Joint Audit and Governance Committee

Report of Audit Manager

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To: Joint Audit and Governance Committee

DATE: 28 September 2015

Internal audit activity report quarter two 2015/2016

Recommendations

(a) That members note the content of the report

Purpose of Report

1. The purpose of this report is to summarise the outcomes of recent internal audit activity at both councils for the committee to consider. The committee is asked to review the report and the main issues arising, and seek assurance that action will be/has been taken where necessary.

2 The contact officer for this report is Adrianna Partridge, Audit Manager for South Oxfordshire District Council (SODC) and Vale of White Horse District Council (VWHDC), telephone 01235 540389.

Strategic Objectives

3. Managing our business effectively.

Background

4. Internal audit is an independent assurance function that primarily provides an objective opinion on the degree to which the internal control environment supports and promotes the achievements of the Council's objectives. It assists the councils by evaluating the adequacy of governance, risk management, controls and use of resources through its planned audit work, and recommending improvements where necessary. After each audit assignment, internal audit has a duty to report to management its findings on the control environment and risk exposure, and recommend changes for improvements where applicable. Managers are responsible for considering audit reports and taking the appropriate action to address control weaknesses.

5. Assurance ratings given by internal audit indicate the following:

Full assurance: There is a good system of internal control designed to meet the system objectives and the controls are being consistently applied.

Substantial assurance: There is a sound system of internal control designed to meet the system objectives and the controls are being applied.

Satisfactory assurance: There is basically a sound system of internal control although there are some minor weaknesses and/or there is evidence that the level of non-compliance may put some minor system objectives at risk.

Limited assurance: There are some weaknesses in the adequacy of the internal control system which put the system objectives at risk and/or the level of non-compliance puts some of the system objectives at risk.

Nil assurance: Control is weak leaving the system open to significant error or abuse and/or there is significant non-compliance with basic controls.

6. Each recommendation is given one of the following risk ratings:

High Risk: Fundamental control weakness for senior management action

Medium Risk: Other control weakness for local management action

Low Risk: Recommended best practice to improve overall control

2015/2016 Audit Reports

7. Since the last Audit and Governance Committee meeting, the following audits and follow up reviews have been completed:

Completed Audits

Full Assurance: 0
Substantial Assurance: 0
Satisfactory Assurance: 4
Limited Assurance: 2
Nil Assurance: 0

	Assurance Rating	No. of Recs	High Risk Recs.	No. Agreed	Medium Risk Recs.	No. Agreed	Low Risk Recs.	No. Agreed
SODC								
Receipt of income arrangements 1516	Satisfactory	6	0	0	4	4	2	2
1. Procurement 1516	Limited	9	2	2	5	5	2	2
Licensing 1516	Satisfactory	7	0	0	2	2	5	4
VWHDC								
Receipt of income arrangements 1516	Satisfactory	6	0	0	4	4	2	2
2. Procurement 1516	Limited	8	1	1	5	5	2	2
Licensing 1516	Satisfactory	5	0	0	2	2	3	2

Follow Up Reviews

	Initial Assurance Given	No. of Recs	Implemented	Partly Implemented	Not Implemented	Ongoing
SODC						
Council Fees and Charges 1314	Full	2	1	0	1	0
Credit Card Usage 1314	Satisfactory	5	2	2	1	0
Land Charges 1415	Satisfactory	6	4	0	0	2
VWHDC						
Council Fees and Charges 1314	Full	2	1	0	1	0
Credit Card Usage 1314	Satisfactory	3	2	1	0	0
Land Charges 1415	Satisfactory	6	4	0	0	2

8. **Appendix 1** of this report sets out the key points and findings relating to the completed audits which have received limited or nil assurance, and satisfactory or full assurance reports which members have asked to be presented to committee

9. Members of the committee are asked to seek assurance from the internal audit reports and/or respective managers that the agreed actions have been or will be undertaken where necessary.

10. A copy of each report has been sent to the appropriate service manager, the strategic management board, the section 151 officer and the relevant member portfolio holder. In addition to the above arrangements, reports are now published on the councils' intranet.

11. Internal audit continues to carry out a six month follow up on all non-financial and non-key financial audits to establish the implementation status of agreed recommendations. All key financial system recommendations are followed up as part of the annual assurance cycle.

Overdue Recommendations

12. **Appendix 2** of this report summarises all overdue recommendations within each service area. Whilst attempts have been made by internal audit and officers to review and update all of the recommendations, there have been access issues to the system which has prevented a full update. The report has been circulated to the relevant service manager, heads of service, the strategic management board and the portfolio holder.

Financial Implications

13. There are no financial implications attached to this report.

Legal Implications

14. None.

Risks

15. Identification of risk is an integral part of all audits.

ADRIANNA PARTRIDGE
AUDIT MANAGER

APPENDIX 1

1. SODC PROCUREMENT 2015/2016

1. INTRODUCTION

1.1 This report details the internal audit review of procedures, controls and the management of risk in relation to procurement. The audit has a priority score of 26. The audit approach is provided in the audit framework in Appendix 1. The fieldwork was undertaken in July and August 2015 and the final report was issued on 7 September 2015.

1.2 The following areas have been covered during the course of this review to provide assurance that:

- An appropriate procurement strategy is in place that is supported by comprehensive policies and procedures which are in accordance with relevant legislation and are being adhered to.
- There is a suitable resource to ensure effective oversight of the council's procurement process itself and of individual procurement projects, with clearly defined roles and responsibilities.
- The end to end procurement process, including e-tendering, takes account of current EU procurement thresholds, is being appropriately followed and correctly recorded.
- There is effective usage of procurement frameworks to take advantage of partnering and collaboration opportunities.
- Procurement performance is suitably monitored and reported.

2. BACKGROUND

2.1 The council procures goods and services from external suppliers to meet its obligations to deliver services to the community it serves. In the first quarter of 2015/16 the council's expenditure was £6.2m.

2.2 Procurement is an area that by using economies of scale and framework agreements can produce significant financial savings.

2.3 The council had a team known as 'performance and projects' and part of their role was procurement. This included purchasing two days a week from the Oxford City Council procurement hub team, which was expected to lead to joint procurement of larger contracts through framework arrangements. The Fit for the Future programme, which was designed to incorporate lean principles, then reviewed procurement. The outcome of this review was to disband the in-house procurement team, which was then enacted by the council. The way forward was to then buy in procurement services from Oxford City Council (1 whole time equivalent). This process collapsed when the procurement officer supplied left suddenly and Oxford City Council failed to provide a suitable replacement. The contract terminated soon afterwards.

A procurement officer was appointed in April 2015, on an 18 month contract.

3. PREVIOUS AUDIT REPORTS

3.1 Procurement was last subject to an internal audit review in 2009 and ten recommendations were raised. Nine were agreed. A satisfactory assurance opinion was issued. A follow up audit in 2010 identified that five recommendations remained outstanding.

3.2 The five outstanding recommendations have been reviewed and are no longer applicable due to structural changes in the procurement function, as well as changes in policies and strategies.

4. 2015/2016 AUDIT ASSURANCE

4.1 **Limited assurance:** There are some weaknesses in the adequacy of the internal control system which put the system objectives at risk and/or the level of non-compliance puts some of the system objectives at risk.

4.2 Nine recommendations have been raised in this review. Two high risk, five medium risk and two low risk.

5. MAIN FINDINGS

5.1 Strategy, policy and procedures

5.1.1 The contracts procedures rules, which form part of the constitution have not been updated since January 2014.

5.1.2 The procurement expenditure thresholds, one written quotation for up to £10,000, three written quotations for up to £75,000, and tenders over £75,000 appear high by public sector standards.

5.1.3 There are no documented procurement procedures in place.

5.1.4 Area assurance: Limited
Three recommendations have been made as a result of our work in this area (Recs 1, 2 & 3).

5.2 Resources and oversight

5.2.1 Procurement is undertaken within service teams independently, with no requirement to seek advice or guidance from the procurement officer. There is no central review system to ensure compliance with the contract procedure rules.

5.2.2 As the procurement officer's role is advisory only, the council cannot be sure they are achieving value for money on procurement.

5.2.3 Not all procurement is supported by the appropriate documentation to adhere to the contracts procedures rules. In the sample of 10 reviewed, two of 10 supporting quotes, tenders, or framework agreements were not provided.

5.2.4 Area assurance: Limited

Three recommendations have been made as a result of our work in this area (Recs 4, 5 & 6).

5.3 **EU procurement compliance**

5.3.1 The Official Journal of the European Union (OJEU) is where all tenders in excess of certain thresholds must be advertised under European law. The current thresholds that relate to the council are supplies and services £172,514, and for works £4,322,012.

5.3.2 There is a clear breach of OJEU rules and procurement protocols regarding the procurement with one computer supplier. This supplier and the purchases from that supplier were made following advice and discussion regarding the use of emergency procedures of the constitution following the council's fire at Crowmarsh. It has also not been possible to view some of the relevant documents regarding other contracts, despite repeated requests to the relevant areas.

5.3.3 Area assurance: Limited
One recommendation has been made as a result of our work in this area (Rec 7).

5.4 **Frameworks**

5.4.1 The choice of procurement framework the council uses on each occasion is reliant on the knowledge of the procurement officer. Therefore it would be beneficial for a decision tree to be established to aid staff undertaking procurement in the event that the procurement officer is unavailable.

5.4.2 Area assurance: Substantial
One recommendation have been made as a result of our work in this area (Rec 8).

5.5 **Reporting**

5.5.1 There is no governance structure currently in place to ensure procurement undertaken by the service areas is reviewed and monitored appropriately.

5.5.2 Area assurance: Nil
One recommendation has been made as a result of our work in this area (Rec 9).

OBSERVATIONS AND RECOMMENDATIONS

STRATEGY, POLICY AND PROCEDURES

1. Contract procedure rules **(Low Risk)**

Rationale	Recommendation	Responsibility
Best Practice Procurement (contract procedure rules) are reviewed annually.	The council should ensure that the contract procedure rules are reviewed annually and that	Head of HR, IT and Technical Services

Findings The contract procedure rules which are part of the constitution are available on the intranet as at 4 August 2015, were dated January 2014 with no evidence of review since then. Risk Failure to ensure policies and procedures are current may lead to practices being undertaken that are not in accordance with the council's strategy, leading to financial and reputational loss.	this review is annotated and scheduled for each year.	
Management Response		**Implementation Date**
Recommendation is **Agreed** Contracts procedure rules are already reviewed annually. Management response: Head of HR, IT and Technical Services		30 September 2015

2. Procurement thresholds (Medium Risk)

Rationale	Recommendation	Responsibility
Best Practice Detailed procurement thresholds should be regularly reviewed to ensure they are at an appropriate level. Findings The thresholds used currently by the council are as follows: Up to £10,000 – one written quotation required. Between £10,000 and £75,000 – three written quotations required. Over £75,000 – competitive tender required. The procurement officer expressed concern and surprise that up to £75,000 expenditure could be arranged on just three written quotations. Internal audit undertook benchmarking against three other public sector bodies, which identified that the council's procurement thresholds are high in comparison. Risk Failure to ensure procurement thresholds are appropriate and fit for purpose can result in inappropriate expenditure and not achieving value for money, leading to reputational damage and financial loss.	The council should review their procurement thresholds, ensure they are fit for purpose, appropriate and there are sufficient controls in place to identify non-compliance with the contract procedures rules.	Head of HR, IT and Technical Services
Management Response		**Implementation Date**
Recommendation is **Agreed** Last review of thresholds was in the autumn of 2011, when thresholds were raised in order to simplify the process and reduce		31 December 2015

the time to procure. Previous benchmarking has demonstrated a wide range of thresholds at comparable councils and I do not believe that South and Vale have exceptionally high thresholds. However, a review based on sufficient evidence and assessment of risk would be a reasonable step to take. Management response: Head of HR, IT and Technical Services	

3. Procurement procedures (Medium Risk)

Rationale	Recommendation	Responsibility
Best Practice Clear documented procedures detailing how to procure items should be in place, for all staff who may have the need to purchase equipment or services. Findings The council has no documented procedures for procurement. Risk Failure to provide staff with clear instruction and guidance regarding procurement, will lead to local practices developing, and an inconsistent approach, resulting in value for money not being maximised, reputational loss and financial loss.	Clear procedures for all areas of the council involved in procuring goods and services need to be developed, approved, regularly reviewed, monitored, and evidenced with a named individual or role responsible for the procedures and for updating intranet guidance.	Procurement Officer
Management Response		**Implementation Date**
Recommendation is **Agreed** The procurement officer is responsible for the procedures and for updating the guidance on the intranet. These will include the requirement for all expenditure in excess of £5000 to be recorded on the South East Business Portal. Management response: Head of HR, IT and Technical Services		31 December 2015

RESOURCES AND OVERSIGHT

4. Pre commitment (Medium Risk)

Rationale	Recommendation	Responsibility
Best Practice Procurement as a functional department should review all procurement expenditure prior to commitment to buy, to see if savings can be achieved through economies of scale or framework agreements. Findings At present procurement is only an advisory function and there is no mandate for all procurement to be reviewed by the procurement function.	All expenditure on goods and services should be reviewed by the procurement officer prior to the expenditure being authorised.	Procurement Officer

Risk Failure to ensure all procurement expenditure is reviewed to maximise savings and reduce costs, can lead to the council's purchases being more expensive than necessary, resulting in financial and reputational loss.		
Management Response		**Implementation Date**
Recommendation is **Agreed** It is not practical for the procurement officer to review all expenditure, particularly where the value is low. However, expenditure above a minimum threshold of £5,000 should be recorded on the South East Business Portal (the councils' procurement database) in order to ensure full visibility and to comply with the DCLG's transparency guidelines. Therefore on a quarterly basis the procurement officer will review the quarterly spending data published on the website to ensure all procurement over £5000 is on the portal. Management response: Head of HR, IT and Technical Services		31 December 2015

5. Post commitment (Medium Risk)

Rationale	Recommendation	Responsibility
Best Practice Procurement should be reviewed by a second official to ensure compliance with council rules. Findings There is no evidence of a consistent review of procurement in all areas, to provide assurance that procurement is being undertaken in accordance with the council's rules. Risk Failure to ensure procurement is undertaken correctly can lead to procurement being undertaken ultra vires to council rules, resulting in not achieving best value for money.	All procurement expenditure should be advised to the procurement department so that a check can be conducted to ensure that appropriate monitoring is undertaken.	Procurement Officer
Management Response		**Implementation Date**
Recommendation is **Agreed** It is not practical for the procurement officer to review all expenditure, particularly where the value is low. However, expenditure above a minimum threshold of £5,000 should be recorded on the South East Business Portal (the councils' procurement database) in order to ensure full visibility and to comply with the DCLG's transparency guidelines. Therefore on a quarterly basis the procurement officer will review the quarterly spending data published on the website to ensure all procurement over £5000 is on the portal. Management response: Head of HR, IT and Technical Services		31 December 2015

6. Supporting documentation (Medium Risk)

Rationale	Recommendation	Responsibility
Best Practice All expenditure incurred should be	All procurement should be supported by the required	Procurement Officer

supported by the appropriate level of documentation as detailed in the contracts procedure rules. Findings From the sample of ten payments reviewed, two (planning) were unsupported by documentation, which the auditee was unable to supply. Risk Failure to ensure expenditure is supported by the documentation required, can lead to inappropriate expenditure resulting in financial and reputational loss.	documentation and supplied to the procurement officer for review and approval before proceeding with the purchase.	
Management Response		**Implementation Date**
Recommendation is **Agreed** It is not practical for the procurement officer to review all expenditure, particularly where the value is low. However, expenditure above a minimum threshold of £5,000 should be recorded on the South East Business Portal (the councils' procurement database) in order to ensure full visibility and to comply with the DCLG's transparency guidelines. Therefore on a quarterly basis the procurement officer will review the quarterly spending data published on the website to ensure all procurement over £5000 is on the portal. Management response: Head of HR, IT and Technical Services		31 December 2015

EU PROCUREMENT COMPLIANCE

7. Non-compliance with legislation (High Risk)

Rationale	Recommendation	Responsibility
Best Practice All procurement should be undertaken in accordance with European Union rules. Findings Purchases from a single supplier for computer equipment in the last nine months has exceeded the European Union threshold for advertising the tender, but there is no evidence of a tender being undertaken or advertised. The procurement identified has no supporting documentation identified at the time of the audit. These purchases were made following the fire in January 2015, over a six month period. Advice was sought at the time regarding utilising the emergency procedures of the constitution for this procurement and discussions between senior staff were held regarding the emergency procedures. However the procedures were not complied with.	Cease any further purchases from this supplier, and make further purchases through a framework supplier.	Head of HR, IT & Technical Services

Risk The council could be at risk of a claim by an alternative supplier which could lead to compensation payments and reputational damage.		
Management Response		**Implementation Date**
Recommendation is **Agreed** Purchases from this suppler have ceased. It should be understood that the circumstances for these purchases were exceptional. Although it is true that total purchases from the supplier over the period since the fire do exceed the EU threshold, the purchases were numerous and made by different people over a period of time in response to changing circumstances as the council required equipment quickly at several locations. They do not represent disaggregation of a single contract. No purchase was above the tender threshold. For purchases above the £10,000 threshold for which three quotations are required, three quotations were sought. This particular supplier demonstrated a track record of rapid response and delivery of goods, and was therefore the supplier of choice on a number of occasions. Management response: Head of HR, IT and Technical Services		30 September 2015

FRAMEWORKS

8. Decision Tree (Low Risk)

Rationale	Recommendation	Responsibility
Best Practice A clear decision process chart for deciding which framework to use should be available to all staff involved in procurement as part of the procedures. Findings There is no documented decision process regarding which procurement framework to use. Risk Procurement may not be undertaken through the correct or most beneficial framework.	A decision tree for selecting procurement frameworks should be designed and incorporated into the documented procedures.	Procurement Officer
Management Response		**Implementation Date**
Recommendation is **Agreed in principle** The new procurement procedures (recommendation 3) will include instructions on the use of frameworks as part of the procedures and how to obtain advice from the procurement officer. So although a decision tree is unnecessary, the procedures will address this issue. Management response: Head of HR, IT and Technical Services		31 December 2015

REPORTING

9. Governance arrangements (High Risk)

Rationale	Recommendation	Responsibility

Best Practice Good governance arrangements facilitate the flow of information. In this case this would allow the Head of IT, HR and Technical Services to receive and evaluate all procurement happening in other service areas. Findings There are no formal or informal governance arrangements in place. Risk Procurement can take place without proper management and oversight leading to financial and reputational loss.	A formal meeting should be convened on a regular basis between the heads of service, to discuss procurement. These meetings should be minuted and actioned recorded.	Head of HR, IT & Technical Services
Management Response		**Implementation Date**
Recommendation is **Agreed** Procurement has been added to the monthly agenda for heads of service meetings. These meetings are minuted. Management response: Head of HR, IT and Technical Services		30 September 2015

2. VWHDC PROCUREMENT 2015/2016

1. INTRODUCTION

1.1 This report details the internal audit review of procedures, controls and the management of risk in relation to procurement. The audit has a priority score of 26. The audit approach is provided in the audit framework in Appendix 1. The fieldwork was undertaken in July and August 2015 and the final report was issued on 7 September 2015.

1.2 The following areas have been covered during the course of this review to provide assurance that:

- An appropriate procurement strategy is in place that is supported by comprehensive policies and procedures which are in accordance with relevant legislation and are being adhered to.
- There is a suitable resource to ensure effective oversight of the council's procurement process itself and of individual procurement projects, with clearly defined roles and responsibilities.
- The end to end procurement process, including e-tendering, takes account of current EU procurement thresholds, is being appropriately followed and correctly recorded.
- There is effective usage of procurement frameworks to take advantage of partnering and collaboration opportunities.
- Procurement performance is suitably monitored and reported.

2. BACKGROUND

2.1 The council procures goods and services from external suppliers to meet its obligations to deliver services to the community it serves. In the first quarter of 2015/16 the council's expenditure was £6.2m.

2.2 Procurement is an area that by using economies of scale and framework agreements can produce significant financial savings.

2.3 The council had a team known as 'performance and projects' and part of their role was procurement. This included purchasing two days a week from the Oxford City Council procurement hub team, which was expected to lead to joint procurement of larger contracts through framework arrangements. The Fit for the Future programme, which was designed to incorporate lean principles then reviewed procurement. The outcome of this review was to disband the in-house procurement team, which was then enacted by the council. The way forward was to then buy in procurement services from Oxford City Council (1 whole time equivalent). This process collapsed when the procurement officer supplied left suddenly and Oxford City Council failed to provide a suitable replacement. The contract terminated soon afterwards.

A procurement officer was appointed in April 2015, on an eighteen month contract.

3. PREVIOUS AUDIT REPORTS

3.1 Procurement was last subject to an internal audit review in 2009 and eighteen recommendations were raised. Fifteen were agreed. A limited assurance opinion was issued. A follow up audit in 2010 identified that five recommendations remained outstanding.

3.2 The five outstanding recommendations have been reviewed and are no longer applicable due to structural changes in the procurement function, as well as changes in policies and strategies.

4. 2015/2016 AUDIT ASSURANCE

4.1 **Limited assurance:** There are some weaknesses in the adequacy of the internal control system which put the system objectives at risk and/or the level of non-compliance puts some of the system objectives at risk.

4.2 Eight recommendations have been raised in this review. One high risk, five medium risk and two low risk.

5. MAIN FINDINGS

5.1 Strategy, policy and procedures

5.1.1 The contracts procedures rules, which form part of the constitution have not been updated since January 2014.

5.1.2 The procurement expenditure thresholds, one written quotation for up to £10,000, three written quotations for up to £75,000, and tenders over £75,000 appear high by public sector standards.

5.1.3 There are no documented procurement procedures in place.

5.1.4 Area assurance: Limited
Three recommendations have been made as a result of our work in this area (Recs 1, 2 & 3).

5.2 Resources and oversight

5.2.1 Procurement is undertaken within service teams independently, with no requirement to seek advice or guidance from the procurement officer. There is no central review system to ensure compliance with the contract procedure rules.

5.2.2 As the procurement officer's role is advisory only, the council cannot be sure they are achieving value for money on procurement.

5.2.3 Not all procurement is supported by the appropriate documentation to adhere to the contracts procedures rules. In the sample of ten reviewed, no supporting quotes, tenders, or framework agreements was provided for one.

5.2.4 Area assurance: Limited

Three recommendations have been made as a result of our work in this area (Recs 4, 5 & 6).

5.3 **EU procurement compliance**

5.3.1 A sample of ten contract expenditure items with a value around the OJEU threshold was selected for review. No issues regarding compliance with OJEU regulations were identified from the checks undertaken.

5.3.2 Area Assurance : Full
No recommendations have been made as a result of our work in this area.

5.4 **Frameworks**

5.4.1 The choice of procurement framework the council uses on each occasion is reliant on the knowledge of the procurement officer. Therefore it would be beneficial for a decision tree to be established to aid staff undertaking procurement in the event that the procurement officer is unavailable.

Area assurance: Substantial
5.4.2 One recommendation have been made as a result of our work in this area (Rec 7).

5.5 **Reporting**

5.5.1 There is no governance structure currently in place to ensure procurement undertaken by the service areas is reviewed and monitored appropriately.

5.5.2
Area assurance: Nil
One recommendation have been made as a result of our work in this area (Rec 8).

OBSERVATIONS AND RECOMMENDATIONS

STRATEGY, POLICY AND PROCEDURES

1. Contract procedure rules **(Low Risk)**

Rationale	Recommendation	Responsibility
Best Practice Procurement (contract procedure rules) are reviewed annually. Findings The contract procedure rules which are part of the constitution are available on the intranet as at 4 August 2015, were dated January 2014 with no evidence of review since then. Risk Failure to ensure policies and procedures are current may lead to	The council should ensure that the contract procedure rules are reviewed annually and that this review is annotated and scheduled for each year.	Head of HR, IT and Technical Services

practices being undertaken that are not in accordance with the council's strategy, leading to financial and reputational loss.		
Management Response		**Implementation Date**
Recommendation is **Agreed** Contracts procedure rules are already reviewed annually. Management response: Head of HR, IT and Technical Services		30 September 2015

2. Procurement thresholds (Medium Risk)

Rationale	Recommendation	Responsibility
Best Practice Detailed procurement thresholds should be regularly reviewed to ensure they are at an appropriate level. Findings The thresholds used currently by the council are as follows: Up to £10,000 – one written quotation required. Between £10,000 and £75,000 – three written quotations required. Over £75,000 – competitive tender required. The procurement officer expressed concern and surprise that up to £75,000 expenditure could be arranged on just three written quotations. Internal audit undertook benchmarking against three other public sector bodies, which identified that the council's procurement thresholds are high in comparison. Risk Failure to ensure procurement thresholds are appropriate and fit for purpose can result in inappropriate expenditure and not achieving value for money, leading to reputational damage and financial loss.	The council should review their procurement thresholds, ensure they are fit for purpose, appropriate and there are sufficient controls in place to identify non-compliance with the contract procedures rules.	Head of HR, IT and Technical Services
Management Response		**Implementation Date**
Recommendation is **Agreed** Last review of thresholds was in the autumn of 2011, when thresholds were raised in order to simplify the process and reduce the time to procure. Previous benchmarking has demonstrated a wide range of thresholds at comparable councils and I do not believe that South and Vale have exceptionally high thresholds. However, a review based on sufficient evidence and assessment of risk would be a reasonable step to take. Management response: Head of HR, IT and Technical Services		31 December 2015

3. Procurement procedures (Medium Risk)

Rationale	Recommendation	Responsibility
Best Practice Clear documented procedures detailing how to procure items should be in place, for all staff who may have the need to purchase equipment or services. Findings The council has no documented procedures for procurement. Risk Failure to provide staff with clear instruction and guidance regarding procurement, will lead to local practices developing, and an inconsistent approach, resulting in value for money not being maximised, reputational loss and financial loss.	Clear procedures for all areas of the council involved in procuring goods and services need to be developed, approved, regularly reviewed, monitored, and evidenced with a named individual or role responsible for the procedures and for updating intranet guidance.	Procurement Officer
Management Response		**Implementation Date**
Recommendation is **Agreed** The procurement officer is responsible for the procedures and for updating the guidance on the intranet. These will include the requirement for all expenditure in excess of £5000 to be recorded on the South East Business Portal. Management response: Head of HR, IT and Technical Services		31 December 2015

RESOURCES AND OVERSIGHT

4. Pre commitment (Medium Risk)

Rationale	Recommendation	Responsibility
Best Practice Procurement as a functional department should review all procurement expenditure prior to commitment to buy, to see if savings can be achieved through economies of scale or framework agreements. Findings At present procurement is only an advisory function and there is no mandate for all procurement to be reviewed by the procurement function. Risk Failure to ensure all procurement expenditure is reviewed to maximise savings and reduce costs, can lead to the council's purchases being more expensive than necessary, resulting in financial and reputational loss.	All expenditure on goods and services should be reviewed by the procurement officer prior to the expenditure being authorised.	Procurement Officer
Management Response		**Implementation Date**

Recommendation is **Agreed** It is not practical for the procurement officer to review all expenditure, particularly where the value is low. However, expenditure above a minimum threshold of £5,000 should be recorded on the South East Business Portal (the councils' procurement database) in order to ensure full visibility and to comply with the DCLG's transparency guidelines. Therefore on a quarterly basis the procurement officer will review the quarterly spending data published on the website to ensure all procurement over £5000 is on the portal. Management response: Head of HR, IT and Technical Services	31 December 2015

5. Post commitment (Medium Risk)

Rationale	Recommendation	Responsibility
Best Practice Procurement should be reviewed by a second official to ensure compliance with council rules. Findings There is no evidence of a consistent review of procurement in all areas, to provide assurance that procurement is being undertaken in accordance with the council's rules. Risk Failure to ensure procurement is undertaken correctly can lead to procurement being undertaken ultra vires to council rules, resulting in not achieving best value for money.	All procurement expenditure should be advised to the procurement department so that a check can be conducted to ensure that appropriate monitoring is undertaken.	Procurement Officer

Management Response	Implementation Date
Recommendation is **Agreed** It is not practical for the procurement officer to review all expenditure, particularly where the value is low. However, expenditure above a minimum threshold of £5,000 should be recorded on the South East Business Portal (the councils' procurement database) in order to ensure full visibility and to comply with the DCLG's transparency guidelines. Therefore on a quarterly basis the procurement officer will review the quarterly spending data published on the website to ensure all procurement over £5000 is on the portal. Management response: Head of HR, IT and Technical Services	31 December 2015

6. Supporting documentation (Medium Risk)

Rationale	Recommendation	Responsibility
Best Practice All expenditure incurred should be supported by the appropriate level of documentation as detailed in the contracts procedure rules. Findings From the sample of ten payments reviewed, two (planning) were unsupported by documentation,	All procurement should be supported by the required documentation and supplied to the procurement officer for review and approval before proceeding with the purchase.	Procurement Officer

which the auditee was unable to supply. Risk Failure to ensure expenditure is supported by the documentation required, can lead to inappropriate expenditure resulting in financial and reputational loss.		
Management Response		**Implementation Date**
Recommendation is **Agreed** It is not practical for the procurement officer to review all expenditure, particularly where the value is low. However, expenditure above a minimum threshold of £5,000 should be recorded on the South East Business Portal (the councils' procurement database) in order to ensure full visibility and to comply with the DCLG's transparency guidelines. Therefore on a quarterly basis the procurement officer will review the quarterly spending data published on the website to ensure all procurement over £5000 is on the portal. Management response: Head of HR, IT and Technical Services		31 December 2015

FRAMEWORKS

7. Decision Tree (Low Risk)

Rationale	Recommendation	Responsibility
Best Practice A clear decision process chart for deciding which framework to use should be available to all staff involved in procurement as part of the procedures. Findings There is no documented decision process regarding which procurement framework to use. Risk Procurement may not be undertaken through the correct or most beneficial framework.	A decision tree for selecting procurement frameworks should be designed and incorporated into the documented procedures.	Procurement Officer
Management Response		**Implementation Date**
Recommendation is **Agreed in principle** The new procurement procedures (recommendation 3) will include instructions on the use of frameworks as part of the procedures and how to obtain advice from the procurement officer. So although a decision tree is unnecessary, the procedures will address this issue. Management response: Head of HR, IT and Technical Services		31 December 2015

REPORTING

8. Governance arrangements (High Risk)

Rationale	Recommendation	Responsibility
Best Practice Good governance arrangements facilitate the flow of information. In this case this would allow the Head of IT, HR and Technical Services to receive and evaluate all procurement happening in other service areas. Findings There are no formal or informal governance arrangements in place. Risk Procurement can take place without proper management and oversight leading to financial and reputational loss.	A formal meeting should be convened on a regular basis between the heads of service, to discuss procurement. These meetings should be minuted and actioned recorded.	Head of HR, IT & Technical Services
Management Response		**Implementation Date**
Recommendation is **Agreed** Procurement has been added to the monthly agenda for heads of service meetings. These meetings are minuted. Management response: Head of HR, IT and Technical Services		30 September 2015