurement Policy.

As part of this audit, we reviewed the MIS Community Safety Re-tender (£100k estimated value) as identified by the Service for particular assurance due the complexities faced within the process. We selected a further two tenders for review:

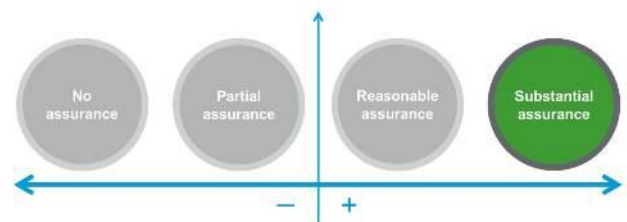
- Supply of Meat Provisions (£19.5k estimated value); and
- Commercial Catering Equipment Maintenance (£14.5k estimated value).

1.2 Conclusion

The testing undertaken during this review identified no major weaknesses with the design and application of the control framework which expose the Authority to significant risks. However, issues were identified with the application of the tender requirements and the design of the control framework for managing conflicts of interest.

Internal audit opinion:

Taking account of the issues identified, the Authority can take substantial assurance that the controls upon which the organisation relies to manage this area are suitably designed, consistently applied and operating effectively.



1.3 Key findings

The key findings from this review are as follows:

We reviewed the Procurement Policy and Contract Procedures and confirmed that they adequately detailed key aspects of the procurement process such as the tendering limits and the minimum number of quotations/tenders within each limit. The Policy was approved by Audit and Standard Committee in March 2016 and was available to staff via the intranet.

For the sample of three tenders selected, we reviewed the procurement process and confirmed the following:

- Discussions were held prior to deciding to tender the service in order to identify potential alternate methods for the service to be delivered;

- Invitation to Tenders (ITT) were drafted and sent out to potential bidders through contracts finder. We confirmed that the ITT detailed the deadlines of the procurement process along with the Most Economically Advantageous Tender (MEAT) criteria and weighting to be used within the tender;
- An appropriate number of responses were received in line with the procurement policy from potential bidders for two of the contracts reviewed. We found that the MIS Community Safety Re-tender only received responses from three bidders which was less than the five required as per the policy. We found that approval for this had not been requested through the Procurement Exemption (Waiver) Procedures, the Authority will update the procedure to make this requirement clearer and we have agreed a **low** priority management action to address this;
- Responses were collated and evaluated using the MEAT criteria for each tender;
- Further clarification points are sent back to potential bidders and responses are updated within the evaluation matrix. Specifically for the MIS Community Safety Tender, scenario testing was carried out and further questions posed for clarification. Each bidder was then scored for each criteria leading to an overall score;
- A Tender Evaluation report was produced recommending the highest scoring bidder, which was approved by the Head of Finance and Treasurer;
- Due diligence was carried out, where applicable, in line with the procurement policy; and
- Contracts were agreed by both parties in a timely manner for the MIS Community Safety. We confirmed that the contracts included clauses for variations. Contract management also forms a part of the contract and details implementation, reporting and review meetings regarding the system. Standard Terms of Reference were agreed by both parties for the remaining tenders sampled.

We also confirmed that potential bidders are requested to declare any conflicts of interests within the Tender Information Document. However, an issue we noted was that there is currently no formal process for all staff members involved within the procurement process to declare any conflicts of interests. We were informed by the Procurement Manager that where conflicts have been identified, appropriate safeguards are put in place to mitigate the conflict; however, this is a reactive process rather than a proactive process. Therefore, there is a risk that conflicts may distort the competition and impact on the fairness of the exercise. Due to this, we have agreed a **low** priority management action.

1.4 Additional information to support our conclusion

The following table highlights the number and categories of management actions made. The action plan at section two details the specific actions agreed with management to implement.

Area	Control design not effective*		Non Compliance with controls*		Agreed actions		
	Low	Medium	High	Low	Medium	High	
Procurement	1	(7)	2	(7)	2	0	0
Total	2	0	0	0	0	0	0

* Shows the number of controls not adequately designed or not complied with. The number in brackets represents the total number of controls reviewed in this area.

2 DETAILED FINDINGS

Categorisation of internal audit findings

Priority	Definition
Low	There is scope for enhancing control or improving efficiency and quality.
Medium	Timely management attention is necessary. This is an internal control risk management issue that could lead to: Financial losses which could affect the effective function of a department, loss of controls or process being audited or possible reputational damage, negative publicity in local or regional media.
High	Immediate management attention is necessary. This is a serious internal control or risk management issue that may lead to: Substantial losses, violation of corporate strategies, policies or values, reputational damage, negative publicity in national or international media or adverse regulatory impact, such as loss of operating licences or material fines.

This report has been prepared by exception. Therefore, we have included in this section, only those areas of weakness in control or examples of lapses in control identified from our testing and not the outcome of all internal audit testing undertaken.

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
Area: Procurement								
1.1.3	The Procurement Policy sets of the limits regarding the procurement process as follows: <ul style="list-style-type: none"> Orders up tot £2,000 - principles of best practice are followed; Orders from £2,000 up to £10,000 - a minimum of three written quotations are required; 	Yes	No	For the MIS Community Safety Tender, the aggregated value of the tender was estimated to be £100,000 over a five year period with £70,000 over the first year. Upon review of the evaluation matrix, we found that three bidders supplied responses and therefore it did not receive the minimum of five as stated within the policy. <p>Although we confirmed that more than five suppliers were sent tender invitations through contracts finder, compliance with the procurement</p>	Low	The Procurement Policy and Contracts Procedures Promulgation should be amended to reflect that, where the minimum number of bidders has not been received, the Tender Evaluation Report should explain this and the authorising managers should confirm whether or not this has compromised the validity of the tender and the	31/08/17	Procurement Manager

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
	<ul style="list-style-type: none"> Orders from £10,000 up to £50,000 - minimum of three quotations or tenders being undertaken and managed through the e-tendering portal; Orders from £50,000 to the Official Journal of the European Union (OJEU) threshold - five tender responses needed and managed through the e-tendering portal; Orders exceeding the OJEU threshold require the full OJEU tendering process and varying numbers of tender submissions based on their value. 			<p>policy was not met as this stipulates that five responses are required.</p> <p>The policy includes a provision for Procurement Exemptions (Waiver) which explains that approval is needed where the minimum requirements are not met. Where the requirement is publically tendered it should be acknowledged that it may not always be possible to obtain the number of bids required by the procedures because of the specialist nature of the market. This is covered in the Tender Evaluation Report which is signed by the Budget Holder, Procurement and Finance. This process gives any signatory the opportunity to prevent the award of the contract if it is felt that there has not been a sufficiently competitive process thus compromising the achievement of value for money.</p> <p>It is not considered by the Authority to add value to the process to produce a waiver to confirm this and therefore the policy will be updated to make the requirements clear.</p> <p>No issues were identified in the remaining two procurements sampled.</p>		achievement of value for money.		

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
1.1.6	<p>The identification of potential conflicts of interest for staff is currently not included as part of the procurement process.</p> <p>Conflicts of interests are dealt with as and when they are identified; however, there is no formal process in order to identify these within a procurement exercise.</p> <p>Budget Holders are required to declare any conflicts of interests on an annual basis.</p> <p>This also requires them to inform the Authority any conflicts which have arisen throughout the year, however, this may be after a key event where a conflict has arisen.</p> <p>In addition, this does not include other staff involved in the procurement process.</p>	No	No	<p>Through discussions with the Procurement Manager, we were informed that Budget Holders are required to declare any conflicts of interests on an annual basis, and inform the Authority of any conflicts arising through the year.</p> <p>However, we found that other members of staff involved with the procurement process are not required to declare any conflicts.</p> <p>Through discussion with the Procurement Manager, we were informed that the evaluation matrix is also independently reviewed by the procurement team and the financial details are not given to those assessing the qualitative aspects of the bids in order to provide a segregation of duties.</p> <p>Although these form a partially compensating control there is a risk that the Authority fails to identify and manage the conflicts of interest of all staff involved in line with the Public Contract Regulations 2015.</p> <p>The Public Contract Regulations 2015 states that 'Contracting authorities shall take appropriate measures to effectively prevent, identify and remedy conflicts of interest arising in the conduct of procurement procedures so as to</p>	Low	<p>A formal process will be devised in order to identify, register and manage conflicts of interests for each procurement exercise.</p> <p>Where conflicts are identified, they will be reviewed by senior staff and the safeguarding decisions will be clearly recorded.</p>	31/08/17	Procurement Manager

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management	Implementation date	Responsible owner
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avoid any distortion of competition and to ensure equal treatment of all economic operators.'

APPENDIX A: SCOPE

Scope of the review

The scope was planned to provide assurance on the controls and mitigations in place relating to the following areas:

Objectives of the area under review

To ensure that value for money is achieved through the robust procurement of good and services

When planning the audit, the following areas for consideration and limitations were agreed:

Areas for consideration:

The Authority regularly undertakes procurement exercises for goods and services; these are managed through the Bluelight e-tendering portal. This review will examine the policies, procedures, documentation, and the e-tendering process in relation to the MIS Community Safety tender and other procurements. We will seek to establish if:

- Procurement Policies & Procedures have been reviewed, approved and communicated to staff. This includes ensuring that the framework includes the Bluelight e-tendering portal, and the Authority's requirements for fairness and transparency.
- The procurement was linked to the Authority's strategy and the Authority considered appropriate alternative ways to deliver the service.
- Sufficient organisations were invited to tender in line with the policy and procedures.
- Selection criteria was defined and applied in line with the policy and procedures.
- Tenders were controlled within the Bluelight e-tendering portal, includes how they were opened in accordance with the procurement procedures.
- A formal evaluation and decision-making process had taken place in line with the policy and procedures.
- The contract was awarded to the bidder that scored the highest in relation to quality, costs and value for money as part of the evaluation exercise. Where this was not the cases, an appropriate justification and authority was received and documented.
- Sufficient due diligence was undertaken on the bidders in line with the policy and procedures.
- Potential conflicts of interest were identified and considered throughout the process. This includes the conflicts held by the staff involved in the process and the conflicts of potential service providers.
- A service specification and contract have been put in place and signed by both parties.
- The service specification and contract set out the service as tendered with appropriate controls held to manage variations.
- Adequate contract management arrangements were stipulated in the contract.

Limitations to the scope of the audit assignment:

- Our review will seek to provide assurance that the procurement processes in respect to the chosen contract were appropriately conducted, that the selection criteria was clear and robust.
- We will not comment on the security of information stored on the Bluelight e-tendering portal.
- We will not provide a specific opinion on whether value for money was achieved through the procurement process.
- Our review will not comment on the appropriateness of the technical specification of the contract.
- We will not seek to guarantee any cost savings.
- We have only sampled tenders and not where quotes only are required.
- We will not review the individual tender submission documents.
- We will not review the contract management arrangements as part of our review
- Our testing will be compliance based and sample testing only.

Our work does not provide absolute assurance that material errors, loss or fraud do not exist.

APPENDIX B: FURTHER INFORMATION

Persons interviewed during the audit:

- Andrew Potter, Procurement Manager

Documentation reviewed during the audit:

- Procurement Policy and Contract Procedures
- Audit and Standards Meeting Minutes, March 2016
Replacement MIS for Prevention and Protection Project Board Meeting Minutes
- MIS Replacement Paper to CMT, March 2017
- Supply of Meat Provisions – ITT
- MIS Community Safety – ITT
- Commercial Catering Equipment Maintenance – ITT
- Supply of Meat Provision Tender Evaluation Report
- Commercial Catering Equipment Maintenance Tender Evaluation Report
- MIS Community Safety – Tender Evaluation Report
- MIS Community Safety – TID
- Supply of Meat Provision – TID
- Commercial Catering Equipment Maintenance – TID
- MIS Community Safety Contract
- MIS Community Safety - Licence & Maintenance Agreement

Benchmarking

We have included some comparative data to benchmark the number of management actions agreed, as shown in the table below. In the past year, we have undertaken a number of audits of a similar nature in the sector.

Level of assurance	Percentage of reviews	Results of the audit
Substantial Assurance	17%	
Reasonable Assurance	36%	✓
Partial Assurance	45%	
No Assurance	2%	
Management actions	Average number in similar audits	Number in this audit
	5	2

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