

AUDIT REPORT – DERBY ADVERTISING VIDEO AND INFORMATION SCREEN PROJECT

RECOMMENDATION

- 1.1 To note the report from the Assistant Director.

SUPPORTING INFORMATION

- 2.1 At its meeting on 19 February 2007, the Committee requested that it wished to have the opportunity to review in greater detail the audit report on the Derby Advertising Video and Information Screen (DAVIS) project and to discuss the findings of the report with the managers responsible for the service.
- 2.2 Appendix 2 is a report from Richard Williams, Assistant Director – Regeneration which briefs members on the actions taken since the publication of the audit report, in particular the progress that has been made on the implementation of recommendations contained within the audit report. The Head of Audit and Risk Management has provided Members with a copy of the final audit report prior to this meeting.
- 2.3 From the information provided by the Assistant Director – Regeneration, I am satisfied that progress is being made to implement the recommendations and that the suggested actions. The Committee will be informed of future progress in respect of this audit.

For more information contact: Richard Williams, Assistant Director - Regeneration

Background papers: None

List of appendices: Appendix 1 – Implications

Appendix 2 – Report of the Assistant Director - Regeneration

IMPLICATIONS

Financial

1. None directly arising.

Legal

2. None directly arising.

Personnel

3. None directly arising.

Equalities impact

4. None directly arising.

Corporate priorities

5. None directly arising.

REPORT OF ASSISTANT DIRECTOR - REGENERATION

INTERNAL AUDIT REVIEW - DERBY ADVERTISING VIDEO AND INFORMATION SCREEN PROJECT

The original audit report on the Derby Advertising Video and Information Screen (DAVIS) project issued on 14 December 2006 contained 12 recommendations which were all agreed by Richard Williams, Assistant Director - Regeneration. It was expected that the recommendations would be implemented by 31 March 2007, with the necessary contract processes and procedures then in place.

Progress to date on the implementation process is shown in Table 1 at the end of this report.

Progress to date has seen 10 recommendations implemented (numbers 2 – 11 inclusive). We are still in the process of implementing recommendation Number 12, as this requires the introduction of the Council's project management system into the employee development programmes of all appropriate members of staff. Our Departmental Management Team decided on 1 March that we would organise a training day(s) in-house in order to accelerate this process and to achieve a consistency of approach across the Department.

We have started to implement the actions agreed in response to Recommendation Number 1, and have progressed as follows:

- | | |
|----------------|--|
| Action 1. | We have jointly reviewed the City Centre Management SLA with the Chamber of Trade, and revised it to ensure that the Chamber accounts for its use of the Council funds granted to it. I have recently requested the Chamber to audit the CCM accounts for 2006/07, to be completed by 30 April 2007. The SLA will run for another financial year and then be open to tender for 2008/09 onwards. |
| Actions 2a & b | At the request of my Director, Chief Officer Group (28 February) discussed the scale of partnerships in which the Council is involved, and agreed to prepare a Council-wide register of partnerships, led by our internal audit team. Our Department will not take any other, independent actions, until this register is completed. |

In the meantime, we have instructed officers to make a full risk analysis of any future partnerships, and to include this in any reports to Council and applications for fundings.

Table 1 - Summary Of Progress Made In Implementing Audit Recommendations

Rec No	Original Recommendation	Original Agreed Action Details	Current Status
1	<p>Significant</p> <p>Governance arrangements for the CCMT were not adhered to as the Council was unexpectedly subjected to a contractual and financial commitment by a member of its own staff acting on behalf of the CCMT.</p> <p>We recommend that where the Council is working in partnership with other organisations, governance arrangements and clear accountability should be addressed in a formal partnership agreement. This should be a working document that is referred to by appropriate officers. The agreement should include details on the following:</p> <ul style="list-style-type: none"> • Clear aims and objectives and terms of reference for the partnership. • A definition of the roles, responsibilities and accountabilities of each partner. • The financial management arrangements for the partnership, with clear procedures for determining the financial liabilities of each partner as well as providing clarity over the ownership of the assets and balances arising from the partnership. (Where practical the adoption of the Council's Financial and Contract Procedure Rules should be made compulsory). • The risk management arrangements to identify all major risks with the partnership and a strategy in place to manage those risks. • The performance management arrangements between individual organisations and the partnership. Including the structured and 	<p>1. We will review the current management/partnership arrangements for CCM to ensure governance arrangements are in place. As CCM is now delivered by Derby Chamber of Trade, via a Service Level Agreement, we will start this process at the annual SLA Review Meeting, on 29 November 2006. We expect any revisions to these management arrangements to be in place by 1 February 2007.</p> <p>Action Date: 29.11.06 to 01.02.07 Officer responsible: Richard Williams</p> <p>2a. We will review the governance arrangements and all other partnerships in which our Department is involved, identify any that may have deficiencies and address those immediately.</p> <p>The Review will commence on 1 December and be completed by 22 December. The timescale for any actions then required will obviously depend upon the nature of the deficiencies, but the whole exercise will be substantially completed by 31 March 2007.</p> <p>Action Date: 01.12.06 to 22.12.06. Officer responsible: Richard Williams + Departmental Management Team</p> <p>2b. We will also take this matter to Chief Officer Group and Derby City Partnership for them to action.</p>	<p>Implemented</p> <p>Being implemented</p> <p>Being implemented</p>

Rec No	Original Recommendation	Original Agreed Action Details	Current Status
	<p>comprehensive process for reporting on performance and finance. (These arrangements should also evidence the value for money of the partnership).</p> <ul style="list-style-type: none"> The effective arrangements for meetings, including frequency considerations, quorum requirements and recording and distribution of minutes. The review and revision arrangements for the partnership, including the procedures for making amendments to the partnership agreement. The procedures for dealing with complaints and settling disputes. <p>A procedure for ending the partnership.</p>	<p>Action Date: 01.12.06 to 15.01.07</p> <p>Officer Responsible: Jonathan Guest</p> <p>3. We will ensure that officers are instructed so that these are in place for partnership working in the future.</p> <p>Officer Responsible: Jonathan Guest with Assistant Directors and Heads of Service</p>	Implemented
2	<p>Significant</p> <p>Contract specifications were not prepared for the DAVIS project and the advertising contract and appropriate waivers from the relevant Contracts Procedures Rules were not obtained.</p> <p>We recommend that, unless a specific waiver from Contracts Procedures Rules has been obtained, detailing the special circumstances which justify why a specification cannot be produced, specifications must be drawn up for all contracts/projects and included in the respective tender packages. As well as stating the technical requirements of the contract/project, specifications should also provide details of the quality, performance, safety or other characteristics required of the works, services or supplies.</p>	<p>A summary of Recommendations 2 – 12 will be approved by Departmental Management Team and issued to all appropriate staff, who will be reminded that these must be applied to future contracts.</p> <p>Action Date: by 01.02.07.</p> <p>Officer Responsible: Amanda Verran</p>	Implemented
3	<p>Significant</p> <p>The Council's IT Manager was not consulted prior to the procurement of the screen, which contained display electronics, operating software and communications links, and an appropriate waiver from the relevant Contracts Procedures Rule was not obtained.</p>	<p>A summary of Recommendations 2 – 12 will be approved by Departmental Management Team and issued to all appropriate staff, who will be reminded that these must be applied to future contracts.</p> <p>Action Date: by 01.02.07.</p> <p>Officer Responsible: Amanda Verran</p>	Implemented

Rec No	Original Recommendation	Original Agreed Action Details	Current Status
	We recommend that all officers involved in procurement are formally reminded of the need to consult with Central IT when projects include information technology costing in excess of £10,000, or include software or hardware that is to be connected to the Council's networks.		
4	<p>Significant</p> <p>A single quotation was obtained from Jayex. No other firm was approached to provide competition and formal tender submissions were not requested. Waivers were not sought from the Council Cabinet to justify the reasons for not adhering to the Council's Contracts Procedures Rules. The eventual contract value with Jayex was for £80,500.</p> <p>We recommend that all officers involved in the procurement process are formally reminded that for proposed contracts exceeding £50,000, unless a specific waiver from Contracts Procedures Rules has been obtained, detailing the special circumstances which justify why the requirements to obtain competition cannot be adhered to, a relevant Approved/ Construction List or public notice procedure must be used and at least four firms should be invited to tender.</p>	<p>A summary of Recommendations 2 – 12 will be approved by Departmental Management Team and issued to all appropriate staff, who will be reminded that these must be applied to future contracts.</p> <p>Action Date: by 01.02.07.</p> <p>Officer Responsible: Amanda Verran</p>	Implemented
5	<p>Significant</p> <p>As formal tender submissions were not requested a number of tender related Contracts Procedures Rules were not adhered to.</p> <p>We recommend that all officers involved in the procurement process are formally reminded that even if a specific waiver has been obtained to remove the requirement for competition, a single tender must still be invited and submitted and all other tender related Contracts Procedures Rules should still be adhered to.</p>	<p>A summary of Recommendations 2 – 12 will be approved by Departmental Management Team and issued to all appropriate staff, who will be reminded that these must be applied to future contracts.</p> <p>Action Date: by 01.02.07.</p> <p>Officer Responsible: Amanda Verran</p>	Implemented

Rec No	Original Recommendation	Original Agreed Action Details	Current Status
6	<p>Significant</p> <p>The advertising contract awarded to City Publications was deemed to be of a specialist nature and the requirement to obtain quotes or tenders was considered inappropriate. However, an appropriate waiver was not obtained from the provision of Contracts Procedures Rules.</p> <p>We recommend that if it is deemed inappropriate to adhere strictly to the tendering procedures prescribed in Contracts Procedures Rules, a specific waiver should be obtained from Council Cabinet which details the special circumstances which justify why the requirements to obtain competition cannot be adhered to. A written record of this waiver must be kept on the Contract File.</p>	<p>A summary of Recommendations 2 – 12 will be approved by Departmental Management Team and issued to all appropriate staff, who will be reminded that these must be applied to future contracts.</p> <p>Action Date: by 01.02.07.</p> <p>Officer Responsible: Amanda Verran</p>	Implemented
7	<p>Significant</p> <p>The post-tender negotiations for the procurement of the DAVIS lacked the formal approval for the negotiations to commence. In addition, only one officer was involved with directly negotiating with Jayex. The signature of the officer involved in the negotiation is not on file, nor is the signature of the representatives of Jayex. Furthermore, there is no written record on file of the agreement to the negotiated price by the Director of Development and Cultural Services and the Director of Finance.</p> <p>We recommend that all officers involved in the procurement process are formally reminded that any post-tender negotiations are appropriately approved, formally documented (including relevant signatures) and involve the appropriate number of officers.</p>	<p>A summary of Recommendations 2 – 12 will be approved by Departmental Management Team and issued to all appropriate staff, who will be reminded that these must be applied to future contracts.</p> <p>Action Date: by 01.02.07.</p> <p>Officer Responsible: Amanda Verran</p>	Implemented

Rec No	Original Recommendation	Original Agreed Action Details	Current Status
8	<p>Merits Attention</p> <p>Both the City Centre Manager and the Head of City Development and Tourism signed agreements with Jayex, which committed the Council to incur expenditure which was in excess of their delegated approval limits.</p> <p>We recommend that all officers involved in the procurement process are formally reminded of the need to adhere to delegated approval limits when placing orders or authorising payments.</p>	<p>A summary of Recommendations 2 – 12 will be approved by Departmental Management Team and issued to all appropriate staff, who will be reminded that these must be applied to future contracts.</p> <p>Action Date: by 01.02.07.</p> <p>Officer Responsible: Amanda Verran</p>	Implemented
9	<p>Merits Attention</p> <p>The lack of the preparation and approval of a standard form of contract may lead to an inadequate contract being used. Subsequently, disputes may arise in the interpretation of the contract which may cause delays and additional costs may incur due to the absence of terms and conditions that protect the liability of the Council.</p> <p>We recommend that all contracts in excess of £50,000 should be in writing and drafted/approved by the Legal Division or be a standard form of contract.</p>	<p>A summary of Recommendations 2 – 12 will be approved by Departmental Management Team and issued to all appropriate staff, who will be reminded that these must be applied to future contracts.</p> <p>Action Date: by 01.02.07.</p> <p>Officer Responsible: Amanda Verran</p>	Implemented
10	<p>Merits Attention</p> <p>The form of contract entered into was not a standard form contract nor was it drafted or approved by the Council's Legal Services Division.</p> <p>We recommend that all officers involved in the procurement process are formally reminded that all contracts in excess of £50,000 should be in writing and drafted/approved by the Legal Services Division or be a standard form of contract. Advice on the appropriate form of contract should be sought prior to the engagement of contractors.</p>	<p>A summary of Recommendations 2 – 12 will be approved by Departmental Management Team and issued to all appropriate staff, who will be reminded that these must be applied to future contracts.</p> <p>Action Date: by 01.02.07.</p> <p>Officer Responsible: Amanda Verran</p>	Implemented

Rec No	Original Recommendation	Original Agreed Action Details	Current Status
11	<p>Merits Attention</p> <p>The contract for the procurement of DAVIS was not submitted to the Director of Corporate Services for signing/sealing even though the eventual cost of DAVIS was £80,500.</p> <p>We recommend that all officers involved in the procurement process are formally reminded of the need to ensure that all contracts over £50,000, and all contracts under seal, whatever their value, are submitted to the Director of Corporate Services for signing/sealing, together with details of the minute number, delegated authority or other approval authorising the award of the contract. Such contracts should also be attested by two appropriate officers.</p>	<p>A summary of Recommendations 2 – 12 will be approved by Departmental Management Team and issued to all appropriate staff, who will be reminded that these must be applied to future contracts.</p> <p>Action Date: by 01.02.07.</p> <p>Officer Responsible: Amanda Verran</p>	Implemented
12	<p>Significant</p> <p>The lack of adequate project management controls appear to have significantly contributed to the project's delay of 21 months.</p> <p>We recommend that sound project management controls are applied, including the adoption of a suitable project management framework, for all projects. In addition, that officers who are appointed to manage projects have received appropriate project management training.</p>	<p>This requires the Department to put appropriate training in place. The arrangements will be completed by 30 April 2007 and implementation will be ongoing.</p>	Being implemented