



AUDIT COMMITTEE

24 June 2015

Subject Heading:

Payment to Contractors (Road and Pavement Defects) 2014/2015 Follow up

CMT Lead:

Andrew Blake-Herbert

Report Author and contact details:

Chris Layton
Group Manager Highways Services
Tel: 01708 - 432983.
E-mail chris.layton@havering.gov.uk

Policy context:

To advise the Committee on progress to implement the recommendations from the Payment to Contractors (Road and Pavement Defects) audit.

Financial summary:

N/A

The subject matter of this report deals with the following Council Objectives

Havering will be clean and its environment will be cared for	X
People will be safe, in their homes and in the community	<input type="checkbox"/>
Residents will be proud to live in Havering	X

SUMMARY

Significant progress has been made to address the issues and implement recommendations raised by the Payment to Contractors (Road and Pavement Defects) 2014/15 audit report.

Of the three high, four medium and three low priority recommendations raised in the report, two high, four medium and three low priority recommendations have been implemented at the time of the follow up.

Progress has been made towards the remaining two, however officers are seeking advice from procurement colleagues as to whether these additional checks are now required.

RECOMMENDATIONS

1. To note the contents of the report.
2. To raise questions for management regarding recommendations.
3. To sanction officers' decision to cease trading with Miller Bros. Ltd. who are out of contract by the date specified in this report.

REPORT DETAIL

In January 2015 a final report was issued to management following the audit of Payments to Contractors (Road and Pavement Defects) 2014/15, in accordance with the 2014/15 Internal Audit Plan.

As a result of the audit three high, four medium and three low priority recommendations were raised. All recommendations were agreed by management at the time of issuing the final report.

The management summary for this audit was presented to Audit Committee in March 2015 as part of the Internal Audit progress report. Members requested an update regarding this report at the next meeting.

The results are summarised below:

- Nine recommendations had been completed at the time of the follow up (1, 2, 3, 4, 6, 7,8, 9 & 10); and
- One recommendation was being progressed at the time of the audit visit (5).

The follow up indicates that significant progress has been made in implementing recommendations and therefore addressing the majority of the risks identified by the original audit.

It was management's original recommendation to continue using Miller Bros. Ltd. as the service provider on the highways maintenance support contract until October 2016 to align with the other highways term maintenance contracts. During this period officers were to carry out an option appraisal on the most effective and efficient way to package all of the term maintenance contracts.

Following advice from colleagues in procurement it was recommended that we cease trading with Miller Bros. Ltd. with immediate effect. However, after seeking further legal advice it was decided to issue notice to terminate in

October 2016 in line with the original contract documents due to implied contract rights.

Following the advice and support from colleagues in procurement and legal services officers will ensure that all future contract monitoring arrangements will be fully compliant with current procurement policy and rules.

IMPLICATIONS AND RISKS

Financial implications and risks:

There are no financial implications or risks.

Legal implications and risks:

There could possibly be a legal challenge under EU procurement legislation if the Authority continues to trade with a company after its contract had expired.

Human Resources implications and risks:

There are no Human Resource implications and risks.

Equalities implications and risks:

No risk considered

BACKGROUND PAPERS

Audit Committee report Payment to Contractors (Road and Pavement Defects)
2014/15