SCRUTINY REVIEW

Marketplace Electronic Procurement System

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1.1 On 27 October 2010, the Overview & Scrutiny Panel for Resources ("the Panel") heard from, amongst others, Bob Kilcoyne, the then Procurement Manager, and Jane Fearnley, Senior E-Procurement Officer. They advised the Panel that there were issues with the Marketplace electronic procurement system and it was not "achieving the maximum savings and coverage required by Innovation and Efficiency". The three main issues were identified as:

1. *Incorrect Marketplace implementation.*

2. *The use of Confirmation Orders[1] to pay invoices rather than to raise a purchase order.*

3. *Marketplace structure does not match the present structure of the council.*

1.2 In addition, the Panel had been advised at a previous meeting (17 August 2010) by Joanne Bartholomew, Assistant Director Physical Resources and Procurement, that "only 16% of procurement activity is conducted through Marketplace.

After hearing from the officers, and reviewing their proposed Marketplace action plans, the Panel decided to undertake an assigned task looking into the Marketplace Procurement System.

2. METHODOLOGY

2.1 The Resource Panel's Assigned Task Review Team was Councillor David Ridgway and Voluntary Co-optee, Linda Summers. The Panel regularly reviewed their progress and their draft report was presented to the full Panel at its meeting on 30 March 2011.

2.2 **The agreed Terms of Reference for the assigned task were:**

1. What are the pros and cons of the current Marketplace system?

2. What are the training mechanisms and ongoing support for users across Kirklees?

3. How complicated is it to implement this procurement process, which was designed to match a Council structure that doesn't now exist, while the Council is going through such major transition?

4. Are the goals set for the E-Procurement Team achievable; and are they realistic?

5. Should the Council pursue the current system, should it be restructured; or should the Council be exploring a different procurement process to improve efficiencies in the future?

2.3 **Assigned Task Meetings and Site Visits**

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[1] **Confirmation Orders** – Type 1 these are raised following a conversation with a supplier about the works, goods or services they are being asked to provide and a purchase order is raised as confirmation.
Type 2 – is raised to pay an invoice where a purchase order was not raised prior to purchase and where the order is never sent to the supplier.

2.4 Documentation

Date	Witness/Visit
22 November 2010	Jane Fearnley, Senior E-Procurement Officer
29 November 2010	Amanda Hopson, Office Manager Strategic Finance, and Judith Norris, Support Officer
13 December 2010	Christina Tunnicliffe, Business Support Team Manager, ChYPS Learning
15 December 2010	A range of users based at Slaithwaite Town Hall: Lizzie Ellam & Helen Bullas, Colne Valley Dispersed Housing Jane Sharples, Sure Start Wendy Booth and colleagues, Home Care Sam Heywood, Young People's Service
15 December 2010	Mark Castle, E-Procurement Officer
9 February 2011	Joanne Bartholomew, Assistant Director Physical Resources & Procurement; Caroline Giggal, Principal Procurement Manager; and Jane Fearnley, Senior E-Procurement Officer
14 February 2011	Jane Fearnley, Senior E-Procurement Officer

2.5   Two Internal Audit reports reviewing the use of Marketplace were also considered as part of the Scrutiny Review. These reports covered:

- Procurement Catering Supplies (20 October 2010)
- Homes & Neighbourhood Procurement (23 November 2010)

3. FINDINGS

3.1   Marketplace is an electronic procurement system, designed to deal with four essential stages of effective procurement by the Council:

1)   Raising a request to order appropriate goods or services from an appropriate supplier at an appropriate price.

2)   Reviewing the order and approving or rejecting it.

3)   Confirming delivery of goods / services in accordance with the order

4)   Checking and paying the invoice.

3.2   Marketplace was purchased in January 2007, and first went live in July 2007. It was supplied, and is supported, by EGS. The initial contract ran for 3 years and was then extended. The current contract expires on the 31 October 2011, and a decision therefore needs to be made as a matter of urgency about whether to further extend the contract or conduct a new tender.

3.3   During the review it quickly became apparent, to the Review Team when meeting with staff from the Procurement Team and those who use the Marketplace system across the Council, that issues needed to consider separately.   The effectiveness of the system (i.e. system issues) and the effectiveness of how the system is used (i.e. organisational and cultural issues). This report separates the issues under two distinct headings.

1)   Is Marketplace an effective system?
2)   Is it used effectively?

4. Is Marketplace an effective system?

4.1   Marketplace appears at first to be complex and is acknowledged to be not very intuitive in its use.   However, feedback from staff who use the system was generally very favourable.   The only negative feedback came from a member of staff who had not been trained on it.   The fact that the system is not particularly intuitive increases the importance of good training, and staff who had attended the training were generally comfortable using Marketplace, and often expressed strong support.

4.2   Marketplace is not a bespoke system; there are many other organisations across the country who use it. EGS runs a national user group for these organisations; the Review Team was advised that the Council plays a leading role on that group. Because it is not a bespoke system, the Council is limited in the improvements it can make to it, and any such changes can only be made if other users agree. This causes two problems:

1)   The process for securing agreement to a change is lengthy.   Evidence gathered as part of the review showed that one such change (to generate a report to show the current status of all orders) had taken 3 years to be

accepted and implemented. The normal lead-time is 3 to 6 months.

2) It may not be possible to secure the agreement of other users to make a change. For example, the Council's suggestion for a system enhancement to make it easier for smaller suppliers to upload their invoices electronically (discussed in more detail at paragraph 4.5.2 below) has not been agreed by the majority of other users. This leaves the Council needing to consider privately commissioning (and paying for) the necessary improvements if it wishes to proceed.

4.3 Marketplace is a stand-alone system and, as such, is not integrated with the Council's general ledger system, Masterpiece, nor with the system for payments inward, the Debtors system. Interfaces have been built between Marketplace and Masterpiece but, having now done as much work on this as is possible, there are still discrepancies between the two systems. The evidence showed that the two systems categorise items differently and are therefore always slightly "out of synch". It is thus never possible for a manager to extract a single, reliable, financial report. A manager needs instead to access 3 separate systems to see details of their payments out (Masterpiece), orders placed (Marketplace), and payments in (Debtors system). The Assistant Director responsible for Procurement identified the lack of integration as the main issue with Marketplace.

4.4 There are a number of items that do not 'fit' Marketplace. This concerns those items that do not use / require a purchase order. The main example is payment of Grants, although it is understood that work is ongoing to create a Marketplace module to cover this. The need to maintain the use of Masterpiece for some types of 'non-standard' procurement allows the opportunity to use it even for standard items that could, and should, be procured through Marketplace. Using Masterpiece instead of Marketplace means that the controls over placing orders only with approved suppliers, and over checking and approving those orders, are by-passed. One user acknowledged that her team still used Masterpiece for standard procurement items and they were trying to reduce this. Another estimated that one-third of her team's invoices processed through Masterpiece related to items that could and should have been procured through Marketplace.

4.5 The way in which Marketplace handles invoices is cumbersome and expensive.

4.5.1 The system was intended to allow suppliers to directly upload their invoices on to Marketplace. However, it only allows submission of individual invoices or XML[2] files. The Council's large suppliers have the capacity and ability to create XML files. Very small suppliers, with single invoices, can easily upload that invoice. Problems arise with the large number of suppliers in the middle, who lack the technical capacity to create XML files, are unwilling to change their own systems, and have too many invoices to make it practical for them to upload each one individually. It would be helpful if Marketplace accepted a spreadsheet of invoices from such suppliers, but it does not. The E-Procurement team have provided training to suppliers in the creation of XML files from Sage, but this middle group of suppliers (representing the majority of the Council's supplier base) remains unable or unwilling to do this.

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[2] Extensible Markup Language (XML) is a set of rules for encoding documents in machine readable form.

4.5.2   The Council has attempted to secure an enhancement to the system to allow the submission of invoices by spreadsheet, but so far the National User Group has not agreed to this and the Council has therefore had to find an alternative method of dealing with invoices.

4.5.3   For this reason, an arrangement was established with Documetrix, a partner of E-Government Solutions (EGS), to receive invoices from suppliers (usually via the Council), check them, and then either enter them on to Marketplace so they can be paid or (if the check revealed any discrepancies) refer them back to the Council for rectification of the discrepancy. Evidence suggests that the Council sends approximately 1200 invoices per week to Documetrix. The cost of this service is £1 per invoice (although it is understood this reduces to 75p per invoice when a higher volume threshold is crossed). No budget provision was made for this service initially as it had been assumed that suppliers would upload their own invoices electronically. On the figures given, it appears that it is costing in the region of £60,000 per year.

4.5.4   Further evidence shows that about 40% of the invoices checked by Documetrix have to be referred back to the Council because of some discrepancy. This may relate to:

- *Supplier failure to quote the purchase order number on the invoice, so the two cannot be married up on the system*
- *Supplier failure to provide their VAT number, if registered*
- *Supplier applying incorrect VAT rates (e.g. applying VAT to exempt items)*
- *Invoice illegibility*
- *Suspected duplicate invoice (this may be triggered in 'innocent' cases where there are sequential orders of identical amounts - not unusual in a regular, repeat, purchase)*
- *Council has not yet confirmed delivery of the goods on Marketplace*
- *The amount of the invoice is higher than the amount of the order and delivery note*

4.5.5   This 40% reject rate occurs even after the Procurement team has checked all invoices, before sending them to Documetrix, for compliance with the top two bullet points in the list above. Such a high level of rejects imposes a high level of double-handling of invoices on the Council, with all the additional cost (and delay in authorising payment to the supplier) that involves. Indeed, the 40% reject rate may be an under-estimation; the Review Team was informed that in a recent sampling exercise conducted over a typical 3-day period, the reject rate was 53%.

4.5.6   The cost of invoice-processing (both in the Documetrix contract, and the double-handling by the Council) could be substantially reduced if :-

- The necessary improvements to Marketplace, referred to at paragraph 4.5.2 above, were made. This would first require some work on costing the proposed development work and comparing it with the current cost of the Documetrix system.   It may also be worth exploring the possibility of sharing the cost of the development work with Essex County Council, another user of Marketplace, who are apparently supportive of the Council's suggested system enhancements.

- Suppliers were obliged to upload their own invoices electronically, perhaps as a future condition of being admitted to the approved supplier list. It is recognised that this may not be a practicable option given the relatively small size and technical capacity of the majority of the supplier base.

5. Is Marketplace used effectively?

Training

5.1 The E-Procurement team provides half-day training courses on Marketplace for new users. There is at least one course per month, sometimes more, and additional 1-hour training events are held towards the end of the financial year to cover year-end issues. Most of the users we spoke to gave positive feedback about their training. The training relates not just to the Marketplace system but also covers general procurement issues, such as the Financial Procedure Rules. There are generally a maximum of 9 trainees per session, and additional 1:1 training is also sometimes provided.

5.2 The half-day course allows time to cover only ordering and receipting, but not invoicing. Given the current problems with the invoicing elements (see paragraph 4.5 above) it may be sensible to consider amending that approach.

5.3 Training is not compulsory, and there is evidence of staff using - and often struggling with or circumventing - the system without training.

Ongoing support

5.4 The E-Procurement team provides a Helpdesk for Marketplace users. There are 900 users across the Council who have a buying role. There are 8000 suppliers held on the system. There are 4 members of staff in the team (although some are loaned from other teams for one day a week), and Marketplace is not the only system they support. They also have other responsibilities.

5.5 Users expressed some frustration with (a) the fact that their calls to the Helpdesk are often diverted to an answering machine, and (b) their view that the advice they receive from the Helpdesk can sometimes be inconsistent, depending on who they spoke to.

5.6 The Helpdesk staff stated that calls are switched to the answering machine when all phones are being used. The Review Team were advised that, given their other responsibilities, there could often be only 2 team members at their desks and when both were already on the phone it was necessary for the answering machine to pick up any subsequent calls. The Helpdesk acknowledged the concern about inconsistent advice.

5.7 The number of staff who use Marketplace, and their relative infrequency of use, places significant demands on the Helpdesk. Demand would be lower if the number of users was limited, so that staff who used the system did so more

often and thus became more proficient in its use.

5.8   There is a bi-monthly meeting of staff who use Marketplace. Attendance at EPOC (E-Procurement Operational Contacts) has grown from about 6 or so at the outset to its current level of 70. A typical agenda will cover details of new suppliers, system-usage statistics, category management, etc. Notes of each meeting are circulated afterwards. The Review Team were advised that EPOC enabled users to suggest system improvements, although several staff informed the Review Team of their suggestions for system improvements without realising that there was this forum through which their suggestions could be raised and discussed.

System access and usage

5.9   When Marketplace was introduced, it was intended to allow universal access to all staff, like email. As noted above, there are now 900 staff across the Council who have a buying role on Marketplace. It is understand that Internal Audit has expressed some recent concern about the ease with which new users can be added to the system, and are likely to recommend that controls are tightened.

5.10   Although all staff are able to access Marketplace, there appears to have been no clear mandate given for the use of the system when it was introduced. Some of the users seen as part of the review expressed frustration about the lack of any clear initial rationale for the system or instruction for its use. There is still no evidence that the proper use of Marketplace is considered optional, with some staff still using alternatives, such as Masterpiece (see paragraph 4.4 above) and Purchase Cards (see paragraph 5.18 below), and/or using Marketplace only partially, such as for Confirmation Orders (see paragraph 5.22 below).

5.11   In August 2010, the Panel was advised that only 16% of procurement activity (by transactional value) was done through Marketplace - this was 3 years after Marketplace was implemented. In October 2010, the Review Team was told that this had increased to 63%, largely as a consequence of the introduction of Category Management. The Review Team were advised in October 2010 that the E-Procurement team had set a target of increasing usage to 80% and the Review Team was shown the draft Action Plans for the re-implementation of Marketplace with a single defined approach that was universally followed. The draft plans scheduled this work for completion by June 2012 (or September 2011 if two additional admin staff could be added to the team to free the time of the more senior officers). It is understood that the early milestones of the Action Plan - to define a single process by 30 November 2010, and to compare the newly-drawn process maps to patterns of current usage by 30 January 2011 - have not been met. The most recent "Dashboard report" prepared for the Procurement Project Board Meeting, dated 10 March 2011, appears to indicate that usage of Marketplace has dropped to 37%.

5.12   When a request is made through Marketplace to raise an order for goods or services, the system first directs that order to the relevant named 'approver' who must check the order and either approve or reject it. This seeks to ensure that each order is properly scrutinised and to limit abuse.

5.13   Each Service nominates their appropriate 'approvers'. It is not uncommon for team members to act as the 'approvers' of each other's orders. The Review Team were surprised by the relative informality of this approach to mutual approvals, and were concerned that it undermines the proper controls that the approval process is designed to achieve.

5.14   It is not possible to ascertain from the system how thoroughly each approver approaches the task or to what extent it is only a 'rubber-stamping' exercise. It was pointed out to the Review Team that the approval button appears on the approver's screen before details of the order are displayed, thus allowing the possibility (and perhaps increasing the temptation) to click it instantly without scrolling down the screen to do a proper check. In the 3 months to 31 January 2011, 9386 orders were placed on Marketplace and 331 (3.5%) of them were rejected. 190 of those rejects were done on items in Category Management (see paragraph 5.15 below) and 141 on non-Category management items.

5.15   The introduction of Category Management means that purchases in the designated categories are unavailable on the system so users have no choice but to refer the proposed purchase for approval to the Category Manager, thereby enforcing the use of Marketplace. It is this enforced use of Marketplace that is believed to have caused the significant increase in Marketplace usage in 2010 (see paragraph 5.11 above).

Structural changes in the Council

5.15   There are 8,000 suppliers held on Marketplace. It would be unnecessary and unworkable for all users to have access to the entire supplier list, even including those who provide goods or services that they will never need. The supplier list is therefore filtered according to the needs of each Service. Similarly, each user only has access to the cost codes that are appropriate for his Service.

5.16   With the re-location of some teams into other Services as part of the Council's structural changes, users may find that the filtered parts of the system they need are no longer accessible to them. Whilst this is a relatively straightforward matter of amending access details, the fact that there are currently so many discrete filtered sections set up on the system (e.g. each of 60 Youth Clubs has its own section) means that it is easy for Marketplace to quickly become 'out of synch' with the new structure of the Council. The Review Team were advised that the desire for the smallest possible discrete sections was in part motivated by managers' desire to ensure their cost codes were inaccessible to all except those who genuinely needed to use them. The Review Team acknowledge the importance of restricting access to inappropriate cost codes, but believe that Marketplace could be set up into a smaller number of discrete, filtered, sections so as to strike a better balance between flexibility to accommodate movement of teams and the need to control access to cost codes.

Work-arounds

5.17 As noted above (paragraph 5.10), evidence identified an inconsistent and incomplete adoption of Marketplace across the Council. The evidence highlighted two main examples of ways in which staff work around the system and thereby avoid following the procurement disciplines it instills:

- Purchase Cards
- Confirmation Orders

Each is discussed in more detail below.

The absence of a clear instruction to use Marketplace at the outset, and a lack - until perhaps recently - of robust monitoring of how it is used have contributed to a culture of avoidance.

Purchase Cards

5.18 Purchase cards are credit cards with a pre-imposed spending limit which relates to one or more of a transaction limit, daily limit and monthly limit. It is the responsibility of each Service to set the limits for its Purchase Cards.

5.19 Purchase Cards are used like ordinary credit cards, and therefore allow the instant purchase of goods or services from any suppliers at any price (subject to card limits) and without any form of checking and approval. They were intended to cover smaller purchases from suppliers that are not set up to deal in purchase orders and formal invoices, such as the local corner shop on residential trips, and UK Superbowl for children's outings. They are however routinely used for a much wider range of purchases that could and should be made through Marketplace.

5.20 The Review Team were advised that use of Purchase cards had "exploded" when POPs (the predecessor system to Marketplace) was introduced as it was seen as a cumbersome system and staff looked for a way to avoid using it. Usage of Purchase Cards did not however go back down after the abolition of POPs. The Review Team understand that the Innovation & Efficiency team has recently started a programme of controls - including removing cards from low users, reducing spending limits, and limiting the categories of goods that can be purchased on the Cards.

5.21 Purchase Cards were not part of the original terms of reference however the Review Team has come across many occasions of their use in order to bypass Marketplace that the Review Team endorses any attempt to ensure greater control of their use.

Confirmation Orders

5.22 "Type 2" Confirmation Orders represent a misuse of Marketplace; they involve raising an order through the system only when an invoice has been received (i.e. well after the order has actually been placed and delivered). The order is raised without the formal approval process, simply as a means of creating the

purchase order details that will in turn allow the invoice to be paid. It therefore involves using Marketplace only as a vehicle for paying the invoice, having avoided the disciplines of the order being checked and approved. Details of the order are entered after-the-event and as a fait accompli.

5.23   It is possible for confirmation orders to be legitimate - where they are used to confirm a prior telephone conversation made, for example, to check that a catering supplier can supply a service on a particular day. In these cases, an order is still raised on the system and then sent to the supplier. Legitimate Confirmation Orders are known as "Type 1". Confirmation Orders are inappropriate when the purchase order is never sent to the supplier; these are known as "Type 2".

5.24   In the first two weeks of February 2011, there were 556 confirmation orders placed on Marketplace. Of these, 72 had orders raised and were therefore probably legitimate "Type 1" confirmation orders; 484 (87%) did not have orders raised and were "Type 2" confirmation orders. Those 484 confirmation orders were entered by 152 different users, suggesting that their use remains widespread.

5.25   The Review Team was advised that some Services routinely use Confirmation Orders and that one Service uses them 98% of the time. The Review Team noted that in one of the Internal Audit reports reviewed, 60% of orders sampled by the auditor were found to be Confirmation Orders. The Review Team were also advised that there has recently been a significant increase in hospitality purchases being entered as Confirmation Orders, believed to be an attempt to avoid the recent tightening of controls on procurement in this area.

5.26   The Review Team was advised that Procurement staff identify themes from the data on the misuse of Marketplace (such as the increase of Confirmation Orders for hospitality noted above) and share those themes with system users to discourage further misuse. There was an acknowledgement that this approach has "not been particularly successful", with which the Review Team agree.

5.27   In addition, the Review Team was told about a more structured approach to misuse which has been recently introduced. This involves Procurement staff taking a 3-stage graded approach to identified misuse - on the first occasion, they will query the order with the user and ask if they require any assistance to use the system properly; on the second occasion, they will visit the user to provide a reminder and, if necessary, re-training; on the third occasion, the Assistant Director, Procurement, raises it with the Assistant Director of the 'guilty' Service. The Review Team were advised that it is yet too soon to judge the effectiveness of this new approach, but the Assistant Director offered to review it with the Panel again in June and the Review Team agree that would be appropriate.

6.   CONCLUSIONS

6.1   The Marketplace procurement system has the potential to provide a controlled and effective procurement system for the Council. It has not yet fulfilled its potential due to the inconsistent way it has been implemented.

6.2   The contract with the current supplier of Marketplace expires in October 2011. It is noted that it took 6 months for Marketplace to be implemented after purchase and that, over 3 years on, it has still not yet been fully adopted (with only 37% usage according to the last statistics, and continuing evidence of avoidance mechanisms, such as Masterpiece, Purchase Cards and Confirmation Orders). The Review Team conclude that it would be more effective to concentrate on fully implementing Marketplace and that to replace it with an alternative system at this stage would cause significant and unnecessary upheaval.

6.3   The Review Team further conclude that some of the operational difficulties with Marketplace are caused by its inability to integrate with other Council finance systems. The optimum solution is to integrate any new procurement system with the upgrade of the finance system, so that all 3 elements (ledger, procurement, and debtors) can speak to each other. The proper place to consider the procurement of a fully integrated procurement and finance system is within the context of the Council's IT Strategy; it would be inappropriate and premature to proceed separately from that Strategy in the purchase of a replacement procurement system alone.

6.4   The Council should use its claimed leading role in EGS's national Marketplace user group more effectively, to achieve our desired system improvements in a more timely way. The Review Team wonder whether the negotiations to renew the existing contract may provide the leverage and opportunity to assist in this. In the absence of being able to secure the user group's agreement to the desired improvements to the system's capacity to accept supplier invoices, the Council should investigate the cost of privately commissioning those improvements and of perhaps sharing those costs with other supportive users such as Essex County Council.

6.5   The current system of allowing all staff universal access to Marketplace should be curtailed. The Review Team would not go so far as to conclude that a single, central, Procurement Team should handle all procurement for the Council (although it is noted that Category Management begins to set a precedent for such centralisation). The Review Team instead conclude that the use of a dedicated small team within each Assistant Directorate (of which it is understand there are 14) would be appropriate. The Review Team understand that there is a precedent for this approach with the establishment of a single person in each Assistant Directorate with responsibility for procurement of temporary staff. Limiting the use of Marketplace to designated procurement teams in each Assistant Directorate will:

- Reduce the number of users of the system, particularly of low-frequency users, and thereby reduce the demands on the Helpdesk.

- Facilitate the designated users to become more expert users of the system, and thereby increase their standing to challenge attempts to by-pass Marketplace or use it inappropriately in their Assistant Directorate.

- Make each Assistant Director clearly accountable for the full and proper use of Marketplace in his/her Assistant Directorate, with a responsibility to explain and rectify evidence of misuse.

6.6 The designation of staff authorised to approve orders on Marketplace should be more tightly controlled and ideally the approver should be the person who holds the budget. The approval role should not be allocated by team members amongst themselves. The process to be followed by 'approvers' should be more clearly defined and then monitored.

6.7 The E-Procurement Operational Contacts (EPOC) meetings should be maintained. If, as suggested at Conclusion 10 above, use of Marketplace is limited to designated staff in each Assistant Directorate, it is those staff (or a representative from each Directorate team) that should attend. EPOC should thus be developed into an expert user group, and their suggestions for improvement - to the system or the way it is implemented - should be encouraged.

6.8 There is an urgent need to limit the use of Purchase Cards and to impose much tighter controls on those that remain.

6.9 The low-key approach to managing the use of inappropriate Confirmation Orders has not been successful. The Review Team prefer the more structured approach to system misuse now being adopted by the Procurement team; and will take up the Assistant Director's suggestion to review the effectiveness of this approach with her in June 2011.

6.10 The systematic use of methods to avoid Marketplace, and to by-pass the sensible procurement disciplines it instils, is indicative of an organisational culture which has historically allowed staff to ignore an essential system and has taken little or no action to address misuse. Such issues need to be urgently addressed; the approach suggested at paragraphs 10 and 11 above would enable EPOC to be used to communicate the positive messages about Marketplace and its usage, and place clear responsibility on Assistant Directors to deal with any performance management issues that remain.

6.11 Irrespective of whatever improvements are made, if any, to the invoicing systems within Marketplace, there should be a supplier education programme to address the high number of defective invoices. Consideration should be given to ultimately dropping a supplier from the approved list if there is persistent non-compliance with the requirements.

SCRUTINY ACTION PLAN

Project: Marketplace Electronic Procurement System – Cllr David Ridgway and Linda Summers
Lead Scrutiny Officer: Jenny Bryce-Chan

No.	Recommendation	Directorate and Cabinet Member(s) asked to coordinate the response to the recommendation?	FOR COMPLETION			
			Do you agree with the recommendation? If no, please explain why.	How will this be implemented?	Who will be responsible for implementation?	What is the estimated timescale for implementation?
1	That the contract with the current supplier of Marketplace be renewed on its expiry in October 2011.	Joanne Bartholomew, Assistant Director Physical Resources & Procurement	Yes	Via a time limited new Contract	Joanne Bartholomew	Prior to expiry
2	That an integrated finance and procurement system be considered as part of the current IT Strategy.	Laura Rawnsley, Assistant Director, Technology & Change.	Yes	Included in the scope of the current project which is evaluating technology and sourcing options	Laura Rawnsley	To be confirmed following evaluation of options
3	That the Council's role on the national Marketplace user group be used more effectively, to secure necessary changes in a timely manner.	Joanne Bartholomew, Assistant Director Physical Resources & Procurement.	Yes	The council has started to work with group in a more proactive manner.	Debbie Hewitt	Complete
4	That the cost: benefit of commissioning improvements to the invoicing arrangements within Marketplace be examined, and the possibility of sharing those costs with other organisations that use	Joanne Bartholomew, Assistant Director Physical Resources & Procurement.	No	The council has taken a decision to replace marketplace. It would therefore not be cost effective to pursue changes: we will ensure that the invoice solution for it's replacement is fit for purpose	Joanne Bartholomew	2012

	Marketplace should be explored.					
5	That the universal access to Marketplace be curtailed. Instead, a dedicated team within each Directorate should be established.	Joanne Bartholomew, Assistant Director Physical Resources & Procurement.	In part	Universal access is being restricted, via reduced teams in each directorate. This will be review onces the council's staffing reviews have finished.	Debbie Hewitt	2012/13
6	That the designation of staff authorised to approve orders on Marketplace s be limited to budget-holders, and the procedure to be followed when considering an order for approval be more clearly defined.	Jane Fearnley, Senior E-Procurement Officer.	At the time of the investigation it was felt this was the correct approach. It has since been decided, by the I&E Procurement Board, the use of authorised signatories would be more appropriate.	As the structure of the Council is finalised Marketplace will be restructured to reflect this. As this restructure takes place we will request copies of the authorised signatory lists from the AD's and implement at this point.	e-Procurement Team	Victoria Podgorski (I&E Procurement strand) will be sending out a request to all ADs for a list of authorised signatories by the end of June, following CPR's and FPR's being approved. It is expected that these will have been implemented by the end of October.
7	That the EPOC meeting be maintained, and developed into an expert user group. It should be used to disseminate positive messages about the use of Marketplace across all Directorates.	Jane Fearnley, Senior E-Procurement Officer.	The present role of the EPOC group is to disseminate information not only about Marketplace issues but also about changes to corporate contracts, changes to CPR's and FPR's and changes to the other eProcurement systems, which include SCMS (e-tendering) and Matrix (temporary staff). By focussing exclusively on Marketplace and changing the focus to an expert user group we will lose a valuable forum for	A list of proposed members of P2P Senior User Group was suggested by the Procurement Manager earlier this year. Going forward and using this list as a basis for discussions with the services the eProcurement team will contact them to ensure an appropriate person represents the service. Meetings will then take place on a bi-monthly basis between the EPOC meetings.	e-Procurement Team	First meeting to take place no later than the end of September 2011 allowing 3 weeks before the October EPOC meeting.

			disseminating information to admin staff. It is suggested that a second group be set up called the P2P Senior User Group, consisting of admin team leaders and or business managers or designated representatives for a service, who would then both feed into the EPOC group and back to their services.			
8	That mechanisms be put to place to ensure that the use of Purchase Cards be much more tightly controlled.	Martin Dearnley, Risk and Performance Susan Betteridge, Assistant Director, Innovation & Efficiency.	Yes	It is possible to change the way in which purchasing cards are used • describe a tighter set of circumstances where the use of the cards is permitted, • limit the general values of most cards to a much lower level, although some cards will probably need to retain a high validity value. The use of purchasing cards has been reduced, by active monitoring of the spend data. Procurement unit are controlling use. This includes removing cards from colleagues that misuse.	*I would suggest that IA along with the I&E team work with colleagues from procurement and accountancy who look after the cards at present to prescribe new rules* Debbie Hewitt	*Suggested implementation time* August 2011 (3 months). *Responsibility for implementation – suggest* Procurement (with support from accountancy)
9	That the new 3-stage	Martin Dearnley, Risk	Yes	Reporting is taking place.	Debbie Hewitt	Complete

	approach to addressing misuse of Confirmation Orders be maintained, and a report on the effectiveness of this approach be prepared for the Panel in June 2011.	and Performance Joanne Bartholomew, Assistant Director Physical Resources & Procurement.		A report is available for Scrutiny.		
10	That a supplier education programme on invoicing requirements be prepared and delivered.	Jane Fearnley, Senior E-Procurement Officer.	Yes	A document detailing Kirklees and Government requirements re:invoicing will be produced. Approval to include information stating where invoices are received without the correct information we will not pay the will be sought from Procurement Board. Once that agreement has been received Suppliers will be sent a copy of the information either via post or email. This will include a date for implementation of the non-payment clause.	eProcurement Team	By the end of Summer 2011
11	That each Assistant Director is accountable for the full and proper use of Marketplace in his/her Directorate, with a responsibility to explain and rectify evidence of misuse.	Adrian Lythgo, Chief Executive David Smith, Director of Resources Susan Betteridge, Assistant Director.	Yes	Quarterly monitoring of procurement statistics. Report made to management board. Use as part of Performance Management Framework.	David Smith	2012

Addendum

Scrutiny Report into Marketplace Procurement System

Views of the Cabinet.

Cabinet Members at both the Resources Portfolio Briefing and Cabinet Briefing have considered the recommendations of the Scrutiny Panel and have asked that the following additional recommendations be added to the Action Plan, arising from the work of the Panel:-

- A look at early opportunities to limit the number of managers and staff that can access and use Marketplace in 2011/12. This should help managers and staff to exercise some greater control over the ordering and payment of goods and services.

- To challenge and improve the management of those employees who are mis-using Marketplace eg to create confirmation orders, any offence should trigger the immediate referral of the names of those involved to budget holders and the Line Managers for further instruction and training, and to decide when they should be allowed to access and use the system again. Any offenders will be taken off while managers investigate and put in place proper procedures.

Cabinet Briefing were also keen to endorse the Panel's recommendations that adequate training and communication takes place on the use and importance of following procedure on Marketplace throughout the organisation and have also asked that, when new arrangements are put in place at the expiry of the current contract on 31 October 2011, the lessons within the Scrutiny report be taken on board. It also recommends that, if new arrangements are to be introduced, there are adequate transitional arrangements to allow seamless transfer from one system to another, and that the design of any new system has to be flexible enough to take account of structural changes within services.

Cabinet Briefing thanked the members of the Panel for the work that they had done and the recommendations they had made in reviewing the operation of Marketplace.