

Procuring goods and services for Audit Scotland

Audit Scotland is a statutory body set up in April 2000 under the Public Finance and Accountability (Scotland) Act 2000. It provides services to the Auditor General for Scotland and the Accounts Commission. Together they ensure that the Scottish Government and public sector bodies in Scotland are held to account for the proper, efficient and effective use of public funds.

Contents

Part 1. Introduction	5
Purpose.....	5
Approaches to selecting suppliers	5
Part 2. Overview of commissioning process	9
Contract award approaches	9
Using Public Contracts Scotland	11
Part 3. Preparation and authorisation	12
Prepare a business case.....	12
Write the supplier's brief.....	13
Set evaluation criteria.....	13
Prepare a tender strategy.....	15
Part 4. Identifying suitable suppliers.....	16
Identifying one potential supplier	16
Identifying several potential suppliers.....	16
Part 5. Obtaining tenders	20
Issue the invitation to tender documents	20
Manage the tender process.....	21
Receiving and opening tenders	21
Evaluate tenders	21
Clarify queries	23
Part 6. Appoint a supplier.....	25
Notify successful and unsuccessful suppliers.....	25
Inception meeting.....	26
Award the contract	27
Post tender negotiation	27
Contract amendments.....	28
Additional services	28
Part 7. Contract management	30
Good supplier management and information exchange.....	30
Delivering on time	31

Managing costs	31
Managing risks and poor performance	32
Reviewing the project	33
Glossary	34

Part 1. Introduction

Purpose

1. This handbook has been developed to assist staff in the procurement of goods and services, including commissioning external research and consultancy support. It supplements Audit Scotland's Financial Guideline No.1 (procurement)¹, and includes information on using electronic tendering through the Public Contracts Scotland (PCS) procurement system. Although using PCS is optional at the time of writing, there are indications that legislation to be introduced in 2013 will make using PCS mandatory for certain types of procurement. A separate [PCS user guide](#) is available, giving step-by-step instructions on how to make use of the PCS system.
2. The handbook sets out a consistent and transparent process for Audit Scotland staff to follow which is based on the good procurement practice detailed in the Scottish Government's 'Procurement Journey', more information on which can be found at <http://www.scotland.gov.uk/Topics/Government/Procurement>
3. Following good practice when procuring will help us secure value for money by:
 - making our processes more efficient
 - improving our decision making
 - improving our market knowledge
 - and help to ensure we meet all legal requirements.
4. The process should also consider the requirements of sustainable procurement. Our activities affect the environment in which we live, through effective procurement we can minimise negative environmental and social impacts associated with the products and services we purchase. We acknowledge our responsibilities in delivering this policy and recognise the importance of engaging our suppliers and (internal) customers in its implementation.

Selecting suppliers

5. There are, usually, three approaches that are used when contracting with suppliers. A **direct award** can be made to a supplier known to have the expertise to complete the work or an **open** or **restricted competition** can be run to find the best supplier for the contract ([Exhibit 1 page 6](#)). There are two other procurement types: competitive dialogue and negotiated, but these are unlikely to be used by Audit Scotland in the normal course of events.

¹ <http://ishare/Finance/Guidance/Forms/AllItems.aspx> - Procurement guidelines

Exhibit 1

Open and restricted competitions

An open competition takes place where there is no attempt to limit the number of suppliers who may tender. Consequently, you may have a large number of suppliers submitting tenders which you will need to assess. This is referred to in Scottish Government literature and on PCS as a 'single stage procedure.'

In a restricted competition the number of suppliers from whom full tenders are obtained will be limited by using an expression of interest or pre-qualification process to restrict the number of tenders obtained. This is referred to in PCS as running a 'dual stage procedure'.

-
6. **Under certain circumstances, competition is a legal requirement.** For example, in 2012 any procurement of goods or services with an expected value of more than £173,934 must have a competition, to comply with EU tendering requirements. Information on EU procedures has not been included in this handbook; the procurement team should speak with the Chief Operating Officer, before proceeding, if the requirement is likely to breach the EU threshold. (See also [Audit Scotland's financial guidelines - section 8](#)). Note that EU thresholds are reviewed annually - you can check the current threshold through the OJEC website (a link is provided [here](#)).
 7. Direct awards are the simplest and least time consuming way of selecting a supplier. However, competitions can yield important benefits - suppliers keen to win the work will be encouraged to offer better ideas, approaches or competitive costs for example, and competitions may provide an opportunity to work with suppliers not previously known to Audit Scotland. Importantly, competitions also encourage clearer and earlier thinking about what is needed and can produce a better outcome.
 8. Therefore, it is important when procuring that consideration is given to the costs and benefits of the different approaches. Costs will be incurred both by the procuring team and by those competing for the work:
 - The procurement team will need to spend time developing the tender documents, identifying suppliers, engaging with them during the competition and answering any questions they might raise, assessing the tenders received and dealing with successful and unsuccessful suppliers.

- Suppliers are likely to spend at least a few days thinking about the project, preparing their tenders and producing a cost for the work. This can be minimised by preparing a clear supplier's brief, or by limiting the numbers tendering, where possible.
9. In deciding which approach to use, the expected advantage(s) from the competition (in terms of costs or quality of the supplier identified) should be sufficient to outweigh the costs of holding the competition and the time taken to organise the competition.
 10. **Audit Scotland's financial guidelines allow a direct award to be made for contracts with an expected value of less than £10,000.** However, there are exceptions to this general rule - Part 2 of this handbook explains when a direct award is appropriate and provides further guidance on when a competition should be used; it also details the different types of competition that can be held.
 11. Procurement teams need to be very aware of the time required to conduct a commissioning exercise, regardless of the route selected. Using a direct award will be faster than holding a competition, as there are fewer stages to complete before you identify the supplier. Typically, a direct award can be made within six weeks compared with, about, 11 weeks for a restricted competition.
 12. Some tasks must be carried out regardless of the contract award approach used. [Exhibit 2](#), page 8, summarises the key steps when selecting a supplier through each of the main approaches. The non-shaded steps must be followed regardless of the approach used and the shaded boxes relate to steps that are used for direct awards (blue) and competitions (green).
 13. The main differences between using a direct award and running a competition arise when identifying suppliers (described in Part 3 of this handbook). It will also take longer to go through some stages in the competition process than when making a direct award. For example, suppliers will need more time to prepare tenders when running a competition compared to making a direct award.

Exhibit 2

Key steps when procuring by direct awards and competition

Handbook reference	Time taken (direct award)	Direct award	Open competition	Restricted competition	Time taken (restricted competition)	Relevant templates	
Part 3 Preparation and authorisation	2 weeks	Register on PCS, if required		Prepare advert	2 weeks	Appendix 1 Business case Appendix 2 Contractors brief Appendix 3 Tender strategy	
		Write the contractor's brief					Prepare expression of interest (EOI) form
		Set the evaluation criteria					
Part 4 Identify contractors	2 weeks	Prepare the tender strategy (if cost exceeds £50,000)		Advertise and evaluate EOIs Create a short list Inform participants of outcome	2 weeks	Appendix 4 Expression of interest form Appendix 5 EOI evaluation form	
		Consult colleagues / review market for suitable contractors					
		Identify a suitable contractor	Identify 3 to 6 suitable contractors				
Part 5 Obtain tenders	2 weeks	Invite tenders, issue contractor's brief and related materials			4 weeks	Appendix 2 Contractors brief Appendix 6 Terms and conditions Appendix 7 Tender opening record Appendix 8 Tender evaluation form	
	1 week	Deal with queries					
	1 week	Not required	Receive, open and evaluate tenders		2 weeks		
Part 6 Appoint a contractor	1 week	Consider and organise due diligence checks on tendering contractors		1 week	Appendix 9 Letter to unsuccessful contractors Appendix 10 Contract award letter		
		Clarify queries and hold interviews if necessary					
		Not required	Set up inception meeting with successful contractor				
Time taken		6 weeks	9 weeks	11-12 weeks			

Notes on Exhibit 2

Copies of full procurement plans for projects using a restricted competition can be found [here](#).

Open competitions are more likely to follow the same timescales as a direct award through the preparation and supplier identification stages, but will then follow a more similar route to restricted competitions for the remaining stages.

There are variations on these approaches - for example; if a framework contract exists some of the stages checking the capability of the supplier may be disregarded . The stages of the approach to use should be agreed with the relevant manager.

Part 2. Overview of procurement process

Contract award approaches

14. The choice of which contract award approach to use (direct award or open or restricted competition) should take into account the urgency of the need, the expected cost of the work, the complexity of the work and knowledge of who might supply the goods or services required. The direct award is the simplest approach; it will take less time and involve less work. If following the competition route, you will need to decide between an open and a restricted competition. Open competitions may take less time from start to finish than restricted competitions but may also involve more work.
15. Within Audit Scotland, goods or services with a value of less than £10,000 may be procured without competition but those with a value of £10,000 or more will involve an element of competition. Our financial guidelines do not state a firm preference for either an open or restricted competition; rather they set out some of the issues to consider in deciding between these two routes and allow both to be used where appropriate (see paragraphs 7.4 - 7.8; in document referenced at footnote 1, page 5). The new legislation being introduced by the Scottish Government in 2013 is likely to place a greater expectation on public bodies to make use of restricted rather than open competitions.
16. Our financial guidelines allow direct awards to be used on occasions for a contract of more than £10,000. They also permit competitions to take place for contracts of less than £10,000. (Exhibit 3 and paragraphs 17 to 22).
17. It may be appropriate to obtain more than one quote for a low value contract of less than £10,000 if:
 - the requirement could be met using different approaches and you want to consider the pros, cons and costs of alternatives from different suppliers
 - the timescale for conducting the work is exacting and you want to be sure that you are not paying too high a premium for a fast service
 - to ensure that suppliers who we use regularly do not become complacent and to ensure that they continue to offer value for money.

Exhibit 3

Tendering requirements for different contract values

Up to £2,500	£2,501-£10,000	£10,001-£50,000	Over £50,000
Minimum expected requirement			
Direct award		Competition	
No competition, choose a suitable supplier.	Usually no competition – approach a supplier known to be able to provide the service.	Ask for quotes from at least three suppliers and obtain a minimum of two quotes.	Advertise the tender widely. Ask for quotes from at least five suppliers and obtain at least three quotes.
Possible alternative approach			
A verbal quote will suffice although a written quote is preferred, to provide an audit trail.	May invite up to three suppliers to quote under certain circumstances (see para 17).	May use a direct award under certain circumstances (see para 18). This needs explicit approval (see para 19).	It is good practice to limit the number tendering by using an expression of interest stage, although this is not mandatory (see paras 20 to 22).

Note: If there is uncertainty about the possible cost of the project and you expect it may be close to a threshold level, you should comply with the requirement for the next level up.

18. For contracts involving a larger piece of work (over £10,000 including VAT and expenses), managers should usually test the market and have a competition. On some occasions, however, a competition may not be needed and one quote will be sufficient. For example, one quote only may be obtained where:
 - the service sought is specialist and competition may prove futile
 - there is an urgent and unforeseen need for the service.
19. But, the use of a direct award to a supplier for contracts where the cost is expected to exceed £10,000 requires approval at assistant director, or above, and notification to the Chief Operating Officer.
20. Higher value contracts are likely to attract a lot of interest from potential suppliers. Good practice suggests limiting the number submitting full tenders, by using a restricted competitive

process. The restricted process involves an extra stage, in which pre-qualification questionnaires (PQQ) are used to identify potential suppliers by assessing the financial, technical and/or the professional capability and capacity of suppliers. This can lengthen the initial stages of the process. However, as a result, there are likely to be fewer full tenders to evaluate (as you will have short-listed suppliers on the basis of their PQQs) and for this reason the approach may require less of the procurement team's time overall.

21. Open competitions make sense for straightforward purchases where it is easy to assess the tenders, there are a limited number of suppliers and when the suppliers have a proven track record. If running an open competition, the supplier's brief should state clearly that the award will be made to the supplier best able to meet the exact specification cost-effectively.
22. Restricted competitions are better where the nature of the service being bought is harder to define and assess, or when it will take time to gain assurance that suppliers can provide the service. In this instance, the supplier's brief should invite suppliers to expand upon their proposals by, for example, discussing the pros and cons of their proposed approach and citing evidence of their work.

Using Public Contracts Scotland

23. The Scottish Government has developed PCS to:
 - provide a portal for procurements that do not require advertising in the EU Journal
 - make the tender process more open and transparent
 - facilitate the paper-free office
 - provide an electronic audit of the full tender process.
24. PCS is an electronic tendering portal that allows public bodies to advertise contracts for goods and services. Using it ensures that Audit Scotland complies with legal obligations for adequate publicity. PCS has been found to be easy to use and particularly helpful for competitions as the system is set up to help inexperienced buyers and prevent errors and mistakes. PCS can also provide other useful information. For example, it can be used at the planning stage to identify suppliers who may be able to undertake a project, which can help you to decide if a competition or a direct award should be made.
25. PABV staff have experience of using PCS to run restricted competitions and have developed a detailed user guide for it. This handbook contains links and references to different sections in the guide, as appropriate. If further assistance is needed, help can be obtained by contacting PCS on 0844 561 0673 or is available at http://www.publiccontractsscotland.gov.uk/sitehelp/help_guides.aspx.
26. To use PCS, you first need to register. [Part 1 of the PCS user guide](#) outlines the process for registering. Registered users will need to have their membership of the portal validated by Owen Smith, in Audit Scotland's Audit Strategy team.

Part 3. Preparation and authorisation

27. Regardless of the type of approach to be used, key tasks to complete when preparing to appoint suppliers are to:
- prepare the business case
 - write the supplier brief
 - set the evaluation criteria.

Prepare a business case

28. The process begins, for every procurement where a supplier is needed, with a business case. The business case should detail:
- the reason the goods or services are required
 - the type of goods or services needed
 - the type and quality of goods or the skills and knowledge that will be sought and the estimated budget requirement.
29. Having decided the approach to use to identify a supplier(s), the business case should be prepared using the template in [Appendix 1](#). It should be discussed with the relevant manager or assistant director and then formal approval should be obtained from the assistant director or director. Work on the business case should be started once the brief is approved, although there may be occasions when an earlier start can be made.
30. Where there is no intention to run a competition, the business case (and tender strategy, if required - see later) should clearly explain this. Reasons might be that the project has a low value, that the project team has a good knowledge and understanding of the market place and is able to compile a shortlist of suppliers, that the requirement is urgent and the time available is limited, or that there is only one supplier able to supply the unique service required.
31. At this stage, the project team should consider any ethical issues relating to the work, for example, where research might involve interviews with vulnerable people or equalities groups. The business case should state whether any ethical or equality considerations apply and how these will be addressed (see the business case for external support for the commissioning social care audit which provides a good example of this (see link at end of para 29).
32. Consideration should also be given to sustainability; addressing the social, economic and environmental implications of product and service choices. Where relevant it should embrace whole-life costing and consider how aspects such as design, manufacturing materials, operating costs, energy consumption, waste and recycling options support a more sustainable approach.

Write the supplier's brief

33. A clear and unambiguous specification of requirements should be contained within the supplier's brief. This is vital to the later success of the procurement. It will help ensure that the procurement team is clear about what it is expecting suppliers to provide and will also minimise the time spent dealing with suppliers' questions during any tendering process.
34. You should prepare the brief using the standard template and detailed instructions contained in [Appendix 2](#). It should be approved by the budget holder, their delegated representative or the person appropriate to the value (i.e. director or management team). The finalised brief is not required until it is to be released to potential suppliers, but preparing it in advance ensures that other tender documents are consistent with the brief and that there is time to gain the appropriate approval.
35. The brief should contain information about the budget for the goods or services, in the form of a monetary value. It should also ask that any expenses or additional costs are detailed separately, to allow you to compare costs between suppliers.
36. When ready, the brief should be uploaded to PCS as an 'additional document' or emailed/sent to potential suppliers ([see para 110 -114 in the PCS guide](#)).

Set evaluation criteria

37. The brief should contain details of the criteria against which you will evaluate tenders. Managers should set the evaluation criteria and agree the approach to assessing quality and price when developing the brief and prior to issuing the tender or brief. Amending criteria after this point is not acceptable and could be challenged by unsuccessful suppliers.
38. Using a price/quality mechanism to ensure we achieve the best value for money from suppliers. The price/quality mechanism is based on a transparent numerical scoring and weighting system. The advantages of using this approach are:
 - it increases the objectivity of the evaluation process
 - it requires careful consideration of the criteria for selection
 - it can be audited.
39. The procurement team must establish first of all the importance assigned to price and quality in relation to each other. Then they must consider what criteria they will use to assess quality, and weight each of the criteria. Evaluating based on the most economically advantageous response takes into account technical and commercial criteria, e.g. quality and a rigorous assessment of price/quality ratios.
40. The table at [Exhibit 4, page 14](#), shows some indicative price/quality ratios, based on guidance issued by HM Treasury. Procurers should consider the nature of the work and use their judgement in assigning ratios.

Exhibit 4

Guidance on quality and price ratios

Weighting of quality against price

The weighting of quality against price may be influenced by the complexity of the project and the degree of creativity or flexibility that is required in its execution. For example the more complex the project, the harder the project will be to manage and control; the more unusual the project the harder it will be to make predictions about resource levels and the skill required of the supplier. Experience, technical competence, management skill and management systems will take on a far more significant level of importance for complex projects. For the price/quality mechanisms to reflect this, quality should carry a heavier weight than price.

A tender evaluation matrix example, produced by Scottish Government Procurement, can be viewed through this [link](#).

Indicative price/quality ratios for consultant services are as follows:

Type of project	Indicative price/quality ratio
Feasibility studies/option appraisal	20/80 to 10/90
Innovative projects	30/70 to 15/85
Complex projects	40/60 to 20/80
Straightforward projects	70/30 to 40/60
Repeat projects	90/10 to 70/30

41. Once there is agreement on the price/quality ratio, the information is added to the Excel scoring template which will be used after tenders are received (see Part 5). To keep it simple, price and quality are individually scored out of a 100 on the scoring template. (The price/quality ratio will then automatically be applied as a weight by the formula programmed into the spreadsheet, prior to the final calculation).
42. An explanation of how price is scored can be found in Part 5. The assessment of quality should take account of a number of criteria. Having agreed the individual quality criteria, the score is set for each so that they sum to 100. The score allocated to each quality sub-criteria should reflect its relative importance.

Prepare a tender strategy

43. For any tender likely to cost over £50,000, a tender strategy is needed. A template can be found at [Appendix 3](#). The strategy should outline how you will identify the suppliers. Specifically, it should explain whether you will make a direct award, or run a competition and why you have chosen the route suggested. A justification for the choice, particularly, if the direct award has been chosen, as the expectation is for goods and services of this value to be subject to a full tender exercise. Decisions may be subject to challenge therefore a detailed explanation is important.
44. Where relevant, the strategy should also indicate if the PCS will be used and, if not, how potential suppliers are to be contacted or made aware of the tender opportunity.

Part 4. Identifying suitable suppliers

45. When preparing the business case (and tender strategy) you should already have decided how many suppliers you intend to approach (i.e. one for a direct award, three or more for a competition) and outlined your plans for identifying them.
46. How you then identify your potential suppliers depends upon your knowledge of the market and the need to comply with the expected procurement processes. There are different strategies for identifying possible suppliers and you can choose one or mix strategies as long as your approach is fair and adheres to Audit Scotland's financial guidelines.

Identifying one potential supplier

47. If you are making a direct award you will simply need to identify a single suitable supplier. A suitable supplier is defined as *'an individual or firm which has relevant knowledge and experience AND a known track-record for delivery and good value for money'*.
48. You can use PCS to identify a suitable supplier ([see PCS users guide, Part 2](#)), you can discuss options with colleagues, or research to identify a suitable contact. Senior colleagues often know of suppliers who have worked with us previously. Obtaining a single recommendation from a colleague is valid only where you plan to make a direct award.
49. Although only one supplier is being considered the supplier's brief should still be issued to the company, obtain a short written quote and evaluate their submission before you commit to proceeding with them. The next steps to follow are detailed at [Part 5](#).

Identifying several potential suppliers

50. In keeping with our financial guidelines, the general expectation is that competitions will be used to award contracts where it is beneficial to test the market. It is important that competitions are appropriate, open and fair. The best way to ensure this is by advertising the contract through PCS and using the pre-qualification questionnaire process (PQQ).
51. It may be that there are a significant number of suppliers identified through research and that a screening process is helpful. If further screening is required, you should follow the process to get interested suppliers to respond. If no screening is required, you can move forward to obtaining tenders from those on your shortlist as detailed in [Part 5](#) of the handbook.
52. Screening suppliers by PQQ is good practice. It provides access to a wide range of providers with knowledge and experience of the subject area and helps to develop our market knowledge, without causing unnecessary work.
53. To screen suppliers you will need to:

- prepare an advert for the contract
- prepare a PQQ
- advertise the PQQ (via PCS or some other means)
- evaluate the PQQs
- create a shortlist of suitable suppliers
- informing suppliers about the outcome of the PQQ stage.

Prepare an advert for PCS

54. The advert for the PCS website should be short, focused on key aspects of the goods or services required and be as clear as possible about the type of expertise needed.
55. Once approved by the appropriate authoriser, the advert can be added to the PCS system.

Prepare a Pre-Qualification Questionnaire (PQQ)

56. The PQQ form should be designed to encourage only those suppliers whose companies have the necessary professional and technical skills, and relevant experience, to respond. It is important to note when developing the PQQ form that you will be using different selection criteria to assess completed tenders (see [Part 5](#)); at the later stage you may be assessing the experience of *individual team members* and how well their proposed approach will deliver the specified work. At the PQQ stage you are simply testing the company's financial standing, technical knowledge, capacity and ability.
57. You should use the PQQ template in [Appendix 4](#) making whatever changes are relevant for the goods or services being procured. Section C in the template - 'relevant qualifications and experience' - should include details of criteria for assessing expressions of interest, including the scoring method that will be used. This section of the form is also used to request information about the expertise offered by the company, the analytical skills they provide and recent relevant work. This information should help to get the best out of the subsequent competition by identifying the suppliers able to do the work.
58. The PQQ form should be approved by the appropriate authoriser. If using PCS the PQQ is uploaded as an 'additional document' (see [para 111- 114 in the PCS user guide](#) for more information). If you choose not to use PCS, then you will need to find another way to advertise your contract and invite responses. For example, you may have to send it to identified potential suppliers directly.

Advertise for expressions of interest

59. The PCS guide sets out how to advertise the contract (see [Part 3 of the PCS user guide](#)). As a next step, you will need to create a notice (advert) on the PCS site which invites expressions of interest.
60. Once the advert has been placed with a submission date for completed PQQ forms, the procurement team may find there are queries to deal with from potential suppliers. It is

important to allow time for responses - usually three weeks is given but this will need to fit with the overall project timings.

61. Managers should provide information on the expected timing of the work as this will help potential suppliers to decide if they can resource the project. This is especially important if the timescales for submitting tenders and/or carrying out the project are tight.
62. PQQs should be returned through the PCS website and not directly to managers. The project team should not look at the PQQs received until the submission date has passed.

Evaluate expressions of interest

63. Recent Audit Scotland adverts for expressions of interest have generated many responses. Sufficient time must be built into the process to both review the PQQs received and provide whatever feedback is needed ([see Exhibit 6 and related text](#)).
64. Once the closing date has passed, a minimum of two people (usually the relevant manager and one other) assess the completed PQQ forms in terms of how well the information contained in the PQQ meets the criteria set out. A template for assessing PQQ forms is available in [Appendix 5](#). The template should be amended to match the scoring mechanism that you set out when preparing the suppliers brief and PQQ form ([at Part 3](#)).
65. Assessors should independently score and rank suppliers in relation to each of the assessment criteria. They should then meet to discuss their scores, agree a final score and note it on the combined assessment form.
66. Managers should keep suppliers informed if there are delays in the PQQ process.

Create a shortlist of potential suppliers

67. The combined assessment form is used to shortlist those suppliers that will be invited to tender at the next stage. When shortlisting, it is important to respect the principles of procurement (openness, transparency, non-discrimination, equal treatment) and the jurisprudence of the European Court of Justice. This means the shortlisting method must be objective and non-discriminatory.
68. The number of suppliers invited to tender should be sufficient to ensure competition, while providing value for money. Audit Scotland's financial guidelines suggest that between three and six invitations to tender are usually sufficient. However, it may be that several suppliers cannot be separated after the PQQ stage and are ranked equal third or equal sixth. You should think carefully before you extend the shortlist beyond six. If it is proving difficult to decide about those ranked equal at the end of your shortlist, it is permissible to phone all of the suppliers on your short list to establish which are still interested. This will help you to determine how many tenders you will receive if you include more than the recommended number of suppliers. Note that you can add tenderers to the competition at a later date if you find that some tenderers have dropped out AND there are some left from your earlier assessments of potential suppliers that met the minimum criteria for the project ([see paragraph 79](#)).

69. If only one supplier is considered suitable for shortlisting then the procurement can be treated as a direct award; a written note should be submitted to the assistant director or director explaining the outcome of the PQQ process. Provided the identification process has been conducted properly, the project team will be able to demonstrate that the market has been tested and only one external supplier has the necessary skills and experience to undertake the work. The supplier should still be asked to submit a tender so that you have a clear idea of how they intend to proceed and can be sure that they are able to meet your requirements.

Inform suppliers of the outcome

70. Having completed the selection process the next step will be to provide feedback to unsuccessful suppliers, where necessary. You cannot do this through PCS and will have to email/mail them from Audit Scotland.
71. Best practice is to provide some feedback on the PQQ stage to each individual unsuccessful company (see [Exhibit 6 on page 27](#) for a broad outline of the detail that you should provide. Examples of feedback emails used can be found [here](#)). It can be very time consuming to provide feedback if a lot of suppliers express interest, so it is best to limit what you provide in the first instance and give more detailed feedback only if requested to do so.
72. The combined PQQ template should be used when preparing feedback for unsuccessful suppliers. The team of assessors should agree what points to feedback when they complete the template. Under Freedom of Information legislation, suppliers can request information about the assessment process so it is important to identify clear reasons for rejecting/selecting a supplier. The combined scores for each bid along with a note of key points to feedback should be saved in the project file. A short minute of the selection meeting will also help if there are enquiries under FOI.

Part 5. Obtaining tenders

73. In every instance where you appoint a supplier you will need to obtain a written proposal from each supplier and evaluate the proposal to ensure that it meets the procurement objectives. It is a good idea to go through this process, even if you are making a direct award to one supplier. However, you may streamline the process slightly for a direct award, by asking for a short submission from the supplier and cutting back on the time given to complete certain elements.
74. Key steps are to:
- issue the invitation to tender
 - manage the tender process
 - receive and open tenders
 - evaluate the tender
 - clarify queries.

Issue the invitation to tender documents

75. The invitation to tender consists of:
- an invitation to tender notice (see PCS user guide Part 4)
 - the supplier's brief (see template at Appendix 2). You should append two standard documents to the brief - 'About Audit Scotland' (a copy can be found in Appendix 2) and 'Audit Scotland terms and conditions for the purchase of goods and services (Appendix 6 – remove the final pages which should be sent out only when the contract is awarded)
 - any other relevant background information.
76. These documents should be loaded onto the PCS website or mailed direct to suppliers if you have chosen not to use PCS.
77. It is helpful to tendering companies if they know how many others are being invited to tender at this stage. They are likely to use this information to make a judgement about their chances of success and, if you are inviting a large number to tender, companies with reservations about their chances of success may opt out.
78. Suppliers selected to receive the invitation to tender on PCS will receive an email alert from the system inviting them to log-on and to download the tender documents. The PCS system will ask suppliers to note interest and reconfirm their intention to tender. If they do not confirm this within 1-2 working days, you should contact tenderers to ask if they have been able to access the documents and what they intend to do. Suppliers should also be asked to contact you if, at any time in the process, they decide not to submit a tender.

79. If any supplier invited to tender declines to do so, it is possible to issue additional invitations to tender and, if necessary, extend the closing date for all. Any additional tenderer added at this stage must meet the minimum criteria you have used to identify other tenderers on your shortlist and should be subject to the same identification process described in [Part 2](#) of this handbook. Managers should consult with a senior manager before adding a new tenderer.

Manage the tender process

80. During the tendering period, questions raised by suppliers and your responses to them can be viewed by all those invited to tender on the secure question/answer area on PCS. You should set a deadline for receiving and answering queries (we would suggest at least one week before the closing date). If not using PCS, you will need to establish an effective process for responding to questions.
81. You should avoid extending the deadline for tender submission unless there are exceptional circumstances - for example, you are unable to deal with their questions and queries by the date you set. You must contact all suppliers to tell them about the extension.
82. It is good practice to allow potential suppliers four weeks to submit a tender. In some circumstances, such as a direct award, or when the project need is straightforward or there is limited time, a shorter timescale may be feasible. But suppliers need sufficient time to prepare a good tender – as they will be working on many other projects during the tender period.

Receiving and opening tenders

83. All tender documents must be opened at the same time and only after the tender return deadline. Upon opening each tender, the name of the tendering organisation and the total contract price should be noted on the tender opening record form ([Appendix 7](#)). It is a good idea to ask someone not involved in evaluating the tenders to open the tenders and complete the tender record. The form should then be signed by the person completing the tender record, witnessed, scanned and saved into the project file.
84. When a tender has been submitted through PCS, you will receive an email notification. The e-tender system records the time of opening. Late tenders will not be accepted on PCS.
85. In the event of any technical difficulties or problems with the electronic tendering system, tenderers should also be instructed to submit their tender (on the date when the competition closes) by email to the project team. All tenders submitted in this way should be saved in the project file. Audit Scotland's financial guidelines detail how you should proceed if tenders are submitted late ([see para 7.22 – 7.28 in document referenced at footnote 1, page 5](#) for further information).

Evaluate tenders

86. At least two people should evaluate tenders – one of these should be the project manager; others who were previously involved in evaluating PQQs may continue to be involved, if available. It is important that those evaluating tenders are impartial - those with a possible

conflict of interest (i.e. previously worked for the supplier) should declare this and not participate. Members of the evaluation panel should assess and score each tender independently of each other, using the template provided at [Appendix 8](#) and then meet to discuss and agree an overall assessment. The main steps are:

- Read each proposal and score its quality against the agreed evaluation criteria (see [Exhibit 5](#) for how to score each criterion), using the evaluation spreadsheet. The spreadsheet provides an easy way for the panel to score and record their evaluation scores and demonstrate the basis of the final recommendation.
- Submit individual evaluator's scores so that they can be added to the combined sheet.
- Meet with other evaluators and discuss the individual scores. Agree upon a final score that all the evaluators are comfortable with.
- Record the cost of each proposal and calculate the price/quality score using the separate sheet in the evaluation spreadsheet.

Exhibit 5

How to score tenders in terms of quality

The tender evaluation criteria and relative weightings should have been decided at the initial stage. When assessing each tender, a score should be given to each criterion as follows:

5	Tender completely relevant and excellent
4	Tender completely relevant and good
3	Tender completely relevant and acceptable
2	Tender partially relevant and acceptable
1	Tender partially relevant but poor
0	Completely fails to meet the standard.

The overall score for each criterion is obtained by multiplying the weight (as a percentage) by its score. For example, if a criterion is given a weighting of 15% and a score of three, the total score for this criterion will be 0.45.

87. Our financial guidelines suggest that the quality assessment of the tender is made before prices are looked at so that price does not affect the assessor's view of the quality of the tender. The guidelines also suggest that the scores are entered onto the spreadsheet, where possible, by an independent person, before the evaluators meet to discuss them.
88. The Excel spreadsheet in [Appendix 8](#) should be used in all instances. You should add the quality criteria that apply to your procurement and the price and quality weightings which you decided on earlier to the spreadsheet. Once the criteria are set and added to the spreadsheet, they should not be altered.

89. The spreadsheet contains all the formulae needed to weight the competitive bids and to calculate a final score. For the assessment of price, the lowest cost quote is assigned a score of 100 and other tenders then have their score adjusted in relation to this cost. One point is deducted for each percentage point above the lowest cost. For example:
- Tender A is the lowest price option and costs £20,000. Score = 100
 - Tender B costs £30,000. Score = 100 minus (30,000 – 20,000 divided by 20,000 x 100) = 50
 - Tender C costs £21,250. Score = 100 minus (21,250 - 20,000 divided by 20,000 x 100) = 93.75
90. The scoring sheets templates will do this calculation for you. All you are required to do is insert each tender price in the appropriate place.
91. If only one tender is received, the assessment panel must still evaluate it against the criteria. If you want to go ahead with a contract, the project team must demonstrate that there has been a genuine competition and that the tender satisfies the criteria. You must also document reasons why other suppliers who were invited to tender have not done so.
92. If no tenders meet the evaluation criteria, then a new tendering exercise should be considered.
93. Where the brief states a monetary value or range against the project budget, it is unlikely that the tender will be priced higher. If this does occur, you should discuss the appropriate action with the senior manager. Where all tenders contain prices higher than the stated budget the manager should speak to individual tenderers to find out the reasons for this and discuss how to proceed with the relevant senior manager. Options might include altering the project specification or the budget, before you start again.
94. For companies that we have not previously worked with, AND where there is a degree of risk attached to the project (a value of more than £30,000, or a high profile or time sensitive project) due diligence work is advised. A credit check is advised for all contracts with a value of over £30,000 where Audit Scotland has not previously worked with the company – Corporate Finance will arrange to do this for you before you commission the work.

Clarify queries

95. The price quoted in the tender should represent the fixed and firm price for the work. Options may be offered, but the additional cost of these should be identified separately. If the price is not clearly stated for the core piece of work, then it should be confirmed with the tenderer. When assessing tenders, you may also contact tenderers to ask for clarification of any other points. These communications should be documented.
96. Following the evaluation of written tenders, you may decide to invite some or all of the shortlisted tenderers for interview. Interviewing can be resource intensive and managers should exercise judgment when deciding to interview suppliers. An interview is usually used when there is no clear winner of the tender evaluation exercise or if further clarification is

needed. The purpose of the interview is to enable the evaluation panel to make a more informed decision. The assessment criteria used at interview should be identical to the criteria used to assess the written tenders. If you think you may wish to interview suppliers you should mention this in the project brief and specify a likely date.

97. As well as interviewing, it may be desirable to see a demonstration of the product to be supplied (this can be important when purchasing equipment or software, for example). This will add to the overall time required by each supplier, but it is important that each supplier has an equal opportunity to demonstrate their product.
98. The manager should agree a standard set of questions with the evaluation panel in advance (although it is recognised that some follow-up questions may be needed). An interview should last no longer than 40 minutes, but the process may be longer if a demonstration is also included.
99. Following the interviews/demonstrations, the evaluation panel should re-examine the combined scores allocated to each of the suppliers on the basis of the written proposal. They should amend scores as required to reflect performance at interview/demonstration, using the evaluation spreadsheet, so that the final score reflects the overall view formed after the meeting.

Part 6. Appoint a supplier

100. The tenderer offering the best value for money (i.e. the tender that scores highest on the combined price and quality assessment) should usually be recommended for appointment to the assistant director or director. But note, there is no legal obligation to award a contract if none of the tenders received are of the required standard.

Notify successful and unsuccessful suppliers

101. Once the supplier's appointment is approved, you should inform all those who took part in the tendering exercise of the outcome. The successful supplier should be notified by telephone in the first instance, in advance of any contract letter being issued. Advise the supplier that they have won the tender competition and will receive more information formally following the inception meeting – the contract should not be issued at this stage.²

102. After speaking to the successful candidate, you should notify unsuccessful suppliers of the result of the tender exercise by email or letter. A sample letter is provided in [Appendix 9](#). All tenderers (i.e. successful and unsuccessful) may contact the manager for feedback which you should provide; it should be provided verbally, should be constructive, honest and tactful and should be based around the tender assessment criteria. [Exhibit 6](#) summarises Scottish Government advice on the amount of detail that can be given to unsuccessful tenderers.

103. In recent competitions held by PAG, unsuccessful tenderers have asked for (and received) copies of other supplier's tenders and/or for information about:

- The strengths and weaknesses of their submissions and a comparison with others.
- Details of their companies overall positioning within the assessments
- Information on who the winning tenderer was or who the short listed companies were after the PQQ stage
- Details of the scores allocated on each assessment criteria for their company and for each tenderer

104. When responding to specific information requests, the procurement teams may use scores from the evaluation matrix, but anonymised, on the specific scores achieved by competitors. By listing all the competitors separately by name and also providing a spreadsheet showing each tenderer's score overall and on each criteria, but the tenderers only identified as company 1, 2, 3, etc. The enquirer will know where it sat within the league table of outcomes, but will not know which competitor gained which score.

² Scottish Government guidance suggests a ten day 'standstill' period before the contract is issued to allow time for unsuccessful suppliers to consider if they wish to take any further action, but this is more likely for larger value contracts.

Exhibit 6

Scottish Government's advice on debriefing unsuccessful tenderers

Public bodies should provide sufficient information for candidates to be able to identify why they have not been invited to tender and for tenderers to be able to identify why they have not been awarded the contract. In the Scottish Government's view, this requires public bodies to provide:

- the candidate's or tenderer's score against the published criteria
- a basic narrative explanation (it is not sufficient for public bodies to provide only numerical information)
- an explanation of why the successful tenderer was awarded a higher score in the relevant area
- the name and characteristics and relative advantages of the successful tender, if the unsuccessful tenderer has not already received this information by some other means.

Some exemptions apply and Scottish Government states that suppliers may withhold information where for example, its disclosure would impede law enforcement; would otherwise be contrary to the public interest; would prejudice the legitimate commercial interests of any economic operator; or might prejudice fair competition between economic operators.

Managers should also be aware that they may be asked to disclose information under the Freedom of Information (Scotland) Act 2002. Managers are responsible for deciding whether information should be disclosed or withheld and must be able to justify their rationale for any non-disclosure.

Inception meeting

105. Although the inception meeting is actually part of the contract management process, it should take place soon after the preferred supplier is identified and *before* the final contract award letter is issued. The meeting sets the direction and enables managers and supplier to check they have a shared understanding of the aims and objectives of the work. The inception meeting should cover:

- aims and objectives
- background; potential sensitivities or constraints
- methodology and work planning
- team roles
- reporting mechanisms
- key milestones.

106. All detailed reporting arrangements should also be agreed at the inception meeting.

Award the contract

107. The contract with the successful supplier is made up of:

- the supplier's brief
- the supplier's tender document
- the contract award letter
- Audit Scotland terms and conditions, including space for signatures (see end of [Appendix 6](#)).

108. There is no need to send all of these documents again to the successful supplier - they will already have the brief and their own tender document. It is sufficient to send the contract award letter and the terms and conditions- for signing and return to Audit Scotland.

109. A standard contract award letter is available in [Appendix 10](#). You should ensure that this letter includes:

- a note of the goods or services outlined in your brief and the supplier's tender submission
- any formal clarifications and agreed changes or outcomes from the inception meeting
- a project timetable
- key outputs and payment points including details of the amount to be billed at each payment point and the purchase order number to quote on invoices
- contract management arrangements
- a requirement that the supplier confirm acceptance of the award and our terms and conditions to the named Audit Scotland manager.

110. The manager should ensure that an appropriate number of payment points are included in the letter and that these are linked to milestones for the work. A copy of the contract award letter and the signed terms and conditions should be provided to admin for their later use, when invoices are received.

111. Experience suggests that the contract award letter should be issued after the inception meeting has taken place (see below) as this allows the letter to reflect some of the details on contract management agreed at the meeting. The letter should be signed by an assistant director or the director.

112. If using PCS, it should also be updated to show that the contract has been awarded (see [PCS guide Part 5](#)).

Post tender negotiation

113. Post tender negotiation may be required to take account of changes in the project specification, but should not be used where the nature of the work has changed

fundamentally. As an example, you may find after tenders were received that the original timescales cannot be adhered to or that technical details have changed unexpectedly and want to discuss the impact of this with the supplier.

114. Post tender negotiation will allow the supplier to respond to more minor eventualities. It can usually be undertaken at the project inception meeting, although if it occurs later in the project, a separate meeting may be required. Any post tender negotiation should be fully documented and may require a formal amendment to the contract (see below).
115. Post tender negotiation can only take place after a preferred supplier has been selected and can only proceed on the basis that the contract will be awarded to this supplier regardless of the outcome of further negotiation. Negotiation that is only about the price submitted by suppliers is prohibited - it could result in a legal challenge.

Contract amendments

116. There are some circumstances where amendments to contracts may be made after they have been awarded. This may be due to:
 - changes in the make-up of the supplier's team
 - significant changes in the timetable (milestones and payment points)
 - changes in the method
 - change in the final outputs.
117. To amend a contract, a letter must be drafted which sets out the nature of the proposed amendments with reference to the original contract. The manager may choose to deal with this using email rather than a formal letter where there are just small changes to be made.
118. Contract amendments should not be used to extend the scope of an existing contract by adding additional services.

Additional services

119. The supplier's brief should have detailed the full nature of the work required. However, there may be occasions when there is a need to carry out additional work not specified in the original contract. This might include, for example, additional information gathering, further data analysis, or unanticipated presentations.
120. In deciding how to proceed, the manager should consider whether this is additional work which can be added to the original contract or if it is a separate piece of work needing a separate competition/award process. Services can be added to an existing contract only when, through unforeseen circumstances, the additional services have become necessary

AND:

- for technical or economic reasons the work cannot be carried out or provided separately from work under the original contract

OR:

- it is necessary to do the work to allow later work (included within the contract already) to be completed.
- 121.** Adding additional services to the original contract should not increase the contract value by more than 50 per cent of the original cost. If it does, a new award process should be used. Assistant director approval is needed for increases of more than £2,500 (including VAT).
- 122.** Managers should receive and approve a written quote for the additional services and obtain authorisation, if required, before the work can start. A copy of the written quote should be given to admin, for invoice checking. An example of a written quote for additional services can be found [here](#).

Part 7. Contract management

- 123.** Managers should ensure they allow themselves time to actively manage suppliers working on their projects and ensure that this is accommodated within the overall project budget and plan. If the manager does not dedicate sufficient time to managing the contract, this can lead to projects going off-track, suppliers cutting corners, delays, poor quality outputs and cost overruns.
- 124.** Contracts will require different levels of project management depending on a number of factors such as:
- complexity
 - duration (tighter timescales = greater risk)
 - links with other work/cross-cutting issues
 - track record of the service provider
 - experience of the manager.

Good supplier management and information exchange

- 125.** Good contract management requires good communication. There should be clear communication between the Audit Scotland manager and the supplier's appointed contact.
- 126.** Formal reporting arrangements should be agreed at the inception meeting. Informal progress discussions should take place regularly, by telephone, as often as needed. It should not be assumed that no news from the supplier means that everything is going to plan.
- 127.** The manager should always be aware of how the supplier's work is progressing and be prepared to provide advice and help to the supplier throughout the project. The type of support you will need to offer suppliers will vary from project to project but may involve some of the following activities:
- commenting on methodology
 - facilitating access to information and stakeholders
 - anticipating and addressing issues as they develop
 - keeping research focussed on aims and objectives
 - agreeing analysis approaches and techniques
 - participating in briefing sessions and key analysis meetings
 - ensuring the project proceeds to timetable
 - agreeing and commenting on research outputs and providing style guides and relevant Audit Scotland reports
 - ensuring compliance with legislation (for example, data protection)
 - ensuring consideration of sustainability and equalities issues

- checking invoices received against the agreed amounts and milestones, passing them for payment as soon as possible and updating both the cost and monitoring and consultants databases with the invoiced amount.

128. As well as assisting suppliers, the procurement team should take advantage of opportunities to learn from them. This will aid the team's subsequent use of the information provided by the supplier and allow knowledge transfer that may be of use in other projects. Obviously, taking advantage of the opportunities for skills transfer from suppliers needs to be appropriate. You cannot devote vast amounts of time to shadowing suppliers as this will increase project costs and potentially delay progress. But project teams should take advantage of opportunities to attend key interviews or focus groups, for example, or to attend supplier's project debriefs. As well as providing an early insight into likely findings, this type of activity can also allow the Audit Scotland team to focus more of the project team's attention on key areas of interest at an early stage.

Delivering on time

- 129.** It is important that managers set realistic timescales when writing the supplier's brief. Some stages often take longer than anticipated; for example, the time taken to agree a final report or to identify snagging, etc.
- 130.** To help ensure the contract is delivered to time, you should:
- re-confirm and agree the timetable at the inception meeting
 - where possible, assist the supplier to set up meetings with internal colleagues by letting people know about their involvement in advance
 - anticipate where slippage may occur
 - build in sufficient time to comment on outputs
 - have a contingency plan.
- 131.** The manager should set contract milestones. This will help to identify slippage so that remedial action can be taken. It is important to be aware that suppliers will be working on other contracts and so, to ensure the contract is given the priority expected, the manager should communicate with the supplier on a regular basis (within reason).

Managing costs

132. The manager should review each staged payment on a contract before the invoice is sent (via admin) to the assistant director or director to be authorised for payment. Payments are linked to performance and are dependent upon suppliers having completed the tasks specified in the contract. If a request for payment is not authorised the manager should let the supplier know that it has not yet been passed and explain the reason. Final invoices for project costs must not be paid until the task has been completed. However, it is not acceptable to withhold the final payment beyond the agreed date because you are late in clearing a supplier's report; you should prioritise your work to ensure that this does not happen.

133. When invoices are received they are passed, after checking, to admin to action. Admin will raise a purchase order number and ensure that they are sent on to finance for payment, when it is appropriate to do so.
134. Occasionally, suppliers may claim that they have under-budgeted for the work and request additional payment. For example, they may have budgeted five days for a task that has actually taken eight days to complete. **Any claims for additional payment based on under-budgeting on the part of the supplier should be rejected.**

Managing risks and poor performance

135. Managing suppliers is not always straightforward. Potential problems, which should be included in the project's risk register, include:
- staff changes and illness (supplier side)
 - poor quality work
 - lack of supplier focus (due to over-commitment)
 - poor quality sub-contracted suppliers (you should ensure that the use of sub suppliers occurs only with your prior approval)
 - poor project management (on the supplier's side).
136. Managers may want to think of strategies for dealing with these issues. Unfortunately, there are not always straightforward or easy solutions. Other staff may have dealt with some of these problems and have suggestions about how to overcome them. Seek advice from colleagues.
137. You may wish to obtain a reference for the appointed supplier to help you manage them. There is no need to obtain a reference before appointment as references cannot be used in the assessment of a supplier's tender. To do so is contrary to good procurement practice as you are involving a third party and have no means of knowing under what circumstances they formed their view of the supplier. There are many reasons why a reference may be unreliable. It may have been some time ago or the work commissioned from the supplier may have been poorly specified or managed, for example.
138. The value of obtaining a reference on suppliers is to yield information that can help avert problems by allowing you to alter your management approach. For example, you may learn that a supplier 'delivered late' and so you build in extra time.
139. If the supplier fails to meet the obligations set out in the contract, the manager should take prompt remedial action (though they should consult with the manager or assistant director before doing so). Remedial action is likely to include, as a minimum, withholding payment and writing to the supplier outlining all concerns.
140. Project termination should only be considered as a last resort and the manager should take advice from an assistant director or director before proceeding with this action.

Reviewing the project

141. Following the end of the contract, the team should reflect on what worked well and what could be improved, in terms of overall contract/project management and the quality of the final outputs. Where the supplier's work formed part of a performance audit, this should be captured in the project review process.
142. If a supplier asks you for feedback on their performance after the work has been completed, you must provide this.
143. In line with our financial guidelines, when reviewing the project, the manager should record and compare invoices against the quoted costs and note any reason for variation.
144. External suppliers may contact the manager and ask them to act as a referee for other work that they are tendering for. You may provide verbal references but should not provide written references – this reduces the risk that references will be misattributed or selectively quoted.

Glossary

- **Supplier** – an individual or organisation that supplies goods or services.
- **Research** – the process of systematically gathering, analysing and interpreting information about a given subject.
- **Social research** – the process of systematically gathering, analysing and interpreting information about behaviour, knowledge, beliefs, attitudes and values of human populations, social systems and social structures.
- **Consultancy** – the provision of specialist information and advice
- **Supplier's brief** – a specification detailing the work required to be carried out by a supplier.
- **Tender exercise** – a process that invites several suppliers to compete for a contract
- **Tender** – a document prepared by the supplier in response to the brief issued by Audit Scotland.