

REPORT TO: SCRUTINY COMMITTEE - 26 APRIL 2023

REPORT ON: ALLEGATIONS IN RELATION TO GIFTS, HOSPITALITY AND THEFT

REPORT BY: EXECUTIVE DIRECTOR OF CORPORATE SERVICES

REPORT NO: 121-2023

1 PURPOSE OF REPORT

1.1 To advise Members of the outcome of the Corporate Fraud Team (CFT) investigations into allegations in relation to gifts, hospitality and theft related to Smoke Alarm equipment supplied to Construction Services.

2 RECOMMENDATIONS

2.1 It is recommended that the Committee note the Report.

3 FINANCIAL IMPLICATIONS

3.1 There are no financial implications arising from the recommendations in this Report.

4 BACKGROUND

4.1 On 12 February 2018 the Neighbourhood Services Committee approved a tender of £143,628.42 for Construction Services to install smoke and carbon monoxide detectors to houses at Dryburgh as a pilot for a wider project to meet new legislative requirements. (Article V of the minute refers)

4.2 Subsequently, at the Neighbourhood Services Committee meeting of 11 March 2019 (Article II of the minute refers) the Council noted the legislative requirements for the installation of new smoke and fire detection systems in all domestic dwellings across Scotland and approved acceptance of a tender received from Construction Services for this work, priced at £7,208,685.17.

5 ALLEGATIONS IN RELATION TO GIFTS AND HOSPITALITY

5.1 In May 2019 the Council received an anonymous whistleblowing allegation that two named employees had accepted gifts and hospitality in the form of a golf trip to Spain from a Council supplier.

5.2 The CFT investigates whistleblowing allegations and carried out an extensive investigation over a 6-month period at the conclusion of which the individuals were reported to Police Scotland on allegation of bribery in November 2019.

5.3 During the course of the Council investigation it also became clear that one of the employees had removed Council livery from a Council Vehicle and had been using it for private use.

5.4 One of the individuals resigned during the period of the investigation and the other was dismissed in January 2020.

5.5 In June 2021 Police Scotland confirmed that two named employees had been charged with offences under the Bribery Act 2010 and a report was subsequently submitted to the Procurator Fiscal.

5.6 On 30 May 2022 the Council was formally advised that the Procurator Fiscal had instructed no further proceedings against the individuals. On the same date the Crown

Office provided additional feedback on the case advising that the reason for this decision was that there was insufficient evidence to support the charges.

- 5.7 The investigation included a review into the tender process followed by Officers and it was identified that though the Neighbourhood Services Committee approved the award of the Contract to Construction Services on 11 March 2019 this was after the supplier had been directly awarded the supply contract on 21 December 2018.
- 5.8 The Housing Capital Project Team provided a calculation of the estimated cost of this supply contract would be £4,068,304.00 plus alarm recycling costs when required. This sum for the supply of the smoke and fire detections systems was included within the cost of Construction Services tender as indicated in 4.2 of this Report. None of the Officers involved in awarding this contract are still employed by the Council.

6 ALLEGATIONS OF THEFT

- 6.1 Separately, in July 2019, the Council received an allegation that an employee was selling Council owned smoke alarms on eBay. The individual was reported to Police Scotland for theft in August 2019 and resigned from their post in September 2019.
- 6.2 Following investigation by Police Scotland and a report to the Procurator Fiscal the individual pleaded guilty at the Dundee Sheriff Court in November 2020. In September 2021 the Council received compensation in conclusion of the matter.

7 IMMEDIATE ACTIONS

- 7.1 Council Officers undertook several immediate actions in response to the allegations including:
 - a full stocktake of the smoke alarm systems from the contractor on the afternoon on 3 August 2019. The stock was also relocated from a storage container to the main store under the responsibility of the store manager;
 - as instructed by the Executive Director of Corporate Services, Internal Audit carried out a review of procedures for the Smoke Alarm Project. Further areas for improvements were identified and, where appropriate, addressed timeously; and
 - procurement training sessions were carried out for Construction Services, Housing & City Development staff.

8 CONTRACT MANAGEMENT

- 8.1 As part of the investigation it came to light that a framework contract from Scotland Excel offered the standard (fire detection) equipment at cheaper prices than Procurement and Construction had agreed with a Council supplier.
- 8.2 Following the storage and disposal of the old detectors.
- 8.3 Officers sought, and received, confirmation by email around the updated prices which provided a saving and also included the disposal of the old detectors free of charge.
- 8.4 The supplier also provided assurance that they had investigated the matter and reiterated their company policy on gifts and hospitality to staff.

9 FURTHER ACTIONS

- 9.1 An Internal Audit Review into materials purchasing within Construction Services in 2020 made a number of recommendations (Article II of the minute of the meeting of the Scrutiny Committee on 28 April 2021, report 126-2021 refers) to further improve processes and the recommendations agreed by Management include:
 - the appointment of dedicated procurement staff within Construction Services;

- delivery of training;
- development of appropriate routes to market for Construction Services; and
- reviewing processes for ordering and receiving materials.

9.2 The following progress has been made in relation to the above recommendations:

- procurement staff including category officer, procurement assistant and purchasing officer are now recruited;
- procurement training sessions have been held for key staff and training will continue to be provided on an ongoing basis where required;
- a comprehensive review of stores requirements has been undertaken and various tenders have now been awarded for the provision of materials and consumables for the repair partnerships following mini-competitions held through Scotland Excel frameworks;
- procurement staff are continuing to work with Construction Services to develop further routes to market where required;
- processes for tendering and ordering have been mapped out and guidance made available for staff;
- a review of procedures for materials requisitioning, ordering and authorisation has been undertaken and will continue to be kept under review whilst construction services integrate with corporate purchasing systems; and
- a detailed review of emergency pick up process has been undertaken with the appropriate controls now being implemented.

9.3 The Council policy on Gifts and hospitality has been reviewed and a revised policy was issued in November 2021. The new documentation provides clear guidance for all employees on what gifts and hospitality are acceptable, what approval is needed and how any gifts or hospitality should be recorded.

9.4 The Council's tender procedures are set out in its Standing Orders and Officers will consider whether any revisions are necessary as part of the next review of Standing Orders

10 POLICY IMPLICATION

10.1 This report has been subject to the Pre-IIA Screening Tool and does not make any recommendations for change to strategy, policy, procedures, services or funding and so has not been subject to an Integrated Impact Assessment. An appropriate senior manager has reviewed and agreed with this assessment

11 CONSULTATIONS

11.1 The Council Leadership Team was consulted in the preparation of this report.

12 BACKGROUND PAPERS

12.1 None.

ROBERT EMMOTT
EXECUTIVE DIRECTOR OF CORPORATE SERVICES

10 APRIL 2023

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