

- The consultants noted that departments were generally not aware of the quantity of frequent flyer points which may have accrued to individual flyers and in those instances where the flyer selected the carrier it was not clear whether or not the accumulation of flyer points had an influence on the selection of carrier.

The Accounting Officer informed me that the position on frequent flyer points was being considered in the context of a Code of Ethics currently being prepared for the civil service.

Enquiries made by my staff in the Department of Finance and a selection of other Departments indicated that a number of other issues also raised by the consultants were being satisfactorily addressed.

10. Services Contracts

Background

Traditionally, security and cleaning services in Civil Service establishments were provided directly, *i.e.* by unestablished Civil Servants, employed for these purposes. With the passing of time the practice of employing people to carry out these services directly was phased out in favour of contracting private companies. At present, while there still are a small number of people employed on cleaning and security duties, outside contractors now provide almost all these services.

The rules governing the awarding of contracts are laid down in "An Outline of Government Contracts Procedures" which were issued in 1986 and updated in 1994 in the booklet "Public Procurement". The Department of Finance have issued various circulars over the years clarifying the procedures laid down in the two publications. These rules and guidelines govern such matters as the advertising and awarding of tenders, the use of a restricted tendering process, tax clearance procedures *etc.*, with the objective of having equity and fair competition in the award of public contracts.

Reference was made in my report for 1995 to deficiencies noted on the audit of this area in the Office of the Revenue Commissioners.

Audit objectives and scope

The audit was undertaken with the view to determining the level of compliance with the procedures laid down in "An Outline of Government Contracts Procedures" and "Public Procurement" and to ensure that once they had entered into contracts, the organisations had procedures in place to adequately monitor and manage the performance of the service providers. The examination also focused on compliance with tax clearance procedures and whether the contractors had adequate insurance cover in respect of employer's liability and public liability. Because of the amounts involved, the provisions in EU and GATT procurement regimes did not apply.

It was decided to examine the procedures and systems under which contracts for these services are awarded and to examine the procedures in place to ensure that the terms of these contracts were being fulfilled. The audit was carried out in four of the biggest organisations in the Civil Service.

- Department of Social, Community and Family Affairs

- The Office of Public Works
- The Department of Agriculture, Food and Rural Development
- Office of the Revenue Commissioners

The audit entailed a detailed review of existing cleaning and security contracts in the four organisations. 213 cleaning contracts currently in operation were examined in detail during the audit including contracts dealing with window cleaning. 4 of the 22 security services contracts were examined. Expenditure on security and cleaning services by the 4 organisations examined totalled £3,926,342 in 1999 as outlined in Table 2.

Table 2

	Security £	Cleaning £	Total £
DSCFA	161,115	1,030,085	1,191,200
OPW	-	117,404	117,404
Agriculture	261,991	345,759	607,750
Revenue	1,134,063*	875,925	2,009,988
	1,557,169	2,369,173	3,926,342

* Includes expenditure on cash in transit

Audit Findings

Tendering Procedures

The examination revealed that the procedures relating to advertising for tenders and the awarding of contracts as laid down in the regulations on public procurement were being adhered to. However, there were some instances where, on the termination of a contract before the end of the contract period, a new contract was entered into with the second lowest tenderer without new tenders being invited.

Renewal of Contracts

Notwithstanding the fact that most of the contracts examined were for a specified time span and that it is generally considered good practice that new tenders should be sought on a regular basis, say every three to five years with a view to entering into a new contract, the examination revealed that with the exception of cleaning contracts in the Office of the Revenue Commissioners there was no systematic review of contracts awarded and that some of the contracts were in existence for over ten years. The prices quoted in the tenders were, however, subject to increases when pay rates for the industry were revised by the Joint Labour Council.

Tax Clearance Certificates and Insurance Cover

Of the four Departments/Offices examined the Office of the Revenue Commissioners was the only one which had evidence that tax clearance certificates were renewed annually and that the contractor continued to maintain adequate insurance. In the other three organisations, evidence of tax status and of insurance cover was sought and verified at the commencement of the contract but there was no evidence available to show any subsequent review by the bodies.

Monitoring and evaluation of performance

All of the contracts examined contained detailed descriptions of the services to be provided by the contractors. These descriptions stipulated the exact nature of the work to be undertaken and the

frequency with which each operation was to be carried out. The contracts also set out how many staff the contractor was to provide on site. With the exception of the cleaning contracts in the Office of the Revenue Commissioners, the examination indicated that a documented procedure to ensure that the terms of the contract were being followed did not exist. There was, however, evidence available to show that in cases where the staff in the sites were unhappy with the standard of service that these complaints were drawn to the contractor's attention leading in a few cases to the contract being terminated where the complaints persisted. All of the bodies audited relied on staff in local offices to approve invoices for payment.

Conclusions

- In cases where a contract is terminated the tendering process should always be repeated unless the time-span between the initial receipt of tenders and the termination of the contract is of such a short duration as to make the repeat process meaningless.
- Contracts for services such as cleaning and security should be for a limited time. At the end of the period new tenders should be sought and a new contract put in place.
- The tax clearance status and the insurance cover of every contractor should be reviewed on an annual basis to ensure that both are in order during the full term of the contract.
- Every department and office should clearly document procedures to ensure compliance with all contracts for services. These procedures should ensure that the section of the organisation which negotiates and enters into the contract have a role in evaluating and monitoring the service provided.

The Accounting Officers of the Departments concerned have indicated that appropriate measures will be put in place to address the weaknesses noted in the report.