Internal Audit Final Report - Procurement

Office of the Police and Crime Commissioner for Lincolnshire & Lincolnshire Police

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01 Introduction

In addition to the approved 2020/21 Internal Audit Plan for the Office of the Police & Crime Commissioner for Lincolnshire and Lincolnshire Police, Internal Audit have carried out an audit of the Procurement arrangements in place between the Force and G4S to review the effectiveness of the internal controls in operation.

The fieldwork for this audit was completed whilst government measures were in place in response to the coronavirus pandemic (Covid-19). The fieldwork for this audit has been completed and the agreed scope fully covered. Whilst we had to complete this audit entirely remotely, we have been able to obtain all relevant documentation and carry out meetings with key staff to enable us to complete the work.

The initial draft audit report was issued in November 2020 and following this audit we were informed that the Deputy Chief Constable requested further work to be undertaken by the Professional Standards Department (PSD). Whilst audit have not been party to the full findings of this work, we have been briefed on a summary of the findings and therefore refer to these throughout our report.

02 Background

The Force began a 10 year strategic partnership with G4S in 2012 and as part of this partnership G4S deliver a number of key services for the Force including Finance, Human Resources and Information Technology support functions. If the Force requires a particular service from G4S, such as a new IT service, then, if new third party products were required to enable G4S to deliver that service, it would be G4S who would procure and enter into a contract for the new system. As a private company G4S are not bound by public procurement rules however there is an expectation that they adhere to the spirit of these rules when procuring products or services that will be used to by the Force. This is so that both value for money can be demonstrated and reputational risk avoided.

There is a Commercial Partnership Team at the Force who oversee the relationship between G4S and the Force including contract management. The Force's own procurement unit can also provide support when G4S are carrying out a procurement exercise to provide a new/improved service for the Force. When the G4S contract ceases all the G4S owned contracts for which the principal purpose is providing services to Lincolnshire Police would be novated to the Force. This review is seeking to provide assurance over such contracts.

The audit work was carried out through discussions with appropriate staff and review of documentation available to confirm the effectiveness of the controls in place. The audit was carried out with due awareness of the risks of fraud and corruption in the processes under examination.

03 Audit Findings

The objectives of the audit were to confirm:

- **There are robust and effective governance arrangements underpinning the Force's arrangements with G4S for procuring new/improved services.**
- **Such arrangements have clarity in regard to the roles and responsibilities of the Force and G4S and include regular oversight and reporting.**

This audit focused on the procurement exercise that was undertaken in regard to DAMS (Digital Asset Management System), at the time audit carried out the review no contracts had been signed with suppliers to complete the process but all other elements up to this stage had been completed.

DAMS has been identified as a critical capability for the management and use of digital material within policing. The demand for this capability is ever increasing, driven by both the changing nature of the environment being policed, and through the new capabilities being delivered by the Digital Policing Portfolio (DPP) and others, where channels are being opened to allow more digital material to be acquired by police.

In line with this need for Lincolnshire to transform to meet these new national standards a procurement exercise was started in early 2019, however it has been identified through a review of the documentation available and discussion with key staff that there is no agreed process for the Force formally instructing G4S to begin a procurement exercise on their behalf. Audit were informed that instructions to begin the process were developed through verbal discussions between the two parties.

Moreover, a timetable that clearly sets out the procurement process that will be followed and indicate all the key steps in the procurement exercise was not formally developed and agreed between the two parties. Whilst it is acknowledged that G4S do not have to follow public sector procurement rules, to provide the Force with assurance that a fair and transparent procurement process is being followed from the outset of the procurement, a timetable should be agreed.

Through review of documentation it was clear that liaison between the Force and G4S occurred during the procurement process such as reviewing the technical needs of the Force, preparing a business case that documented the benefits of the proposed new system and including demonstration days as well. However, there was a lack of clarity over where responsibility sat in regard to some aspects within the procurement process. For example, the evaluation and scoring criteria at key stages such as initial demonstration days and final tender proposal stage.

Ref	Recommendations	Management Comment	Responsibility / Timescale
3.1	A formal process should be put in place to ensure that the Force instructions for G4S to begin a procurement exercise are authorised. Risk: Lack of clarity on the expectations for the procurement process leading to disparity between the Force and G4S throughout the process	Agreed. As all G4S procurement is undertaken through the Commercial Partnership Team (CPT), in future we will ensure all process documentation is provided to CPT for agreement before the procurement process is commenced.	FCFO/CPT manager - Immediately
3.2	After the need to begin a procurement exercise has been agreed, by both the Force and G4S a timetable that outlines the key stages in the procurement process should be developed. The Force should have sight of this document to gain assurance that the timetable is aligned with their expectations. *Risk:* The Force is unaware of the timetable for the procurement process that is being carried out on their behalf by G4S	Agreed. As all G4S procurement is undertaken through the Commercial Partnership Team (CPT), in future we will ensure all process documentation is provided to CPT for agreement before the procurement process is commenced.	FCFO/CPT manager - Immediately
3.3	The Force and G4S should agree where responsibilities lie across the procurement process that is to be carried out. Such as the evaluation method, technical input, user input etc. *Risk:* Lack of clarity on the expectations for the procurement process leading to disparity between the Force and G4S throughout the process	Agreed. As all G4S procurement is undertaken through the Commercial Partnership Team (CPT), in future we will ensure all process documentation is provided to CPT for agreement before the procurement process is commenced.	FCFO/CPT manager - Immediately

Further objectives of the audit were to confirm:

- **G4S's own procurement activity, in respect of the delivery of additional services to the Force are undertaken in line with public procurement rules.**
- **The Force have assurance that G4S's procurement process ensures that a free and open competition can take place. Including best practice such as conflicts of interest checks, strict deadlines, sealed bidding process and a fair and transparent scoring evaluation.**

Audit reviewed key documentation in the procurement process that was followed to date to confirm what had taken place. The first stage of the procurement process was a demonstration day where suppliers were invited to demonstrate their product that would meet the needs of the Force for the new system that was required. A letter was prepared and issue to suppliers, although it was unclear how many suppliers were invited to this stage of the process.

An evaluation scoring spreadsheet was developed for the demonstration day with scores of 1-100 being awarded across key categories by staff (Force staff) who carried out the testing of the systems that were put forward by the suppliers who attended. A consistent scoring process for all suppliers was followed, however audit did note that each supplier did not receive the same number of reviewers. Whilst the explanation provided for this was, that it relied on the availability of staff throughout the day. is understandable, as the total scoring was taken on an average of scores provided the outcome of the scoring was not necessarily a fair representation. For example, some suppliers received five reviews whilst others received eight, therefore any low scoring would have a greater impact on the average score for the supplier with less reviews.

It was also noted that from the evaluation scoring sheet that these were split into categories of Mandatory, Desirable and Highly Desirable requirements. The Mandatory requirements had fifteen expectations, yet the scoring of mandatory requirements did not indicate what a pass / fail mark would be. Whilst the two average highest scoring suppliers in this category were advanced, they could have done so by still failing to pass one of the fifteen mandatory requirements that were set.

From the five suppliers that attended the demonstration day they were narrowed down to two suppliers from the scoring evaluation that took place. These two suppliers were invited to submit a full tender document to provide the new system, the request to both suppliers was done via email and provided some bullet points on the expectations for inclusion within their tender submission and stated the date by which the bids were to be submitted. Audit noted that within this email it stated, "This part of the tendering process makes up 20% of the overall scoring.", however no further information was provided to the suppliers in regard to how the overall tender submissions would be scored and audit were unable to be provided with a the full details of the scoring process.

Both suppliers submitted their tender quotes prior to the deadline set, these were done by email direct to the G4S Technical Lead for the procurement, these were subsequently forwarded to the Force the day after the deadline (1st October 2019). From the documentation available,

on the 28th November 2019 one of the suppliers submitted a second tender quote. Audit were informed that upon PSD enquiries into this, the supplier in question submitted a secondary bid after they reconsidered the price they had originally submitted and were keen to ensure they secured the contract. However, it was also confirmed that representatives of the one supplier and a member of Lincolnshire Police's senior management did attend an unrelated social event together during this time period, the same representative also held a conversation with the other supplier.

Audit were informed that once the Force were made aware of this secondary bid, to ensure that both suppliers had the opportunity to submit a new bid they would both be asked to submit a final bid by end January 20, which they did. Audit were informed that at this stage in the process it was recognised that some of the key staff who began this procurement process and would be responsible for implementing the chosen solution had left and during a review of the demonstration scoring the two selected suppliers did not appear to have some of the core functionality that was needed (as highlighted above). Audit also noted that, from a briefing note that was prepared at this time, it makes reference to a bid price from one supplier that is not able to be reconciled to the bid from the supplier and no explanation has been provided as to why this occurred. .

Audit were informed that a review meeting was held with the Force & G4S and an agreement to invite the two suppliers, who had submitted their final bids, to a second demonstration day so that the core requirement issues could be cleared. Whilst this approach is understandable it does not appear to be fair on the other suppliers who attended the original demonstration day and were excluded from submitting a bid for the work based on the original scoring that took place.

In regard to the second demonstration, audit have not been provided with the completed scoring that took place although blank scoring sheets that indicate how this was carried out have been provided. After the second demonstration days, that took place in February, a DAMS Evaluation report was compiled that looked at the two proposals from the suppliers, it included the following areas of evaluation – a score based on Financial, Bid, Demonstration and National Criteria, a score of each supplier by the Force Project Manager and Tech Director as well as a SWOT analysis. The report gives scores to each supplier however, audit was unable to be provided with the supporting documentation that shows where the scores awarded have been derived from.

Ref	Recommendations	Management Comment	Responsibility / Timescale
3.4	At key stages in the procurement process the Force should be provided with the opportunity to review the steps that have been taken. For example, when the evaluation scoring process has taken place. *Risk:* The best value for money supplier is not selected	Agreed. As all G4S procurement is undertaken through the Commercial Partnership Team (CPT), in future we will ensure all process documentation is provided to CPT for review before the procurement decision is concluded.	FCFO/CPT Manager - immediately
3.5	The Force should seek assurance from G4S that deadlines that are set within the procurement process, e.g. dates for bid submission, are adhered to. This will ensure that the principles of public sector procurement rules can be demonstrated and monitored throughout the process. *Risk:* Reputational damage to the Force and PCC if it appears that there was a lack of transparency and fairness in the contracts procured	Agreed. CPT to monitor adherence, as above.	FCFO/CPT Manager - immediately

Ref	Recommendations	Management Comment	Responsibility / Timescale
3.6	All communication with suppliers, whether formal or informal, during the open tender period should be recorded as part of the procurement process so that clear audit trails are available. Furthermore, if queries have been provided to one supplier they should be provided to all suppliers. Staff should be reminded that attending events with potential suppliers to the Force during the open tender period, leaves them open to suspicion and should therefore make full disclosure or consideration of attendance in advance of the event. *Risk:* Reputational damage to the Force and PCC if it appears that there was a lack of transparency and fairness in the contracts procured *Risk:* The Force & OPCC are exposed to fraud and corruption within their procurement process *Risk:* The best value for money supplier is not selected	Agreed. Reminders to be sent to staff involved in procurement regarding appropriate conduct.	FCFO – by May 2021
3.7	The Force should consider undertaking their own quality review process at various stages of the process to confirm the accuracy of the procurement documentation and thus ensure any errors in the process can be highlighted in a timely manner (For example the error in initial scoring was not picked up until too late in the process followed). *Risk:* Reputational damage to the Force and PCC if it appears that there was a lack of transparency and fairness in the contracts procured *Risk:* The Force & OPCC are exposed to fraud and corruption within their procurement process	Agreed. As all G4S procurement is undertaken through the Commercial Partnership Team (CPT), in future we will ensure all process documentation is provided to CPT for review before the procurement decision is concluded.	FCFO/CPT Manager - immediately

04 Conclusion

The objectives of this review were to establish the process that was followed for one specific procurement exercise undertaken in 2019/20. This review has identified that a number of failures occurred during this particular procurement exercise. However, it should be noted that, due to individuals at the Force/OPCC raising concerns over the process followed for this procurement exercise, that no contract has been entered into.

We have raised some recommendations in this report aimed at addressing some of the weaknesses that have occurred during this process to ensure that lessons are learned, and that the same mistakes are not repeated in future procurement exercises. Moreover, it should be noted that the internal audit of procurement undertaken in 2018/19 provided satisfactory assurance and that a further internal audit of procurement is due to take place as part of the 2021/22 internal audit plan.

A1 Audit Information

Audit Control Schedule	
Client contacts:	Julie Flint – OPCC Chief Finance Officer Sharon Clarke – Force CFO Gail Bradshaw – Commercial Partnership Manager
Internal Audit Team:	David Hoose, Partner Mark Lunn, Internal Audit Manager
Finish on Site / Exit Meeting:	27th October 2020
Draft report issued:	16th November 2020 16th April 2021
Management responses received:	20th April 2021
Final report issued:	20th April 2021

Scope and Objectives

Our audit considered the following risks relating to the area under review:

- There are robust and effective governance arrangements underpinning the Force's arrangements with G4S for procuring new/improved services.
- Such arrangements have clarity in regard to the roles and responsibilities of the Force and G4S and include regular oversight and reporting.
- G4S's own procurement activity, in respect of the delivery of additional services to the Force are undertaken in line with public procurement rules.
- The Force have assurance that G4S's procurement process ensures that a free and open competition can take place. Including best practice such as conflicts of interest checks, strict deadlines, sealed bidding process and a fair and transparent scoring evaluation.

The objectives of our audit were to evaluate the adequacy and effectiveness of the procurements carried out by G4S on behalf of the Force with a view to providing an opinion on the extent to which risks in this area are managed. In giving this assessment it should be noted that assurance cannot be absolute. The most an Internal Audit Service can provide is reasonable assurance that there are no major weaknesses in the framework of internal control.

We are only able to provide an overall assessment on those aspects of the procurement carried out by G4S on behalf of the Force that we have tested or reviewed. Testing has been performed on a sample basis, and as a result our work does not provide absolute assurance that material error, loss or fraud does not exist.

A2 Statement of Responsibility

We take responsibility to the Office of the Police & Crime Commissioner for Lincolnshire and Lincolnshire Police for this report which is prepared on the basis of the limitations set out below.

The responsibility for designing and maintaining a sound system of internal control and the prevention and detection of fraud and other irregularities rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy and effectiveness of the system of internal control arrangements implemented by management and perform sample testing on those controls in the period under review with a view to providing an opinion on the extent to which risks in this area are managed.

We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify any circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud.

The matters raised in this report are only those which came to our attention during the course of our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices.

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Registered office: Tower Bridge House, St Katharine's Way, London, E1W 1DD, United Kingdom. Registered in England and Wales No 0C308299.

Contacts

David Hoose
Partner, Mazars
David.hoose@mazars.co.uk

Mark Lunn
Manager, Mazars
mark.lunn@mazars.co.uk

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