

Report for: Audit Committee – 07 March 2024

Item number: 8

Title: Procurement Audit Update

Report authorised by: Jon Warlow, Director of Finance

Lead Officer: Barry Phelps, Chief Procurement Officer

Ward(s) affected: N/A

**Report for Key/
Non Key Decision:** Non-Key Decision

1. Describe the issue under consideration

1.1. In March 2023, the Head of Procurement presented an update to Corporate Committee in relation to three audit reports undertaken in 2020/21 which had limited assurance. The three audit reports were:

- Arrangements for Letting Contracts.
- Contract Management; and
- Management and Use of Waivers.

1.2. Following the meeting in March 2023 the Audit Committee has requested a further update in relation to the following:

- An indication of the number of quotation related procurements undertaken and how many of these only generated a single response.
- An update on the new e-procurement solution and whether the implementation can be brought forward.

1.3. This briefing note provides is intended to provide the update as requested above.

2. Cabinet Member Introduction

N/A.

3. Recommendations

3.1. The Audit Committee is requested to note the updates and progress being made in relation to the implementation of the new e-procurement system.

4. Reasons for decision

N/A update provided as requested.

5. Alternative options considered

Single quotes

- 5.1. The only other option would be to check each procurement manually (of which there are thousands), to establish the quantum of responses and single bids received. Due to capacity constraints this would not currently be possible.

Accelerate implementation of e-procurement system - N/A

6. Background information

Audit Committee is invited to note the updates below:

Action - *To send the chair information regarding the number of contracts that had three quotations and the amount of contracts that had a single bidder.*

- 6.1. Strategic Procurement has previously explored and reported back to Corporate Committee it was not possible with the current technology to identify where the Council adopted a three-quotation process, how many returned a single response. On the Haringey Procurement and Contract System (HPCS) the functionality remains limited and this is still not possible without a development cost to create new reporting functionality. Although it can be noted, the Council averages 2,500 – 3,000 quotes per year through HPCS. The Council will be migrating to a new centralised procurement system over the next 6-8 months and therefore this would not be the best use of resources and council funds to develop the functionality for a very limited amount of time.
- 6.2. The Councils Dynamic Purchasing System (DPS) provider, as part of their development roadmap, included an enhancement on their reporting functionality which has enabled the Council to report on procurements let through the DPS that only received a single response.
- 6.3. The table below provides an overview of the number of requests for quotes issued in the last 12 months through the DPS and the percentage that returned one response.

Supply Category	Number of quotes	Number with one response	% with one response	Average response
LCP Minor Works	126	17	13.50%	4
LCP Professional Services	38	5	13.20%	4
Passenger Transport	109	38	34.80%	5
Parks and Leisure	217	127	58.50%	2
Semi Independent Living	117	17	14.50%	1
Supported Living	160	56	35.00%	2
Home Support	393	123	31.30%	3
Childrens Home Support	13	3	23.10%	3

- 6.4. There are contributing factors as why some categories have higher volumes of single responses. This could include the following:
- 6.4.1. Works projects may have tight timescales for the works to be completed within. This can limit the responses due to available capacity to deliver the requirements in a short time period
 - 6.4.2. Passenger Transport will have ad hoc requests which generally are issued to a single supplier to respond; having previously had discussions with the supplier to confirm they can respond immediately to the request.
 - 6.4.3. Parks and Leisure services have the ability to manually distribute a requirement to an individual company in response to urgent reactive works that need to be undertaken immediately.
 - 6.4.4. Semi-independent and supported living, require accommodation and there may be limited availability in the market for suitable accommodation. In addition, on average placements were commencing in 6 days, which leads to an average tender period of just under 3 days for the market to respond.
 - 6.4.5. The home support market has reduced in capacity since introducing large block booking arrangements and therefore availability for immediate care can be challenging.
- 6.5. It is anticipated the Council will be able to analyse the number of bids received for procurements in the new centralised e-procurement solution.
- Action** – *Provide update on the new e-procurement solution and whether the implementation can be brought forward.*
- 6.6. Strategic Procurement completed the procurement of the e-procurement system in September 2023 with a view of commencing the project in October 2023. Unfortunately, protracted contract negotiations with the winning bidder meant the Council was unable to enter into a contract until mid-February 2024.
- 6.7. The project is currently being mobilised and resources are engaged in the design workshops. Various stakeholders (including audit colleagues) will be consulted throughout the project, to ensure the Councils requirements are met. These requirements incorporate all of the recommendations requested in the previous audits relating to the letting of contracts, contract administration and management, contract waivers and a centralised contract register.
- 6.8. The current programme of implementation indicates the following 'go live' dates:
- Procurement and contract management functionality – July
 - Invoice scanning solution – September (interim arrangements will be in place between July and September to ensure no disruption to supplier payments)
 - DPS migration – October
- 6.9. Whilst it is disappointing the implementation has been delayed; the delay has meant the Council is now sighted on many of the new requirements being introduced through the new Procurement Act coming into force this year. This has enabled the Council to consider these in the design of the new procurement system and not have gone through a process of implementing functionality that would have needed to have been updated and changed at additional cost to the Council.

7. Contribution to strategic outcomes

N/A

8. Statutory Officer Comments (Director of Finance (procurement), Head of Legal and Governance, Equalities)

8.1 Finance

There are no direct financial implications arising from the contents of this update report.

8.2 Strategic Procurement

The Chief Procurement Officer recognises the limited functionality within the current procurement and contract related systems, including those concerns raised in the various Audit reports. The Council is in the process of implementing a new e-procurement solution, which covers the entire procurement, contract administration, contract management and invoicing lifecycle.

The specification for the new e-procurement solution includes all of the audit recommendations and compliance with the new Procurement Act. Therefore, when the new solution is implemented over the next 6-8 months, it is anticipated this will provide enhanced efficiencies, compliance, controls and reporting capability.

8.3 Legal

The Assistant Director for Legal and Governance has been consulted and confirms that there are no direct legal implications arising from this report. The terms of reference for Audit Committee provide that its audit functions include “providing assurance about the adequacy of the Council’s Risk Management Framework and Policy and monitoring the effectiveness of systems for the management of risk across the Council and compliance with them.” Accordingly, consideration of this report falls within the remit of Audit Committee.

8.4 Equality

N/A

9 Use of Appendices

N/A

10. Local Government (Access to Information) Act 1985

N/A