

**FINAL INTERNAL AUDIT REPORT**

**CHILDREN AND YOUNG PEOPLE SERVICES**

**INVESTIGATION INTO THE COMMISSIONING OF  
CONSULTANTS  
2010/11**

**Issued to:** Gillian Pearson, Director, CYP

**Cc:** Doug Patterson, Chief Executive  
Charles Obazuaye, Assistant Chief Executive, Human  
Resources  
Peter Turner, Finance Director

**Prepared by:** Senior Auditor  
Principal Auditor

**Date of Issue:** 25th May 2011

## INTRODUCTION

1. Children and Family Centres have been established across the borough since 2006 and they bring together all the different support agencies to offer a wide range of free services to meet the needs of children under 5 and their parents/carers all in one place.
2. The development of Phase 3 Children and Family Centres within Bromley was designed to build upon the principles agreed during the delivery of Phase 1 and 2 sites. Where possible, schools and libraries have been identified as sites in order to use this grant funding to add value to these properties whilst delivering the children and family centre programme.
3. It is noted that this is the last year in the current three year allocation period covering 2008-9 to 2010-11 and Local Authorities are expected to utilise all their capital funding including amounts carried forward from previous years by the end of March 2011.
4. The Children's Centres funding for 2010-11 is £4,842,036 revenue and £740,141 capital. The revenue funding for 2009-10 was £3,647,428 and capital £1,253,555.
5. The departmental structure is that the Manager reports to the Head of Service who reports to the Assistant Director, Access and Inclusion.
6. On 25<sup>th</sup> November 2010 we issued a final report on our investigation into the commissioning of consultants and the hire of storage premises, which is updated in the management summary of this report at paragraph 19.
7. A management investigation into issues raised by team members relating to the management style of a former Manager has been carried out. Following this, a former employee within the Children and Family team wrote a letter to CYP management expressing concerns about the former Manager; the letter was brought to Internal Audit's attention in early February 2011. Within this letter mention was made of the marketing company B that had been employed without seeking tenders. We have interrogated our creditor system and found substantial payments made to this company B, for marketing consultancy, marketing support and services. This matter has now been investigated and is subject of this report.
8. As a consequence of the above we have reviewed all cumulative expenditure from the Children's Centres budget for the period April 2008 to March 2011. Another six suppliers were identified. The total expenditure covered in this report on these six organisations plus company A, company B, and company C is £1,889,586.

9. We have also referred this matter to the police and are liaising with them.
10. We understand that the matters raised in this report will be taken forward as part of a management enquiry.

## **METHODOLOGY**

11. For each supplier identified in paragraph 7 and 8 above.
12. Review the process for appointing the supplier to ensure Financial Regulations and Contract procedures were adhered to in regard to obtaining quotes or tenders. New Financial Regulations and Contract Procedures came into force in April 2009. Some of the expenditure in this report is covered by earlier Regulations.
13. Review orders and invoices to establish who had approved the spend.
14. Review the outcomes of the payments to establish if the service had been provided and where possible whether value for money was obtained.
15. Additional work undertaken:
16. Liaise with Greenwich fraud partners to assist in establishing whether monies had been received into a former Manager's personal bank account to conclude on any fraudulent activity and liaise with the Police on an ongoing basis.
17. Review the email accounts of the former Manager and consultants from company A and company B.
18. Review saved documentation extracted from the Children and Family Centres shared drive relating to company B and other suppliers.

## **MANAGEMENT SUMMARY**

19. Although our investigations are detailed in the report documentary evidence specifically in relation to the use of consultant A of company A and consultant B of company B is not detailed enough to relate to expenditure. As a result we have also had to access email accounts to try and get a full picture.
20. **Storage Facilities Update**
21. We previously reported that payments of £40,000 had been paid to company C for storage purposes. We had established that the warehouse premises are owned by Mr A who we believe to be the father of consultant B, the consultant employed from company B.

22. Following a review of the email account of the former Manager it was not possible to ascertain how the change in provider from The Storage Company had occurred.

23. We have been advised by the Bromley Children Project Manager on 7<sup>th</sup> April 2011 that the items stored have been removed from the warehouse on 27<sup>th</sup> January 2011 and the confidential client files belonging to Community Vision have been returned to the Family Workers.

24. An invoice dated 21<sup>st</sup> March 2011 addressed to the former Manager for the rental of the warehouse for 1<sup>st</sup> April 2011 – 31<sup>st</sup> March 2012 for £20,000 has been received. A letter of response has been drawn up dated 7<sup>th</sup> April 2011 declining the use of these facilities for this year and informing that the invoice will not be paid.

## **25. Conclusion**

26. There is no evidence to show that 3 quotes were obtained prior to transferring the storage arrangements to company C.

27. The cost of £20,000 per annum did not represent value for money.

28. It had transpired that the storage facilities were not fit for purpose as water damage occurred to the furniture stored.

29. Confidential client files have been inappropriately stored in the warehouse facilities.

## **30. Company A Update**

31. We previously reported that the total amount of invoices paid to company A was £213,870 including £3,693 worth of expenses. Since then further invoices have been received and paid. The total amount paid has increased to £218,697 including £3,965 worth of expenses. The last invoice paid dated 30<sup>th</sup> November 2010 was the balance of monies owed up to 8<sup>th</sup> November 2010 when consultant's A contract was terminated.

32. Company A provided a breakdown of the £3,693 worth of expenses that had been claimed into mileage and expenses. They have concluded that £392.87 had been overcharged and we have received a refund from the Company on 22<sup>nd</sup> March 2011 for this amount.

33. There was no evidence that the former Manager declared a conflict of interest as required by Contract Procedure rules.

34. Following a review of the email account of the former Manager the following emails have been identified that show how the appointment of company A was made:-

- On 27<sup>th</sup> August 2008 from the former Manager to consultant A following up from a telephone conversation earlier that day and advising the consultant that they are looking for a consultant to cover a post working on Children Centres Capital Programme. The former Manager has included the job description and advised that they are looking for someone 3 days a week but 4/5 days would be better. This would be initially for a 3 month period from September 2008 with an option to extend. The job description enclosed with the email graded the post as PO1.
  - On 20<sup>th</sup> October 2008 from consultant A to the former Manager enclosing a covering letter stating that company A are delighted to enclose their proposal to undertake this assignment. It also includes consultant A's CV and the Company proposal which confirms that the consultant is available to work for 36 days from November 2008 until end of January 2009. The cost for this would be at a daily rate of £700 giving a total of this first arrangement at £25,200. This spend would have required consultation with the Portfolio Holder in compliance with the old Financial Regulations (para 7(vii)). Both the covering letter and the proposal make reference to what company A can offer and they state that they can guarantee the following points:-
    - Informed and accurate advice
    - Independent and objective solutions
    - Unambiguous recommendations
    - Value for money
    - Quality controlled outputs
    - Advice based on partnership and mutual respect
  - On 5<sup>th</sup> November 2008 from the former Manager to Interim Head of Service stating that they have spoken to consultant A and that the consultant can start on 20<sup>th</sup> November 2008. The dates for November 2008 would be 20/11, 21/11, 26/11, 27/11 and 28/11.
35. The salary range for a PO1 post from April 2008 was £29,223 to £31,353.
36. The contract with company A was then subsequently renewed on several occasions bringing the total spend to £218,697 and we can find no evidence that the Portfolio Holder was consulted. Expenditure on this consultant would require Chief Officer and Portfolio Holder approval under the current Financial Regulations and Contract Procedures.
37. We obtained 2 boxes of Phase 3 project files which we reviewed. These boxes contained lever arch files for some of the project areas and included plans, e-mails, meeting minutes, photographs, briefing notes etc. From the contents we were unable to ascertain which work had been completed by consultant A or whether this represented value for

money. We also could not correlate any actions undertaken to the specific invoices received and amounts paid.

38. Management had also carried out an analysis of the work completed by consultant A . We are not able to confirm the source data for preparing this document other than the 2 boxes mentioned above. However the Audit-Sub Committee report detailed that based on this analysis they were satisfied that the work was completed as charged.

### **39. Conclusion**

40. Financial Regulations and Contract Procedures have been breached and European tendering process for this category A service would have been required for this expenditure.

41. The total spend to company A had exceeded £100,000 and Portfolio holder approval was not sought as required by the Contract Procedures (this is also required under the old Financial Regulations when the limit for use of consultants without consultation with Portfolio Holder was £20,000). In addition 3 quotes were not obtained prior to engaging the consultant.

42. Due to a lack of detailed records it has not been possible to establish whether value for money has been obtained for all of the work undertaken.

43. There is no evidence to show that the former Manager had made a declaration of interests.

### **44. Company B**

45. Audit was informed through a letter from a former member of staff to management about the use of a consultant working for company B. Following a review into the use of this company it was identified that they were used by Children and Family Centres from September 2007. Consultant B is the main contact for Bromley at this Company. We could find no evidence to establish that 3 comparable quotes were obtained prior to the Company's selection. A formal contract was not issued for the work to be undertaken.

46. It was established that consultant B was not previously employed by the London Borough of Bromley but was an employee of a trust from 17<sup>th</sup> August 2005. A company search undertaken on company B (in operation since 2nd April 2003) confirmed that consultant B is not a Director and Company accounts do not need to be submitted. However, we have been given information that the Head of Marketing for this company was a former employee of this Authority and transferred over to a trust on 1<sup>st</sup> February 2004. This is a similar scenario to consultant A from company A. The former Manager was employed by this Authority

prior to transferring over to a trust for the period February 2004 to March 2005 and transferring back to the Authority at the end of that period.

47. The company has been used since September 2007 to November 2010 and 174 invoices totalling £269,714 net have been paid. The total spend includes consultancy, marketing support, design, signage, leaflets, promotional marketing products and posters.

48. The approval of the invoices / corresponding i-proc orders were as follows:-

| <b>Authoriser</b>                           | <b>Total amount of net payments approved</b> |
|---|--|
| Former Manager                              | £214,160.50                                  |
| Head of Service Children and Family Centres | £8,204                                       |
| 7 Other Children and Family Centre Officers | £47,349.50                                   |

49. From the review of the former Manager email account it has been identified that central funding had been issued to 9 schools in December 2007 in order to make payment for invoices to be received directly from company B. This amounted to a further £14,300 making the total spend to this company of £284,014 excluding VAT.

50. Following a complete review of all the invoices paid it was identified that several of the invoices related to consultancy, marketing support and promotional items. Detailed below is a breakdown of the spend amounts in the different categories:-

| <b>Category of Spend</b>                  | <b>Amount</b> |
|---|---------------|
| Specific jobs e.g. signage, posters, maps | £172,174      |
| Consultancy and Marketing support         | £68,600       |
| Promotional Items                         | £28,940       |

51. Until August 2009 work was being arranged with company B for specific tasks and then this changed to include consultancy, marketing support and promotional items.

52. From the review of the email account identified that on 9<sup>th</sup> July 2009 the former Manager approached consultant B to come into the office to discuss the Service needs for communication, as this area was growing and were keen to move forward on this area of work.

53. Consultant B came in and met with the Head of Service on 22<sup>nd</sup> July 2009 which was subsequently followed up with emails. On 24<sup>th</sup> July 2009 the Head of Service sent an e-mail to consultant B accepting his proposal for the work. The proposal was for an initial period of 6 weeks working 3 days a week at a rate of £400, a total of £7,200. This arrangement was subsequently extended until 31<sup>st</sup> March 2010. Orders raised for work in 2010/11 changed to marketing support right through until October 2010.

54. Orders had been raised for consultancy by Children and Family Centres that had been approved by the former Manager are detailed below:-

| <b>I-proc Order Number</b> | <b>Date raised</b> | <b>Amount</b> | <b>Description</b>   |
|----------------------------|--------------------|---------------|--|
| 4038157                    | 18/08/2009         | £15,600       | 39 days consultancy at 3 days a week from 29/07/2009               |
| 4043040                    | 26/10/2009         | £15,600       | 39 days consultancy at 3 days a week from 30/10/2009 to 30/01/2010 |
| 4043039                    | 26/10/2009         | £10,800       | 27 days consultancy at 3 days a week from 31/01/2010 to 31/03/2010 |

55. The remaining £26,600 worth of orders for marketing support had also been approved by the former Manager.

56. When the invoices were received for the consultancy they were marked 'Marketing Consultancy' stating the dates that had been worked and a job reference number but no further description of the work completed other than 'as briefed and approved by the Head of Service and former Manager' or just the 'Manager'

57. It was also identified that invoice numbers BROM\_F73-09/09 dated 22/09/2009 and BROM\_F74-09/09 each for £1,380 were for the same 3 days 16<sup>th</sup>, 17<sup>th</sup> and 18<sup>th</sup> September 2009 but contained different job numbers, #892 and #906 respectively. Also invoice number 1523 dated 23<sup>rd</sup> July 2010 and number 1524 dated 30<sup>th</sup> July 2010 both for



'Marketing Support - Planning and Copyright of Centre Literature' for £2,400 each appears to have been paid twice. In total potentially £7,560 in duplicate payments.

58. A detailed analysis of all the invoices paid to company B, description from the invoice, amounts and who approved the orders/payments was undertaken.
59. In addition to the consultancy orders detailed above, orders had been raised for marketing support at a rate of £400 per day for a variety of projects for Children and Family Centres. On 29<sup>th</sup> and 30<sup>th</sup> March 2010 a total 5 orders were raised for £2,400 each, totalling £12,000 and on 12<sup>th</sup> and 14<sup>th</sup> July 2010 6 orders totalling £14,400 were approved, all by the former Manager. Sub dividing of orders below the limit of £5,000 when quotes or tenders would have been required is a breach of Financial Regulations / Contract Procedures (para 8.1.1).
60. A review of the invoices for promotional items identified that the products supplied included the following items:- Tote Bags, Water Bottles T Shirts, Balloons, Piggy Banks, Crayons, Pens, Pin Badges, Draw String Bags, Fridge Magnets, Trolley Tokens and Frisbees.
61. In addition order number 4045100 for £850 was raised on 20<sup>th</sup> November 2009 for worksheets for the team away day and on 15<sup>th</sup> January 2010 order number 4048358 for £2,500 was raised for Children and Family Centre brand development. These were both approved by the former Manager.
62. For the invoices that have been received for consultancy and marketing support it has not been possible to identify what work has been undertaken for the amounts paid. The invoices for promotional items do not contain the amount of products supplied so again we are unable to ascertain whether these represent value for money or if these items were received.
63. Following a review of the i-proc orders we identified that for 18 of the invoices received the corresponding i-proc order was receipted prior to the work being undertaken. This is in breach of Financial Regulations and Contract procedures. These have all been carried out by the same Administration Assistant and may have been as a result of a lack of training or knowledge of Financial Procedures. For example invoice number Brom F108-2/10 dated 8<sup>th</sup> February 2011 shows consultancy days worked on 1<sup>st</sup>, 3<sup>rd</sup> and 5<sup>th</sup> February 2011 but this was receipted on i-proc on 26<sup>th</sup> October 2010,
64. On 3<sup>rd</sup> July 2009 an email was issued by the Information Officer in response to an enquiry requesting why a publication was not produced by the design studio. This stated that a few publications had been produced by an External agency but could not offer any further

explanation as to why they had been used instead. The response was copied into both the former Manager and Head of Service.

65. We understand that there was a member working party group to review communication issued by the Authority and that one of the recommendations was to make use of the in-house design team, unless they could not deliver for technical reasons.
66. We tried to cost a specific job from some area folders and maps that we had obtained to the invoices paid, although we have been advised that the costs looked reasonable we encountered difficulties in actually pricing up the job. The difficulties encountered related to comparing like with like, due to the lack of information on the invoices, time scales as the original documents were produced in 2008 and the difference in cost of materials.
67. In October 2010 the Local Authority Design Studio was asked to quote for producing a termly newsletter for activities going on in Children and Family Centres. The price quoted was £2,957.21 and this was cancelled in November 2010 when a decision was made not to produce a newsletter for the period November – December 2010.

#### **68. Conclusion**

69. In view of the amounts paid to company B as identified above, Portfolio Holder authority would have been required and it was found that this had not been obtained in this instance.
70. Financial Regulations and Contract Procedures have been breached and European tendering process for this category A service would have been required for this contract.
71. It has not been possible to establish whether value for money has been obtained for all of the work undertaken as poor records have been kept by the department.
72. I-proc orders have been receipted prior to the service being undertaken.
73. It has not been possible to ascertain why company B was used instead of the Authority's in-house design team.

#### **74. Other Matters**

75. The fraud team have found no evidence that funds have been received into the former Manager's bank account from either this consultant or any other. However, we are still looking at other accounts.
76. Further to a member request we have carried out a review of the Electoral register records from 2003 to date for the consultants and the former Manager. This review did not identify any issues.
77. On 13<sup>th</sup> May 2010 an email was sent by the Strategic Commissioning Manager requesting that the Children and Young Peoples draft contracts register for 2010/11 to be reviewed to ensure that all contracts are correctly held and if any are missing for the details to be passed to him. From a review of the final contracts register for 2010/11 provided by the Strategic Commissioning Manager the contracts for both company A and company B are not included which demonstrates that this information was not provided for subsequent inclusion. The email request was issued to the former Manager, Head of Service and copied to the Assistant Director Access and Inclusion together with others.
78. It was established that the commissioning unit were unaware of these contracts which indicated a lack of communication within the CYP service.
79. On 16<sup>th</sup> December 2009 an email was sent to the Head of Service and copied to the former Manager from the Children and Family Centre's Finance Officer. This enclosed a spreadsheet detailing the actual spend to date and the commitments until 31<sup>st</sup> March 2010 for consultants, which included company A and company B. This information had been requested following a meeting between them on 4<sup>th</sup> December 2009. The breakdown below shows the information that was provided which we have not verified as part of this review:-

| <b>Company</b> | <b>Actual Spend</b> | <b>Commitments</b> | <b>Total</b> |
|----------------|---------------------|--------------------|--------------|
| Company A      | £35,033             | £56,590            | £91,623      |
| Company B      | £35,358             | £50,162            | £85,520      |

80. It has not been possible to establish what happened as a result of this information being received. Although we have identified that these companies were continued to be used during the following financial year.
81. On 8<sup>th</sup> September 2009 an email was sent by the former Manager to the team detailing the interim staffing arrangements for the next 3 months. This was also sent to consultant A and consultant B and copied to the Head of Service. This communication detailed the staff in the department and the roles they were fulfilling. The list included both consultant A and consultant B and they were shown as follows:-

- Consultant A - Consultant Capital Projects
- Consultant B - Consultant Marketing and Communication

82. This email suggests that they were considered as part of the team.

83. As part of the review into large spend we have identified that 75 invoices totalling £153,403 has been paid to an Office Furniture company and Supplies from January 2008 – October 2010 and 71 invoices totalling £54,035 to another Office Furniture company from March 2008 – January 2011. The majority of payments are below the level for requiring quotes and were paid over the period 2008 to 2011. We have not carried any further investigations into these payments.

84. A sample of 20 invoices was reviewed 10 from each company. These showed that the furniture was delivered to different Children Centres and Council offices. This matter is referred for management to check further.

85. There is a need for 3 quotes to have been obtained due to the value of orders being made as some of these were over £5,000. We have not checked to see if quotes were obtained prior to the orders being made.

86. We have been advised by the Bromley Children Project Manager that a request has been made for an inventory to be produced for items held at each of the Children Centres.

#### 87. **Other Suppliers**

88. The six organisations referred to in paragraph 8 came to our attention due to high cumulative spend figures. In contrast to company A and company B payments to these Organisations were mainly allocations of funding. Although some weaknesses have been identified, there was a process for evaluating funding applications and drawing up Service Level Agreements (SLA's). They all applied for funding in November 2008 for 2008/11 which resulted in SLA's being agreed with start dates of 1st April 2009.

89. A summary sheet was provided with details of 29 organisations that applied for grant funding. We understand that meetings were held to discuss the applications in December 2008 and January 2009 although minutes were not taken. We also understand that electronic information is held and can be reviewed if necessary. Evidence of a scoring process was seen for company D.

90. Details of the SLA's are recorded on the CYP contracts register.

91. We have not been able to evidence that the Portfolio Holder was advised of any of the SLA's resulting from these applications. However, a report was provided to CYP Portfolio Holder in December 2009 which

makes Members aware that voluntary sector services have benefited from significant investment via Children and Family Centre grant funding. Company G, company H and company J were cited as examples.

92. Detail on total spend and arrangements with each organisation follows:

**93. Company D**

94. The cumulative spend by Children and Family Centres with company D since March 2008 is £93,000.

95. Spend prior to the 1<sup>st</sup> April 2009 was £38,250, payments were made up of amounts below the level of £5,000 for requiring quotes and the majority were authorised by the former Manager.

96. Company D is sponsored by company E which is a registered Charity. Both organisations applied for funding in November 2008 for 2008/11 which was granted and SLA's were signed on the Organisations behalf by an individual named as the Senior Co-ordinator on 27<sup>th</sup> November 2008. Copies signed by the Authority have not been seen.

97. Company D was granted £21,000 annually for 2009/10 and 2010/11 both payments were authorised by the Head of Service. Additional smaller payments totalling £12,750 were paid during February and May 2010 and were authorised by the former Manager.

**98. Company E**

99. The total spend with company E since March 2008 is £292,850. £192,850 from Children and Family Centres and £100,000 from Extended Services budget.

100. Prior to the Service Level Agreements company E was paid a total of £92,850 for the period March 2008 to March 2009. The first payments were for services at individual Children's Centres for the counselling programme and these amounts were below the level of £5,000 the level for requiring quotes.

101. Company E was granted £100,000 annually for 2009/10 and 2010/11.

102. The payment of £100,000 in 2009/10 to was authorised by the Head of Service and the payment in 2010/11 from the Extended Services budget was authorised by the Assistant Director, Access and Inclusion.

**103. Company F**

104. The total spend with company F since July 2008 is £40,070 and prior to April 2009 the spend totalled £14,700.

105. After that a bid for funding for 2009/10 and 2010/11 was agreed and payment of £12,500 was made in March 2009 and in May 2010 a payment of £12,350 was made to continue services. Additional payments totalling £520 were made in November 2009 and March 2010.

**106. Company G**

107. The cumulative spend by Children and Family Centres with company G since February 2008 is £475,168.

108. Spend to March 2009 was £64,168. Company G was not awarded funding from the November 2008 bidding process. However, a SLA was in place to the value of £136,000 per annum for 2009/11 with two supplementary SLA's in 2010/11 for additional services for £96,000 and £43,000.

109. The payment of £136,000 for 2009/10 was authorised by the Assistant Director Access and Inclusion and the payment of £139,000 for 2010/11 was authorised by the Head of Service. In order for this payment to be processed 3 I-proc orders were raised on 30/03/2010 by one of the admin team for £48,000, £48,000 and £43,000 respectively. There is no evidence to show who asked for the purchase orders to be split into 3 to comply with I-proc limits. The payment to company G was subsequently paid on 24/06/2010.

110. We understand that in March 2011 a proposal to grant additional funding for the next six months went to CYPPDS and is being formalised.

111. The Portfolio Holder CYP has declared an interest in this organisation at meetings held on 22<sup>nd</sup> February and 15<sup>th</sup> March 2011.

**112. Company H**

113. The cumulative spend by Children and Family Centres with company H since February 2008 is £139,575.

114. Company H also submitted an application by the closing date of November 2008 and there is an SLA for £66,500 per annum for 2009-2011. The payment for 2009/10 for £66,500 was authorised by the Head of Service and for 2010/11 by the Assistant Director Access and Inclusion. Additional payments of £2,000 and £1,000 were paid in January and April 2010.

**115. Company J**

116. The cumulative spend by Children and Family Centres with company J since 2006 is £306,212.
117. Spend to March 2009 was £124,812. Company J also applied for funding in November 2008 and there is an SLA for 2009/11 for £90,000 per annum on file. The payment for 2009/10 for £90,000 was authorised by the Head of Service and for 2010/11 by the Assistant Director Access and Inclusion.
118. The SLA has recently been extended for 6 months in 2011/12 and has been approved by the CYP portfolio holder. An additional payment of £1,400 was made in March 2009. Company J also applied for funding and there is an SLA for 2009/11 for £90,000 on file. This has recently been extended for 6 months in 2011/12 and has been approved by the CYP portfolio holder. The payment for 2009/10 for £90,000 was authorised by the Head of Service and for 2010/11 by the Assistant Director Access and Inclusion.
119. We understand that in March 2011 a proposal to grant additional funding for a further six months went to CYP PDS and is being formalised.

## **CONCLUSION**

120. This investigation has highlighted a number of control weaknesses and these are as follows:-
121. Supplies and services have been commissioned without compliance to Financial Regulations and Contract procedures which detail the required limits and procedures for obtaining quotes and selecting suppliers. In the absence of tendering waivers should have been sought.
122. Orders were not always raised prior to receipt of invoices.
123. Work and orders have been split to bring the amounts below the thresholds for either quotes or approval limits.
124. Invoices were paid without substantiating the number of days claimed or the expenses charged for.
125. Under the new Financial Regulations and Contract Procedures Portfolio Holder authority was not sought for the consultancy spend over £100,000 nor Chief Officer approval for over £30,000. Also, there was no consultation with the Portfolio Holder for initial spend of over £20,000 as required by the old Financial Regulations.
126. Details of the contracts for company A and company B were not provided for inclusion on the departmental contracts register. The CYP

commissioning unit was unaware of these cases indicating lack of communication.

127. Use of outside contractors for communications and marketing when there is an in house team.
128. There appeared to be a lack of monitoring expenditure that should have highlighted the high spend on both the company A and company B. This was not detected by Management or Finance.
129. Payments were made in advance for Services and it is not clear if these were fully monitored to ensure the work had been undertaken.
130. The department kept poor records and were unable to provide an auditable trail for the decisions and payments made.
131. Value for money cannot be demonstrated in the cases of company A and company B
132. Comprehensive notes of the evaluation process have not been maintained where SLA's have been awarded.
133. There is no evidence that Portfolio Holders were advised of the new SLA's in April 2009.
134. Service Level Agreements have not always been signed by a representative of the Authority.
135. Confidential client files have been stored in the warehouse owned by company C.
136. I-proc orders have been receipted prior to the service being undertaken.
137. Furniture has been purchased without evidence of quotes and some held in storage as well as at Children Centres. Evidence has not been provided to show that this has all been received as expected.
138. There is no evidence that the former Manager had made a declaration of interests.



## INVESTIGATION INTO THE COMMISSIONING OF CONSULTANTS

### RECOMMENDATIONS

| No | Recommendation   | Comment  | Responsibility  | Agreed Timescale   |
|----|--|--|---|--|
| 1  | <p>All expenditure that is both regular and substantial resulting in procurement limits being reached should be compliant with Financial Regulations and Contract Procedures.</p> <p><b>Priority 1</b></p> | <p>Guidance around procurement limits to be issued to managers on a regular basis.</p> <p>Financial regulations to be issued to managers on a regular basis.</p> <p>Further strengthening of the financial monitoring processes to be put in place to mitigate these risks further including cross checking of the CYP Contracts Database against invoices paid to external suppliers to identify anomalies</p> <p>Consideration to be given as to how the LBB corporate procurement system could mitigate risks still further</p> | <p>CYP Budget Holders:<br/>Assistant Directors,<br/>Heads of Service,<br/>Service Managers</p> <p>Head of CYP Finance<br/>Corporate Finance</p> <p>Strategic<br/>commissioning CYP</p> <p>Head of Corporate<br/>Procurement</p> | <p>In place and monitored</p> <p>In place and monitored</p> <p>June 2011</p> <p>Implementation<br/>deadline<br/>dependent upon<br/>corporate<br/>procurement</p> |

**Priority 1**  
Required to address major weaknesses  
and should be implemented as soon as possible

**Priority 2**  
Required to address issues which do not  
represent good practice

**Priority 3**  
Identification of suggested  
areas for improvement

|   |   |  |  |   |
|---|---|--|--|---|
| 2 | <p>In order to ensure that recommendation 1 is complied with there should be a monitoring systems in place to ensure that cumulative spend is taken into account when selecting suppliers. If the spend has exceeded procurement limits obtain the necessary quotes and approval as appropriate.</p> <p><b>Priority 1</b></p> | <p>Further strengthening of the monitoring systems framework in CYP to highlight cumulative spend/procurement limits as a matter of course. This will include tracking of invoices paid to external suppliers, cross referenced against the CYP Contracts Database, to identify cumulative spend that exceeds procurement limits.</p> <p>Guidance on procurement rules to be issued to managers on a regular basis</p> <p>Consideration to be given to the potential means by which the LBB corporate financial systems can be strengthened to enable the highlighting of any potential breaches in the system</p> | <p>All CYP Senior Management Team and Budget Holders</p> <p>Corporate Finance</p> <p>Strategic commissioning lead officer CYP</p> <p>Director of Finance</p> | <p>June 2011</p> <p>In place and monitored</p> <p>Implementation dependent upon corporate finance</p> |
|---|---|--|--|---|

|   |   |   |  |  |
|---|---|---|--|--|
| 3 | <p>Managers <b>must</b> communicate all contracts / Service Level Agreements to the Commissioning unit.<br/><b>Priority 1</b></p>   | <p>a) Staff must communicate all contracts to CYP strategic commissioner</p> <p>b) Contracts register is regularly updated and agreed by Assistant Directors</p> <p>c) Cross check of all payments to suppliers against the CYP Contract Database to identify any contracts that have not been included on the CYP Database</p> <p>Investigate potential for corporate system/IProcurement solution</p> | <p>Assistant Directors + Head of Service + Service Managers</p> <p>Head of CYP Finance</p> <p>Strategic commissioning lead officer CYP</p> | <p>In place and monitored</p> <p>In place and monitored</p> <p>June 2011 and monitored</p> |
| 4 | <p>The potential duplicate payments to be investigated further and arrange for the monies to be recovered.<br/><b>Priority 1</b></p>  | <p>Investigations to be made</p>  | <p>Head of CYP Finance</p>   | <p>June 2011</p>   |
| 5 | <p>Management to review that furniture ordered by the Children and Family Centres had been delivered and is all accounted for, including any that may have been put into storage.<br/><b>Priority 1</b></p> | <p>These items will be checked, documented and reported back to CYP SMT</p>   | <p>AD Access and Inclusion</p>   | <p>June 2011</p>   |

|   |  |   |  |                                   |
|---|--|---|--|-----------------------------------|
| 6 | Confidential client files should be stored securely in Council premises at all times<br><b>Priority 1</b>  | Files will be stored securely in council premises   | AD Access and Inclusion  | May 2011                          |
| 7 | Receipting of i-proc orders should only take place after it has been established that the service has been provided or the goods received in accordance with financial regulations and procedures<br><b>Priority 1</b> | <p>Staff instructed to receipt only once the goods and services have been received in accordance with the financial regulations</p> <p>CYP currently has a distributed commissioning system with one commissioning coordinator. CYP are currently examining the current system to further strengthen practises given our current resource model. This includes close and ongoing liaison with Corporate Procurement and procurement teams in other Departments.</p> | <p>All CYP Senior Management Team and Budget Holders</p> <p>Head of CYP Finance</p> <p>Strategic commissioning CYP</p> | <p>June 2011</p> <p>Sept 2011</p> |

|   |   |  |  |  |
|---|---|--|--|--|
| 8 | <p>Management should ensure that a robust system is in place to ensure that conflict of interests are declared</p> <p><b>Priority 1</b></p> | <p>A CYP authorisation form is in place to obtain relevant authorisation for procurement of contracts (the form has been adopted across the Council). This will be updated to include a signed declaration of conflicts of interest.</p> <p>Procurement guidance reissued to managers</p> <p>Regular spot checks to take place</p> | <p>Head of CYP Finance</p> <p>Strategic commissioning lead officer CYP</p> | <p>In place</p> <p>In place and monitored</p> <p>June 2011</p> |
| 9 | <p>The in-house team to be used for future design work.</p> <p><b>Priority 2</b></p>  | <p>The in-house LBB design team will be approached in the first instance</p>   | <p>Assistant Directors + Head of Service + Service Managers</p>            | <p>June 2011</p>   |