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Conwy County Borough Council

Contracting and Procurement Report -
Progress Update

October 2013

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Within this report we follow up recommendations made within our Contracting and Procurement report presented to the Council in July 2012.

It is clear that the Council has taken the findings of our initial report seriously.

Officers across many departments have completed a significant amount of work to respond to the recommendations.

There are still some actions in progress, and it will take time for all of the changes to be fully embedded in the way that people work.

Overall, the Council is in a better position to manage its contracts.

The purpose of this report is to follow up the Council's progress in implementing the recommendations identified within our Contracting and Procurement report that was presented to the Audit Committee in August 2012 in our role as appointed auditors. We now carry out audit work at the council on behalf of the current Appointed Auditor, Anthony Barrett of Wales Audit Office, and we have discussed and agreed this report with him.

Officers prepared an action plan in response to the recommendations, and reported their progress in implementing the action plan to Audit Committee in November 2012 and February 2013. The Council's Internal Auditors presented its own report into progress made against the recommendations in April 2013.

During our audit we held discussions with the Council's Internal Auditors as a starting point for our own independent work into assessing progress made against the recommendations. Our review involved assessing the self assessment and supporting documentation and discussions held with relevant Council staff.

We made a total of 21 recommendations within our original report. The table below shows our assessment of the current status of these recommendations.

	Implemented	Ongoing / In progress	Not implemented	Not applicable (superseded)	Total
Recommendation status	3	17	0	1	21

Detailed findings for each recommendation are included on pages 5 – 24 of this report. Where appropriate we have provided additional suggestions on how the control environment can be strengthened.

Headline messages

Our initial report contained 21 recommendations and the Council has demonstrated that it is making significant progress in implementing them.

The Council's responses to date fall broadly under four key themes:

- **Training, skills and sharing experiences**
- **Contract management**
- **Maesdu Bridge-specific contract issues**
- **Embedding the culture**

During 2013, the Environmental Technical Services (ETS), Property Management and Asset Services (PMAS) and Highways and Infrastructure Services were amalgamated into one overall directorate – the Environment, Roads and Facilities director (ERF).

This was done primarily in order to gather together the Council's expertise under one directorate, ensuring that appropriate resources are controlled in a coordinated manner under the same senior management team. This represented a significant change in organisational structure which we appreciate will take some time to become fully embedded.

It is clear, however, that this re-organisation is a positive step towards ensuring that contracting practices become uniform throughout the Council and are subjected to a consistent level of challenge and scrutiny.

Theme	Summary findings
Training, skills and sharing experiences	<p>One of the Council's key objectives is to ensure that appropriately skilled officers are responsible for the management of contracts in each department. The right level of training and skills is pivotal to the successful implementation of all of the recommendations within this report.</p> <p>The Council has taken a number of steps to review the skills held by officers involved in the contracting process. This has involved updating the induction process and delivering training to staff involved in projects. The Council is also in the process of finalising a skills register of all staff involved in projects, and it should now look to complete this process as soon as possible.</p> <p>Sharing experiences, from both within the organisation and with other Councils, is valuable in improving contract management. If done on a timely basis, it can ensure that positive experiences are replicated and mistakes avoided. Knowledge sharing is key to the up-skilling of officers and the Council should continue to support and promote groups such as the Contract Forum, which is already spreading best practice across departments.</p> <p>The Council has engaged Internal Audit to commence a programme of 'in-flight reviews' designed to identify issues and best practice and report progress on a timely basis. Whilst this is a positive step, the Council must ensure that these reviews provide coverage of all higher risk contracts and projects. In addition, the in-flight reviews that we looked at had been time-consuming, which risks undermining the value of an "in-flight review". For the findings to be meaningful and deliver the maximum value to the Council, outcomes need to be reported on a timely basis to allow actions to be taken. This means that the scope of reviews needs to be amended to take the format of a 'hot review' which only considers certain elements of a project and provides rapid feedback, rather than providing the full assurance of a normal internal audit assignment.</p> <p>Internal Audit have demonstrated that there have been occasions where findings are shared with neighbouring authorities; however the Council has some way to go before this culture is fully embedded.</p>

Headline messages (continued)

Our initial report contained 21 recommendations and the Council has demonstrated that it is making significant progress in implementing them.

The Council's responses to date fall broadly under four key themes:

- Training, skills and sharing experiences
- Contract management
- Maesdu Bridge-specific contract issues
- Embedding the culture

Theme	Summary findings
Contract management	<p>The Council already has a robust project management framework in place to ensure that decisions made are transparent and that officers and members are accountable for decisions.</p> <p>The Council must now ensure that the project management framework is supported by updated guidance such as revised contract standing orders, checklists and risk log templates.</p> <p>Officers should ensure that the latest guidance is followed in all instances. The Council may wish to use Internal Audit to monitor compliance on a contract by contract basis.</p>
Maesdu - specific contract issues	<p>In our initial report, a number of specific issues were identified in relation the Maesdu Bridge contract. The Council's Internal Audit service had at that time already prepared a report on the management of this contract and reported to members on the shortcomings that were identified.</p> <p>Our report recommended that the Council prepare an additional report to examine in greater detail the root causes of the cost over run.</p> <p>The Council did not prepare an additional report to identify the root causes, and this needs to happen in future. However, our work does indicate that capital project costs are subjected to frequent monitoring, and that cost variation reports are regularly presented at committee level.</p>
Embedding the culture	<p>Overall, it is clear that the Council has made good progress in implementing the original Contracting and Procurement Report's recommendations.</p> <p>Our work indicates that the foundations are in place for full implementation of the recommendations. However, the effectiveness and durability of the implementation process can only truly be measured in the long term.</p> <p>The Council must now continue to work to ensure that the recommendations included within this report become fully implemented to the extent that they are are embedded and become part of the day to day routine of managing the Council's contracts.</p>

Initial recommendation	Agreed Council Actions
<p>Overall Contracting Processes – R1</p> <p>The Council needs to assess why the clear central policies and procedures and corporate demands for compliance in relation to contracting and procurement are not being followed by many individual officers in their services. The Council needs to assess whether this is an issue of induction, training, leadership, management or enforcement – or all of them – and take appropriate steps to improve the management in this area.</p>	<p>a) Review departmental induction procedures to confirm that central policies and procedures and corporate demands for compliance in relation to contracting and procurement are adequately covered.</p> <p>b) Review corporate induction procedures to confirm that central policies and procedures and corporate demands for compliance in relation to contracting and procurement are adequately covered.</p> <p>c) Review procurement weaknesses and recommend improvement actions. Contract Forum to establish a clear measurable definition of ‘value for money’. Further information to be included in Corporate Induction such as a factsheet on CSOs and Financial Regulations.</p> <p>d) Implement actions from (c) to include</p> <ul style="list-style-type: none"> • developing a compliance register to be reviewed at Departmental Management Team meetings • identifying all officers involved in contracting and procurement and • rolling out specific training on compliance in relation to contracting and procurement to all officers identified above
Follow-up observations	Status
<p>(a) and (b) - The induction process has been modified to include information on policies relating to contract standing orders and regulation. As part of this, Internal Audit has prepared a PowerPoint presentation which is now included as part of the induction process for all new employees.</p> <p>There are also plans to create additional guidance material for new employees detailing key procurement information. However, this has not yet been completed.</p> <p>(c) – The Contract Forum’s review of contract data for the past 12 months concluded the Council is compliant with contracting and procurement procedures as per the Council’s Contract Standing Orders.</p> <p>(d) - We verified that a partially completed skills register is now in place. Individualised CVs are currently being compiled for all staff members detailed on the register, detailing areas of expertise, qualifications, and recent project experience. We understand that the register will be fully updated once the remaining restructuring of sections is complete.</p> <p>Once complete, the skills register will be made available to all managers, who will be expected to consult the register prior to deciding on project staff, in consultation with the Consultancy Section.</p> <p>We have also confirmed that specific training on compliance in relation to contracting and procurement has taken place in the form of ‘Managing Construction’ workshops that were held with relevant staff members in April and May 2013.</p>	<p>Ongoing</p> <p>We have verified that the induction process has been revised for new staff joining the Council.</p> <p>The Council has also hosted refresher contract management workshops to relevant staff.</p> <p>Once complete, the Council must clearly define how the skills register will be used to improve compliance with contract standing orders on a day-to-day basis.</p>

Initial recommendation	Agreed Council Actions
<p>Policies and Standing Orders – R2</p> <p>The Council should regularly review its Contract Standing Orders (CSO) and Code of Practice (COP) to ensure, it is up to date with the current environment; to correct any known anomalies in the operation and to respond to any learning points raised in this report and in the detailed internal audit reports issued in the last two years.</p>	<p>The CSO group exists to review and update the CSO and COP. The group meets periodically and should be specifically tasked to update, correct anomalies, and respond to:</p> <ul style="list-style-type: none"> • any learning points raised from audits • Welsh Local Government Association (WLGA) proposals for national standards • recent joint working with Denbighshire
Follow-up observations	Status
<p>There have been delays in establishing new Council-wide CSOs which will be extended to cover joint working arrangements with partners including other local authorities.</p> <p>The Council had planned to adopt proposals made by the WLGA to establish a standardised national set of Contract Procedure Rules (CPRs). The WLGA proposals have been delayed, which has had a knock-on effect on completing the action</p> <p>We have reviewed correspondence that demonstrates the CSO group is considering how joint working relationships with other local councils are managed effectively. The Council has held discussions with Denbighshire County Council and Flintshire County Council to try to align CSOs/CPRs as closely as possible.</p> <p>Conwy Council has now issued draft new CSOs/CPRs and set up a working group with a view to finalise them.</p>	<p>Ongoing</p> <p>The Council needs to finalise the new set of CSOs/CPRs as soon as possible.</p>

Initial recommendation	Agreed Council Actions
<p>The Procurement Team – R3</p> <p>Senior officers should consider mandating the use of specialist procurement officers for all major buying decisions.</p>	<p>Review existing controls in place and consider changing when updating contract standing orders and code of practice. Identify the benefits and opportunities relating to construction projects.</p>
Follow-up observations	Status
<p>KPMG verified that the Contract Forum oversees the Quality Group’s independent peer review of submitted Business Cases with a value greater than £500k from November 2012 onwards. KPMG also reviewed Contract Forum meeting minutes to confirm that the Corporate Procurement Manager now sits on the Forum as of December 2012.</p> <p>The Quality Group consists of members of the Contract Forum, comprising staff with experience of contracting and procurement, including major construction projects.</p> <p>Although there was evidence of three business cases being discussed at the November 2012 Contract Forum meeting, it is clear from the minutes and from discussion held with senior Council staff members that clarity is required over the criteria used to evaluate procurement decisions.</p> <p>The remit given to the Quality Group in its review of Business Cases is currently informal, with no set criteria being followed. We understand that the Council does intend to establish specific criteria, using RICS (Royal Institute of Chartered Surveyors) guidance to inform the process.</p>	<p>Ongoing</p> <p>It is important that the criteria used for evaluating business cases is formalised and fully understood so that it can be applied consistently and critically by the Quality Group.</p> <p>The Council should continue to ensure that members of both the Quality Group and the Contract Forum have the appropriate skills and experience to support major procurement decisions.</p>

Initial recommendation	Agreed Council Actions
<p>Specialist Assistance – R4</p> <p>Before deciding upon a course of action, the Council should assess an overall business case including all peripheral costs outside those of the main contract. Suitably senior staff, probably from a number of disciplines across the Council, should be involved in the due diligence review of the business case.</p>	<p>Review the Project Management framework to ensure the adequacy of existing controls and recommend improvements where necessary.</p> <p>Incorporate into the Project Management Framework that a Quality Team, reporting to a Project Board, must conduct a due diligence review of the business case.</p>
Follow-up observations	Status
<p>The Conwy Programme and Project Management Framework was reviewed and updated by the Council in March 2013.</p> <p>We have verified that there is now a flow chart in place to guide officers and to act as a reminder of the procedural requirements to be followed when compiling business cases.</p> <p>The Council has also introduced a ‘Cost Estimate’ checklist which has been prepared by the Contract Forum. These documents are now included as part of the mandatory template documentation for all new business cases for projects >£500k, and is included within the revised Programme and Project Management Framework manual. The checklist demands estimations for all associated costs of the project, including peripheral costs</p> <p>As per the follow-up observations to R3, although it is clear that the Quality Group now reviews business cases for projects >£500k, the remit given is currently informal, with no set criteria being followed.</p> <p>We verified that training has taken place for place for senior officers and elected Members that are involved with Project Boards, equipping them with the skills required to scrutinise and challenges business cases and their project initiation documentation.</p>	<p>Ongoing</p> <p>The mandatory ‘Cost Estimate’ checklist is now being used by all projects >£500k. In the long term, the Council should continue to ensure that the mandatory processes, flowcharts and frameworks are followed and checklists and documentation completed for all new and existing contracts and business cases.</p> <p>It is important that the criteria used for evaluating business cases is formalised and fully understood so that it can be applied consistently and critically by the Quality Group.</p>

Initial recommendation	Agreed Council Actions	
<p>Contracts and Tender Documentation – R5</p> <p>In designing contracts and tender documentation, the Council should assess whether there are minimum quality thresholds or service standards, failure against which will mean that a bid will be declined.</p>	<ul style="list-style-type: none"> a) Ensure that sufficient resources and appropriately qualified staff are assigned to producing tender documents. b) Report on the adequacy of control or weaknesses in relation to gateway reviews in project management. 	
Follow-up observations		Status
<p>We confirmed that for major projects with a value >£500k, documentation is reviewed by the Project Manager, Service Manager, and Head of Service. Invitation letters are not sent out to prospective partners until they have been signed as approved by the relevant Director.</p> <p>For large and high risk projects, Project Board members with appropriate skills and experience are now responsible for reviewing and approving the documents. The Council has presented the Colwyn Bay Waterfront project and Ysgol y Gogarth as good practice examples which have followed this process.</p> <p>However, this review process is currently not standardized, with the criteria for review of tender documentation not uniform.</p>		<p>Ongoing</p> <p>The Council has demonstrated that the Project Board is now more involved in the procurement process for large projects.</p> <p>The Council must now focus on ensuring that the Project Board members have the appropriate skills to allow them to discharge their duties effectively.</p> <p>This process could be strengthened further with the introduction of a checklist which will ensure that tender documentation to be distributed includes the appropriate content. This would ensure that the review criteria is standardized.</p>

Initial recommendation	Agreed Council Actions
<p>Tendering and Procurement Processes – R6</p> <p>The Council should implement the actions set out in Internal Audit's reports relating to tendering and procurement processes.</p> <p>Senior officers should assess whether each department's programme for change is on track and whether the timetable is ambitious enough.</p> <p>Senior officers should routinely be asked to justify their responses to audit recommendations to members at Audit Committee.</p>	<p>Ensure that each department's timetable for change is reported and challenged at each Service Performance Review.</p> <p>Assess criteria for selecting senior officers to attend Audit Committee.</p>
Follow-up observations	Status
<p>As part of Internal Audit's regular reporting process to the Audit Committee, members are presented with a progress report which shows the status of implementation for recommendations which have been raised. Members should continue to focus on this report and challenge instances where recommendations have not been implemented on a timely basis; as we have observed at more recent meetings.</p> <p>We have observed that in certain circumstances, officers are required to attend meetings in order to answer questions on an area of review, deficiencies identified in the control environment and progress with implementing recommendations.</p> <p>Internal Audit has shared with us the protocol used to determine an officer's attendance at Audit Committee:</p> <ul style="list-style-type: none"> ▪ where an Internal Audit review reports no or limited assurance is; and ▪ where a lack of progress in implementing recommendations is reported. 	<p>Ongoing</p> <p>Officers have been called to appear at Audit Committee meetings on a more consistent basis over the past 12 months.</p> <p>When officers are called to attend Audit Committee, the Council should ensure that members provide an appropriate level of challenge and scrutiny.</p> <p>The Council should ensure that the documented protocol is shared with all Heads of Services.</p>

Initial recommendation	Agreed Council Actions
<p>Ad Hoc Maintenance Spending – R7</p> <p>The Council should undertake a review of ad hoc maintenance spending in order to ensure better value for money. This review should consider all possible alternative methods for undertaking small ‘odd jobs’ – from the existing approved supplier lists, the employment of a small maintenance team and to full outsourcing of the work under a contract, giving due regard to value for money and a desire for the Council to spend funds within its own county boundaries.</p>	<p>Review current maintenance expenditure to confirm compliance and identify opportunities for increasing value for money.</p>
Follow-up observations	Status
<p>We have reviewed a report prepared by the Council which considered maintenance expenditure within the Environmental, Technical Services (ETS), Property Management and Asset Services (PMAS) and Highways and Infrastructure Services departments during 2011/12. The report identifies a number of recommendations which include:</p> <ul style="list-style-type: none"> a) PMAS to ensure that it addresses a failure to demonstrate that work has been competitively awarded in relation to Building Maintenance Minor Works. The recommendation called for an Approved List for Reactive Maintenance and Minor Works with contractors who have submitted agreed schedules of rates. The Approved List was reviewed by the Council, and the work was tendered on a schedule of rates basis across all trades. The Council’s Internal Audit function has been instructed to complete a follow up review on Building Maintenance which will include a review of the Approved List to confirm it is fit for purpose and is due to report on its findings in early 2014; b) All departments to publish Frameworks, Approved Lists and Term Contracts as a central resource, so that commissioning departments can identify suitable contractors, schedules of rates etc. This action was agreed upon but is yet to be implemented; c) A Business Case be prepared for the in-sourcing of Building Maintenance works. This action was agreed upon but is yet to be implemented. <p>The lasting impact of this review will only be able to be assessed in the medium to long term, once actions to address the recommendations have been implemented.</p>	<p>Implemented</p> <p>The Council has completed a review in line with the recommendation and agreed action.</p> <p>The review has highlighted further areas for consideration and identified a number of actions and recommendations that are now required to be completed.</p> <p>The Council must now ensure that these new actions are assessed and, if appropriate, implemented across all services and that opportunities to secure value for money are secured wherever possible.</p>

Initial recommendation	Agreed Council Actions	
<p>Value for Money – R8</p> <p>The Council should review all major contracts and purchasing arrangements to assure itself that they deliver value for money.</p>	<p>a) Review all major contracts and purchasing arrangements to confirm value for money.</p> <p>b) Using the data provided in (a) above, identify procurement opportunities for increasing value for money.</p>	
Follow-up observations		Status
<p>a) KPMG verified that ETS, PMAS and Highways and Infrastructure Services reviewed their major contracts and purchasing arrangements prior to the recent restructuring, and an ongoing review process is now in place under the new Environment, Roads and Facilities (ERF) directorate. Documentation produced by the Council to demonstrate compliance in the procurement of major contracts has been reviewed and no significant issues in relation to value for money were noted.</p> <p>The procedures as determined by the NEC3 Form of Contract demand that ‘Early Warning’ meetings are held with the Contractor during the construction phase. This provides the Council with an opportunity to identify value for money concerns at an early stage.</p> <p>Post-construction meetings are also held, during which the value for money of the completed project is considered in retrospect.</p> <p>b) Value for money lessons learnt from projects, gathered via ‘Early Warning’ and post-construction meetings, are communicated back to the department. However, there is currently no standardized and formal method of disseminating this information and ensuring that it is put to effective and coordinate use on other projects.</p>		<p>Ongoing</p> <p>It is clear that progress has been made in ensuring that value for money considerations are part not only of the procurement process but also of the construction phase.</p> <p>The Council should consider introducing a process which sets out actions to be taken where value for money is not being achieved. This may however be constrained by existing contract terms.</p> <p>The Council should also consider introducing a central record of value for money issues / opportunities identified across all projects, ensuring that lessons learnt are chronicled and disseminated to other projects in a standardized manner.</p>

Initial recommendation	Agreed Council Actions
<p>Agency Workers – R9</p> <p>The Council should complete its assessment of agency/contractor/consultant staff as soon as possible, and in the light of that information prepare appropriate guidance for how such staff should be procured in the future.</p>	<p>Produce departmental recruitment/employment strategy.</p>
Follow-up observations	Status
<p>We have confirmed that the Council has now introduced an approval process for initiating agency worker contracts, with guidance in place to allow Heads of Services to engage agency workers for periods up to 12 weeks.</p> <p>For periods when agency staff are utilised for a period of 12 weeks or more, authority from the Executive Group is required.</p>	<p>Ongoing</p> <p>The Council should now ensure that its procurement procedures fully comply with all EU procurement requirements to ensure that value for money in relation to agency fees is achieved.</p>

Initial recommendation	Agreed Council Actions	
<p>Internal Audit Reviews – R10</p> <p>The Council should revise its approach to Internal Audit reviews and agree a timetable in advance of the contract starting. For larger scale projects, Internal Audit should consider “in-flight” reviews while the work is underway to identify risks and issues at a time when the Council has a chance of fixing them.</p>	<p>Provide Internal Audit with outline programme for larger scale projects. Programme resources to provide “in-flight” reviews as appropriate</p>	
Follow-up observations		Status
<p>Internal Audit reviewed the Ysgol y Gogarth project in February 2013 and reported that improvements have been made around contract management and budgetary control. The purpose of the review was to identify ‘in-flight’ recommendations and facilitate the sharing of best practice.</p> <p>We have observed that the in-flight review took a considerable amount of time to complete and finalise and that, in consequence, this sort of review has only been completed for a small number of projects.</p> <p>Internal Audit have explained that they follow a risk based approach to determining which projects would benefit from audit input as the resources are not available to perform in-flight reviews on all large scale projects.</p>		<p>Ongoing</p> <p>The Council has started a programme of in-flight reviews for large projects (>£500k).</p> <p>In order to ensure that findings are reported on a timely basis and to allow for remedial actions to be taken, the Council may wish to consider refining its approach to in-flight reviews. These should focus on specific elements of a contract or project with the aim of reporting findings quickly and sharing findings, both positive and developmental, with other project managers.</p>

Initial recommendation	Agreed Council Actions	
<p>Effectiveness of Internal Audit – R11</p> <p>Internal Audit and management should agree reasonable time-frames for responding to audit requests. Delays should be reported to Audit Committee as part of the quarterly performance indicators.</p>	<p>Agree time-frames for responding to audit requests.</p>	
Follow-up observations		Status
<p>We have held discussions with Internal Audit staff members which confirmed that there have not been any issues with regards to significant delays in responding to audit requests in 2012/13.</p> <p>Addressing the recommendations of the KPMG Contracting and Procurement report has, however, taken up a considerable amount of Internal Audit's time. Despite this, actions to date were achieved in line with 'Project Workflow' guidelines.</p>		<p>Implemented</p> <p>No significant delays have been identified during 2012/13.</p>

Initial recommendation	Agreed Council Actions	
<p>Internal Audit and the Audit Committee – R12</p> <p>The Council should review and refresh the work programme and papers being submitted to Audit Committee.</p>	<p>Review and refresh the work programme and papers being submitted to Audit Committee.</p>	
Follow-up observations		Status
<p>Through attendance at Audit Committee meetings, we have verified that the papers submitted to members have been updated and include the appropriate content. The papers being submitted to Audit Committee are now clearer and offer greater insight into potential risk areas, with summary findings and key information in relation to the recommendations and weaknesses included.</p>		<p>Implemented</p> <p>We are satisfied that the papers being submitted to Audit Committee have improved and that all key data is now included as part of the summary findings.</p>

Initial recommendation	Agreed Council Actions	
<p>Maesdu – Reporting – R13</p> <p>When faced with contentious issues, the Council needs to assess carefully the level of information it provides to members and the public, ensuring it strikes the right balance and allows members the opportunity for oversight and challenge. In projects where there are over-runs, reports to members should include analyses of the amended cost and cost variances as well as outlining how any over-runs are to be financed.</p>	<p>Report contentious issues to Executive Group and carefully assess the level of information provided to members.</p>	
Follow-up observations		Status
<p>We have reviewed example Executive Group minutes which demonstrated that conversations relating to projects and contracts have taken place with important issues being reported and discussed with an appropriate level of detail.</p> <p>We also confirmed that Internal Audit continues to report to the Audit Committee on Contract Final Account information. This provides an analysis of actual costs incurred against budget, with explanations provided for additional costs.</p>		<p>Ongoing</p> <p>Based on the information reviewed, we are satisfied that issues relating to contracts are being reported to the Executive Group.</p> <p>However, the key issue in relation to this recommendation is to minimise the number of contentious issues that arise in the first place. This can be managed through ensuring that all recommendations identified within this report are implemented, through following the Council’s project and contract management frameworks and procedures and through training staff to have the appropriate skills and behaviours to manage contracts.</p>

Initial recommendation	Agreed Council Actions	
<p>Maesdu – Monitoring – R14</p> <p>Where contractors propose a significant variation in specification or approach, the Council should ensure that suitably senior and experienced staff review the proposal in advance and that every effort is made to challenge the cost variation by looking at alternatives and ensuring that extra work is essential and authorised.</p>	<ul style="list-style-type: none"> a) Ensure that sufficient resources and appropriately qualified staff are assigned to manage and supervise contracts. b) Review and consider standardising procedures across departments for dealing with contract variations. Further recommendation that the Council adopt the NEC3 Form of Contract as its method of contract management. 	
Follow-up observations	Status	
<ul style="list-style-type: none"> a) The Council has demonstrated that effective management structures are in place for the Parc Eirias and Ysgol y Gogarth contracts, which have been selected for review by Internal Audit. b) We have confirmed via review of Contract Forum minutes and through discussion with senior Council management that the NEC3 Form of Contract has been approved as the contract to be used by all contracts. We have confirmed that the NEC3 is now being used on the majority of contracts. However, the JCT Form of Contract is still being used on a few small contracts. We understand that it is the Council's intention for the use of JCT to cease once training on the use of NEC3 is delivered to all relevant staff. 	<p>Ongoing</p> <p>Whilst the Council has demonstrated that there are appropriate management structures in place for the two contracts reviewed by Internal Audit, it is important that training needs are addressed as highlighted in recommendation number 1.</p> <p>The Council rightly sees the standardised use of the NEC3 Contract pro-forma as key to improving its approach to contract documentation and managing variations in contract specifications.</p> <p>The Council must now ensure that this new contract is rolled out to all services as soon as possible.</p>	

Initial recommendation	Agreed Council Actions	
<p>Maesdu – Jointly Procured Contracts – R15</p> <p>Jointly procured contracts may not automatically represent best value in the particular circumstances and each should be judged on its merits.</p>	<p>Every project involving joint procurement must be evaluated and the anticipated and actual benefits documented.</p>	
Follow-up observations		Status
<p>The Council has presented the joint Street Lighting project, where it works with Denbighshire County Council as an example of where tender proposals were appropriately evaluated. This showed that the potential benefits, cost savings and increased efficiencies were identified prior to the decision to approve this working relationship. We are also aware that Internal Audit have reviewed another project, Legal Services, and reported no issues.</p> <p>Of the projects reviewed, no significant issues were identified. However, evidence has not been presented to demonstrate that all major projects involving joint procurement have been reviewed.</p>		<p>Ongoing</p> <p>Internal Audit have carried out reviews of certain joint procurement projects.</p> <p>The Council should ensure that all major projects involving joint procurement are reviewed and that the outcomes are recorded and reported appropriately.</p>

Initial recommendation	Agreed Council Actions
<p>Maesdu – Supervision of Large Contracts – R16</p> <p>Large contracts should be reviewed and actively supervised and challenged by senior officers. They should not be delegated to relatively junior or inexperienced officers. Review methodology for assigning resources to larger contracts and recommend improvements.</p>	<p>Ensure that sufficient resources and appropriately qualified staff are assigned to manage and supervise contracts.</p>
Follow-up observations	Status
<p>See observations in relation to recommendation 1 and recommendation 14.</p> <p>We verified that a partially completed skills register is now in place. Individualised CVs are currently being compiled for all staff members detailed on the register, detailing areas of expertise, qualifications, and recent project experience. We understand that the register will be fully updated once the remaining restructuring of sections is complete.</p> <p>Once complete, the skills register will be made available to all managers, who will be expected to consult the register prior to deciding on project staff, in consultation with the Consultancy Section.</p> <p>We have also confirmed that specific training on compliance in relation to contracting and procurement has taken place in the form of ‘Managing Construction’ workshops that were held with relevant staff members in April and May 2013.</p>	<p>Ongoing</p> <p>Once complete, the Council must clearly define how the skills register will be used to improve compliance with contract standing orders, including allocation of resources, on a day-to-day basis.</p>

Follow-up of Contracting and Procurement report recommendations

Initial recommendation	Agreed Council Actions
<p>Maesdu – Monitoring – R17</p> <p>Ensure better control throughout the contract process. See recommendation 14.</p>	<p>Ensure that sufficient resources and appropriately qualified staff are assigned to manage and supervise contracts.</p> <p>Review and consider standardising procedures across departments for dealing with contract variations</p>
Follow-up observations	Status
<p>See observations in relation to recommendation 1 and recommendation 14.</p> <p>The amalgamation of the ETS, PMAS and Highways and Infrastructure departments into one directorate (Environment, Roads and Facilities (ERF)) is complete. This new directorate serves to support the implementation of standardised contracting procedures.</p> <p>The restructuring is a major positive step in what is a long-term process to ensure that the recommendations of the Contracting and Procurement Report become fully embedded in a new contracting management culture.</p>	<p>Ongoing</p> <p>See observations in relation to recommendation 1 and recommendation 14.</p> <p>The Council should ensure that where changes are made as a result of the restructuring, roles, responsibilities, processes and frameworks used to manage contracts and projects effectively are updated to reflect the revised structure so that the implementation of these recommendations become fully embedded in the long term.</p>

Initial recommendation	Agreed Council Actions	
<p>Maesdu – Root Causes – R18</p> <p>The Council should consider the root causes of this over run in cost in detail, both from a project management perspective and a cost monitoring perspective. The Council should then prepare a detailed plan to set out what will change to enhance the in-life monitoring and implementation of large capital projects in the future.</p>	<ul style="list-style-type: none"> a) Provide report detailing the root causes of this over run in cost in detail, both from a project management perspective and a cost monitoring perspective. b) Continue to monitor cost variance on capital projects. 	
Follow-up observations	Status	
<ul style="list-style-type: none"> a) The original Maesdu Bridge and Highways Internal Audit reports highlighted key areas of weakness. These included deficiencies around the payment of consulting fees and a lack of review / challenge before payment of invoices. However, no additional report was produced to detail the specific root causes of the cost over run. b) We reviewed examples of capital cost variation reports which have been presented to the Principal Overview and Scrutiny Committee and Cabinet. These provide significant detail on options, resources and risks and support members throughout the decision making process. Monthly reviews of scheme costs by the Finance team in conjunction with the Project Manager are now aided by a specific Project Monitoring document. 	<p>Ongoing</p> <p>KPMG’s Contracting and Procurement Report recommended that the root causes of the cost overrun be examined in detail. No additional report was produced to identify the root causes, meaning that a detailed plan to ensure that those causes be addressed was also not produced, which must happen for any significant overspends in future.</p> <p>However, our work does indicate that capital project costs are subjected to frequent monitoring, and that cost variation reports are regularly presented at Committee level.</p>	

Initial recommendation	Agreed Council Actions
<p>Maesdu – Skills and Resources – R19</p> <p>With very large projects a suitably senior and experienced officer should be in control of the project. The Council should consider on a case by case basis if it has the necessary in-house resource to manage large and complex projects. Opportunities to share skills and resources with neighbouring councils should be considered.</p>	<p>Provide a report on issue 14 above. Consider opportunities to share skills and resources with neighbouring councils should be considered.</p>
Follow-up observations	Status
<p>See observations in relation to recommendation 1 and recommendation 14.</p> <p>The Council has demonstrated that in some instances, it has shared skills and resources with neighbouring Councils in collaborative efforts. Examples include a recent emergency scheme to reinstate a collapsed section of road at Llangernyw, which involved the input of both Denbighshire County Council and Gwynedd County Council.</p>	<p>Ongoing</p> <p>See observations in relation to recommendation 14.</p>

Initial recommendation	Agreed Council Actions	
<p>Best Practice – R20</p> <p>The Council should develop a route for sharing best practice across its services, promoting consistency and compliance.</p>	<p>Produce a report to identify and share best practice.</p>	
Follow-up observations		Status
<p>The Council is developing a number of methods to ensure that best practice in contract management is shared across the Council.</p> <p>Each project is required to undertaken a post-project review, the results of which are inputted into a centralised lessons 'vault' which is available on the Council's intranet site. However, it is currently not clear how the Council is ensuring that these lessons are being addressed on other projects.</p> <p>The Contract Forum and the Programme and Project Management forum have been established, providing opportunities to share good practice and lessons learnt.</p> <p>'In flight' reviews are also being undertaken by the Council's Internal Audit function. We have observed that the reviews took a considerable amount of time to complete and finalise and that they have only been completed for a small number of projects. We acknowledge that internal audit carry out a large range of activity on contracts, and our comments on in-flight reviews are intended to improve the effectiveness of those reviews.</p>		<p>Ongoing</p> <p>The Council should ensure that at <i>each stage</i> of the project management process, best practice and experiences are formally shared within the Council to ensure that learning points can be addressed and positive actions replicated.</p> <p>The Council should ensure that lessons learnt are being applied effectively on all other projects.</p> <p>Groups such as the Contract Forum are central to the dissemination of information. However the Council should ensure this objective and action is pervasive within the management of all contracts.</p> <p>In order to ensure that findings are reported on a timely basis and to allow for remedial actions to be taken, the Council may wish to consider refining its approach to in-flight reviews. These should focus on specific elements of a contract or project with the aim of reporting findings quickly and sharing findings, both positive and developmental, with other project managers.</p>

Initial recommendation	Agreed Council Actions
<p>Replacement Jetty – R21</p> <p>The Council should instruct relevant senior officers to review the plans for the replacement jetty before work is begun. The objective would be to reduce the risk of further increases to scope or cost during the course of construction. It may be that this further stage of challenge is on all large, (say over £100k), capital projects. The Council should also appoint an appropriate senior officer for ongoing cost monitoring and challenge if the project progresses.</p>	<ul style="list-style-type: none"> a) Review the plans before work commences to reduce the risk of further increases to scope or cost during the course of construction. b) Appoint appropriately senior and qualified officer(s) for ongoing cost monitoring and challenge, if the project progresses.
Follow-up observations	Status
<p>The replacement jetty is not proceeding.</p> <p>Cabinet resolved to approve the ongoing operation and management of the existing timber jetty, together with the area of riverbed in its immediate vicinity.</p>	<p>Not applicable (Superseded)</p>



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