

GLASGOW CITY COUNCIL INTERNAL AUDIT SECTION

GLASGOW CITY REGION CABINET REPORT

Title of the Audit: Glasgow City Region City Deal – Project Procurement Strategies

1. Introduction

1.1 As part of the agreed Internal Audit plan, we have undertaken a review across the Glasgow City Region Programme Management Office (the PMO) and member authorities in relation to Project Procurement Strategies.

1.2 The new Regional Sustainable Procurement Strategy was approved by the Cabinet on 1 June 2021. The Procurement Support Group (PSG), made up of representatives from each of the eight member authorities and the PMO is responsible for translating the Sustainable Procurement Strategy into action by monitoring performance of core elements of delivery and undertaking reviews. The group continues to provide guidance on best practice to the PMO and other stakeholders and assists member authorities in understanding the impact procurement will have on the City Deal Programme.

1.3 We have been advised that in recent times member authorities have found that construction and materials costs have significantly increased. Procurement exercises are sometimes attracting fewer bids than anticipated, and / or higher value bids are being submitted.

1.4 The purpose of the audit was to review the project procurement strategies in place. These strategies aim to achieve competitive bids and ensure value for money during procurement exercises. The audit also sought to gain assurance that there are sufficient and appropriate controls in place in relation to procurement and that these are being complied with. The scope of the audit included:

- A review of documented procurement strategies in place.
- Reviewing a sample of project procurement exercises to ensure a sufficient number of bids were obtained.
- Ensuring that there is appropriate attendance at PSG meetings, workshops and sub-groups.
- Ensuring regular communication takes place between officers from the different member authorities and the PMO.
- Checking that due diligence arrangements are in place for suppliers.
- Reviewing the arrangements in place to provide suitable management information to the appropriate groups for scrutiny.
- Reviewing the arrangements in place for supplier chain risk management.

1.4 The sample of projects that were selected for review were:

- Glasgow City Council
- Renfrewshire Council
- South Lanarkshire Council

2. Audit Opinion

GLASGOW CITY COUNCIL INTERNAL AUDIT SECTION

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- 2.1 Based on the audit work carried out a reasonable level of assurance can be placed on the control environment. The audit has identified some scope for improvement in the existing arrangements and two recommendations which management should address.

3. Main Findings

- 3.1 We are pleased to report that key controls are in place and generally operating effectively. We found that the Regional Sustainable Procurement Strategy aligns with member authorities' needs and strategic drivers. The Action Plan is reviewed annually, and reasonable arrangements are in place to monitor tasks and report progress against actions outlined in the strategy.
- 3.2 Suitable arrangements are in place within the three member authorities reviewed to provide support and attendance at the PSG meetings. There are appointed representatives from each member authority in attendance at the PSG, whose role is to provide operational support & guidance within their own organisation and to feed information through at different levels and provide feedback to the PSG.
- 3.3 However, we identified some areas where improvements should be made. Within the sample of nine procurement activities reviewed, we identified one exercise where the Sourcing Strategy had not been appropriately approved. We also identified one procurement activity where initially no bids

were received for the required works. Although we were advised there many factors had contributed to this, a lack of early engagement with potential suppliers and failing to utilise the Prior Information Notice (PIN) may have also played a factor.

- 3.4 An action plan is provided at section four outlining our observations, risks and recommendations. We have made two recommendations for improvement. The priority of each recommendation is:

Priority	Definition	Total
High	Key controls absent, not being operated as designed or could be improved. Urgent attention required.	0
Medium	Less critically important controls absent, not being operated as designed or could be improved.	2
Low	Lower level controls absent, not being operated as designed or could be improved.	0
Service Improvement	Opportunities for business improvement and/or efficiencies have been identified.	0

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GLASGOW CITY REGION CABINET REPORT

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- 3.5 The audit has been undertaken in accordance with the Public Sector Internal Audit Standards.
- 3.6 We would like to thank officers involved in this audit for their cooperation and assistance.
- 3.7 It is recommended that the Head of Audit and Inspection submits a further report to Cabinet on the implementation of the actions contained in the attached Action Plan.

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GLASGOW CITY REGION CABINET REPORT

Title of the Audit: Glasgow City Region City Deal – Project Procurement Strategies

No.	Observation and Risk	Recommendation	Priority	Management Response
Key Control: Procurement exercises are undertaken in compliance with the documented procedures.				
1	<p>Procurement policies and procedures require member authorities to develop a sourcing strategy and obtain appropriate approvals to agree the route to market.</p> <p>Through sample testing of nine procurement exercises, we identified that one sourcing strategy was not approved by the project lead, the procurement lead or the resource senior manager. For all other eight procurement exercises, the sourcing strategy had been completed and approved where required.</p> <p>If sourcing strategies are not correctly approved there is an increased risk that an appropriate procurement exercise may not be undertaken.</p>	The PMO should remind all member authorities that sourcing strategies should be appropriately approved, and details of this approval retained for audit purposes.	Medium	<p>Response:</p> <p>Recommendation accepted. Reminder will be issued to Lead Officers and Procurement Support Group members.</p> <p>Officer Responsible for Implementation:</p> <p>Head of City Region Programme Management Office</p> <p>Timescale for Implementation:</p> <p>To be discussed at 24 April 2023 Lead Officer Group (LOG) meeting and 18 May 2023 Procurement Support Group meeting.</p>

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GLASGOW CITY REGION CABINET REPORT

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No.	Observation and Risk	Recommendation	Priority	Management Response
Key Control: Procurement exercises are undertaken in compliance with the documented procedures.				
2	<p>Through discussions at PSG meetings, it was highlighted to member authority representatives that the current status of the construction market means that suppliers are generally in positions to be able to choose which contracts to bid for.</p> <p>Within the sample of nine procurement activities, we identified one case where no bids were initially received for required works. We were advised that a new tender exercise is currently underway and a Prior Information Notice (PIN) is now being utilised to assist in attracting bidders.</p> <p>Market saturation increases the risk of a lack of tender responses, which in turn may result in failed tender exercises. To ensure best practice, early engagement with the market and utilising PINs may improve tender exercises conducted.</p>	The PMO should raise the construction market issue at the PSG and ask members to consider utilising PINs where appropriate.	Medium	<p>Response:</p> <p>Recommendation accepted. Reminder will be issued to Lead Officers and Procurement Support Group members.</p> <p>Officer Responsible for Implementation:</p> <p>Head of City Region Programme Management Office.</p> <p>Timescale for Implementation:</p> <p>To be discussed at 24 April 2023 Lead Officer Group (LOG) meeting and 18 May 2023 Procurement Support Group meeting.</p>