

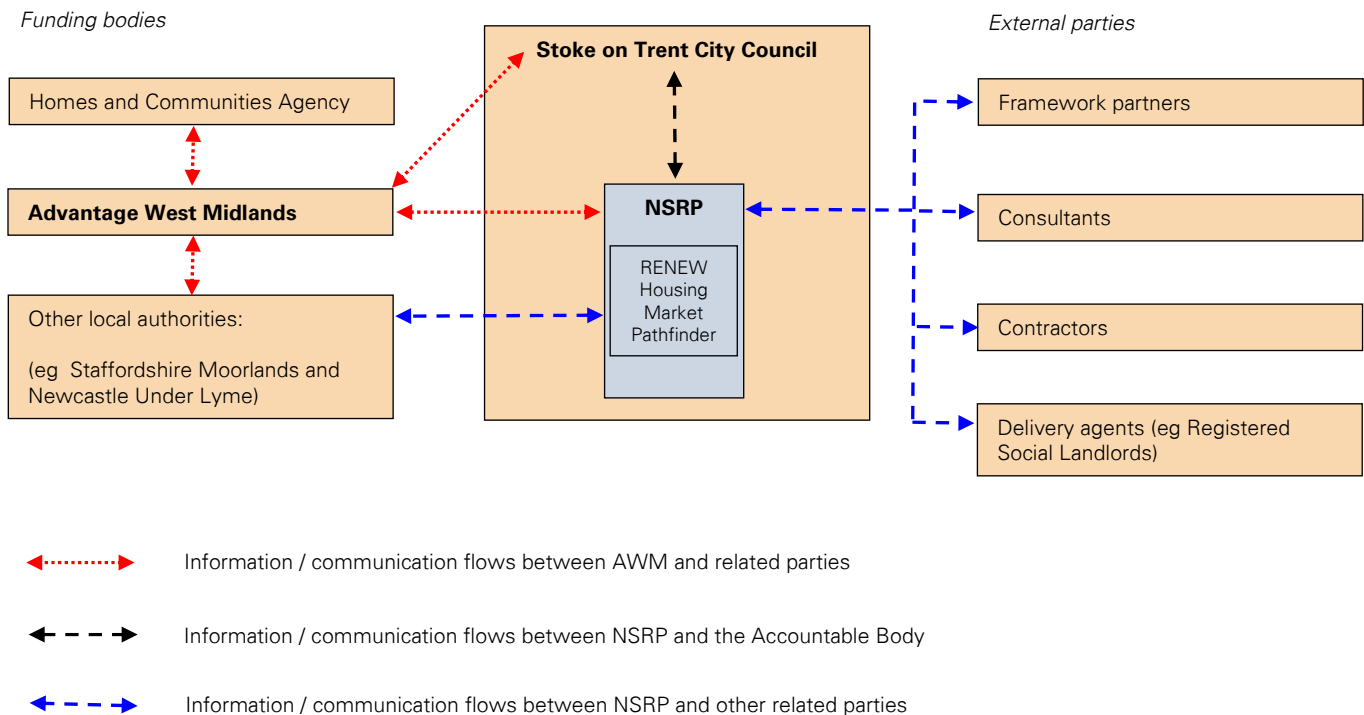
1. Executive Summary

Conclusion, context and objectives

Background

The North Staffordshire Regeneration Partnership (“NSRP”) is based in Stoke on Trent and was established to address regeneration issues within the region. The NSRP’s accountable body is Stoke on Trent City Council (“The Council”) and the NSRP is based within the Council’s offices. The NSRP Board is unincorporated and includes the housing regeneration function of Renew North Staffordshire Pathfinder. The Board was previously chaired by the elected Mayor of Stoke on Trent and following a recruitment and selection exercise, a new Chair was appointed to the Board in December 2009.

The NSRP manages a regeneration programme of approximately £280m. Funding is provided by various organisations including Advantage West Midlands (“AWM”), the Homes and Communities Agency and local authorities within the region. The diagram below illustrates the relationship structure between AWM, NSRP, Stoke on Trent City Council and other related parties including other funders.



Initial Review of NSRP’s Procurement and Recruitment Activities

In 2009, we were commissioned by AWM to undertake a review of procurement and staff recruitment activities at NSRP. Our work was undertaken in two phases and covered the procurement process for the appointment of 7 contractors and a review of personnel records relating to the appointment of the S40(2) & S43 and the S40(2) & S43

As a result of our work, a number of recommendations were made to strengthen internal controls relating to the procurement of contactors and consultants and the recruitment staff. All recommendations were accepted by NSRP and, in conjunction with AWM, an action plan was developed to address each recommendation. Details of the original recommendations can be found at Appendix 1.

Follow Up Review of Progress to Date

In January 2010, we were commissioned by AWM to undertake a review to assess the progress made by NSRP against the agreed action plan. As part of this, additional testing was undertaken to assess whether the revised processes recently implemented by NSRP have been fully embedded.

Our additional testing covered:

- a review of the performance management system for AWM funded roles;
- the recruitment and selection of the S40(2) & S43

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- the appointment of the consultant to the role of the S40(2) & S43 in respect of the management of the Sustainable Urban Development package;
- the recruitment and selection of the S40(2) & S43 in respect of the Sustainable Urban Development package;
- the appointment of the consultants S40 in respect of the North Staffordshire Connectivity Study;
- the appointment of the consultants S40(2) & S43 for the provision of marketing material to promote the city centre and university quarter brand concepts; and
- the appointment of the consultants S40(2) & S43 in respect of the non-AWM funded provision of design options for the Charter Road site.

The full scope of our review is detailed on page 5 of this report.

Overall Conclusion

Our original review at NSRP, completed in June 2009, identified a number of weaknesses in relation to the procurement of consultants and contractors, the recruitment of staff and evidence of performance management. This review has focused on following up the recommendations made previously, to assess the progress made towards their implementation, and further detailed testing to assess whether procedures have been revised effectively and whether these revised procedures and processes have been embedded.

Our review at NSRP has identified that significant improvements have been made to the design of Contract procedures and adherence to them (refer to Appendix 3: 'Contract Procedure Rules' - compliance update, for details of where compliance has been demonstrated). In addition, we have seen documented evidence to support compliance with recruitment procedures. It is of note that:

- In August 2009, an action plan was developed by NSRP, and agreed in conjunction with AWM, which sought to address all recommendations made as part of our initial review. This was reported to NSRP's Risk Management and Audit Committee;
- NSRP's Contract procedures have been updated to address the previously identified weaknesses and these have been rolled out to all staff via a number of Procurement Workshops. These procedures reflect best practice and comply with public procurement rules. (It should be noted that the Council's Contract Procedure Rules have not been updated);
- Adherence to Contract procedures has been demonstrated in our testing of 3 procurement cases, which were undertaken post June 2009, with only minor areas for improvement identified;
- Project specifications include objectives and milestones and there is evidence available to confirm that the performance of contractors and consultants is being actively monitored; and
- Documented evidence has been retained to support adherence to the recruitment and selection process.

Notwithstanding the above points, we understand that the improvements made will take time to embed and further tightening of controls and processes is needed in the procurement of consultants and recruitment of staff. Specifically:

- AWM and the NSRP have agreed the mechanism and process for integrating objectives into AWM funded roles. However, objectives have yet to be incorporated into the PDR system;
- An exemption certificate was not obtained for the appointment of a consultant by single tender;
- Where a consultant is working on a number of projects, we identified that clear objectives have not been established against which performance can be monitored and an appropriate mechanism has not been established to account for time spent on each; and
- The evaluation report provided in support of the services of the S40(2) & S43 does not appropriately demonstrate the achievement of value for money. In addition, while full funding has been provided by AWM for this project, 7 of 29 objectives stated in the report have not been achieved.

It should be noted that our review assessed only a limited sample of procurement and recruitment cases predominantly related to AWM funded activity and, therefore, our findings may not be representative of all procurement and recruitment activity undertaken by NSRP.

We have detailed in section 3 of this report, a summary of our findings for each procurement and recruitment activity reviewed as part of this audit. The related recommendations are detailed at Appendix 2. We have also provided details of the progress made against recommendations made in our previous report at Appendix 1.