

TR17		LEVEL OF ASSURANCE		SUMMARY OF RECOMMENDATIONS	
Procurement		Design	Operational effectiveness	High	3
November 2017				Medium	6
		SUBSTANTIAL	LIMITED	Low	2
Purpose of audit	A review of the adequacy of the council's procurement practices against best practice, and the extent to which competition and value for money are achieved. The impact of the implementation of the e-procurement system was also considered.		Added value	The need for greater transparency in the procurement process was identified, the need for a central store of information so that sufficient information is available to confirm that expected practice is followed and that non-compliance can be identified, reported and acted upon appropriately.	
<p>The council's contract standing orders (CSOs) set out the expectations of council managers and other staff involved in procurement, including roles and responsibilities, financial thresholds for the required competition and approvals. These were last updated and agreed by council assembly on 22 March 2017. In 2016-17 the council moved to an e-procurement system, the aim being that all new procurement activity will be managed through that system, in advance of this becoming mandatory for purchases exceeding the EU threshold in 2018. Training on the new systems is being provided to council managers and employees. Council managers have access to an approved supplier listing, which should be used for specified activities.</p> <p><b>Key findings - noncompliance with the council's contract standing orders</b></p> <ul style="list-style-type: none"><li>• The approved supplier list was not used for procurement where staff would be required to do so.</li><li>• Spend with suppliers was not in accordance with the agreed value per the gateway reports, and there was a lack of accountability and information available to explain the variances.</li><li>• The contract register was not updated for contract leads who have left the council</li><li>• A number of contracts on the contract register were not published on contracts finder</li><li>• Arrangements had not been made for contracts that were due to expire</li><li>• Annual performance reports were not being reported as part of the forward plan.</li><li>• Conflicts of interest were not declared for all staff listed as contract leads on the contract register.</li></ul> <p><b>Key findings - the new e-procurement system:</b></p> <ul style="list-style-type: none"><li>• The system was not fully utilised due to the storage of documents being optional</li><li>• Members of staff listed as contract leads on the contract register were yet to receive training on the e-procurement system.</li><li>• As there is no mandated central location for storing procurement information and documentation, assurance could not be given that single supplier negotiations were not used without being approved and suppliers from the approved supplier list were not used for services outside the scope of the agreed services.</li></ul> <p><b>Good practice</b></p> <ul style="list-style-type: none"><li>• A comprehensive and documented procedural and control framework are embedded in the council's contract standing orders.</li></ul> <p><b>Follow up</b></p> <p>To allow for communication of expectations and further embedding of the e-procurement system, the high and medium recommendations will be followed up in April 2018.</p>					

# ASSURANCE DEFINITIONS

LEVEL OF ASSURANCE	DESIGN of internal control framework		OPERATIONAL EFFECTIVENESS	
	Findings from review	Design Opinion	Findings from review	Effectiveness Opinion
Substantial	Appropriate procedures and controls in place to mitigate the key risks.	There is a sound system of internal control designed to achieve system objectives.	No, or only minor, exceptions found in testing of the procedures and controls.	The controls that are in place are being consistently applied.
Moderate	In the main there are appropriate procedures and controls in place to mitigate the key risks reviewed albeit with some that are not fully effective.	Generally a sound system of internal control designed to achieve system objectives with some exceptions.	A small number of exceptions found in testing of the procedures and controls.	Evidence of non compliance with some controls, that may put some of the system objectives at risk.
Limited	A number of significant gaps identified in the procedures and controls in key areas. Where practical, efforts should be made to address in-year.	System of internal controls is weakened with system objectives at risk of not being achieved.	A number of reoccurring exceptions found in testing of the procedures and controls. Where practical, efforts should be made to address in-year.	Non-compliance with key procedures and controls places the system objectives at risk.
No	For all risk areas there are significant gaps in the procedures and controls. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Poor system of internal control.	Due to absence of effective controls and procedures, no reliance can be placed on their operation. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Non compliance and/or compliance with inadequate controls.

## Recommendation Significance

High	A weakness where there is substantial risk of loss, fraud, impropriety, poor value for money, or failure to achieve organisational objectives. Such risk could lead to an adverse impact on the business. Remedial action must be taken urgently.
Medium	A weakness in control which, although not fundamental, relates to shortcomings which expose individual business systems to a less immediate level of threatening risk or poor value for money. Such a risk could impact on operational objectives and should be of concern to senior management and requires prompt specific action.
Low	Areas that individually have no significant impact, but where management would benefit from improved controls and/or have the opportunity to achieve greater effectiveness and/or efficiency.