

# Audit and Governance Committee

Report of Assurance Manager

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To: Audit and Governance Committee

DATE: 25 January 2016

## Internal audit activity report quarter three 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, Assurance 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: 2

Substantial Assurance: 4

Satisfactory Assurance: 2

Limited Assurance: 4

Nil Assurance: 0

	Assurance Rating	No. of Recs	High Risk Recs.	No. Agreed	Medium Risk Recs.	Agenda Item 6		
						No. Agreed	Low Risk Recs.	No. Agreed
<b>SODC</b>								
Waste Management and Recycling 1516	Substantial	3	0	0	1	1	2	2
1. Partnership Performance Monitoring 1516	Limited	6	3	2	1	1	2	1
Cash Office 1516 (Private)	Limited	5	2	2	3	2	0	0
Development Management 1516	Satisfactory	3	0	0	2	2	1	1
Consultations (Public and Staff) 1516	Substantial	3	0	0	1	1	2	2
NNDR 1516	Full	1	0	0	0	0	1	1
<b>VWHDC</b>								
Waste Management and Recycling 1516	Substantial	3	0	0	1	1	2	2
2. Partnership Performance Monitoring 1516	Limited	6	3	2	1	1	2	1
Cash Office 1516 (Private)	Limited	5	3	3	2	1	0	0
Development Management 1516	Satisfactory	3	0	0	2	2	1	1
Consultations (Public and Staff) 1516	Substantial	3	0	0	1	1	2	2
NNDR 1516	Full	1	0	0	0	0	1	1

### Follow Up Reviews

	Initial Assurance Given	No. of Recs	Implemented	Partly Implemented	Not Implemented	Ongoing
<b>SODC</b>						
S106, Commuted Sums and CIL 1415	Limited	8	6	2	0	0
3. Procurement 1516	Limited	9	5	4	0	0
<b>VWHDC</b>						
S106, Commuted Sums and CIL 1415	Limited	9	7	2	0	0
Beacon 1415	N/A INV	11	8	2	1	0

3. Procurement 1516	Limited	8	5	3	<b>Agenda Item 6</b>
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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. Please note that all future reports will now be presented as joint audit reports, with specific individual council issues clearly identified within the report when 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. 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  
ASSURANCE MANAGER

# **1. SODC PARTNERSHIP PERFORMANCE MONITORING**

## **2015/2016**

### **1. INTRODUCTION**

- 1.1 This report details the internal audit review of procedures, controls and the management of risk in relation to partnership performance monitoring. The audit has a priority score of 17. . The fieldwork was undertaken August and September 2015 and the final report was issued on 14 October 2015.
- 1.2 The following areas have been covered during the course of this review to provide assurance that:
- partnership protocol guidance is in place to assist officers in identifying and classifying partnership arrangements;
  - there are adequate governance arrangements in place for all council partnerships, which includes an evaluation of resource input;
  - partnerships are being managed appropriately and are delivering the agreed outcomes;
  - there is an effective mechanism in place to monitor the partnerships and measure its outcomes; and
  - there is an effective reporting mechanism in place to ensure all partnerships support the council's strategic priorities.

### **2. BACKGROUND**

- 2.1 The council works closely with other authorities and organisations on a range of projects and services. The South Oxfordshire Partnership (SOP) Networking Group brought the district council together with other public service providers in the area as well as representatives of the business, voluntary and community sectors. SOP was set up in 2004 by the district council to help it prepare its first community strategy. It also helped the council to prepare the second community strategy (known as the sustainable community strategy) in 2008.
- 2.2 As local strategic partnerships are now no longer a statutory requirement, the district council carried out a review of the partnership with SOP board members in spring 2012. The review heard that a number of partners were facing significant reductions in funding and/or were being restructured. Some partners had ceased to attend board meetings for these reasons. In July 2012 the council made an agreement to disband the SOP and, instead of formal meetings, to keep in touch informally.
- 2.3 SODC and VWHDC partnerships, including the performance monitoring was previously managed by the Community Strategy Manager and is now currently under the responsibility of the council's Policy and Partnerships Manager since April 2010.

### 3. PREVIOUS AUDIT REPORTS

- 3.1 Partnership performance monitoring was last subject to an internal audit review in September 2009 with a follow-up audit performed in March 2010 and seven recommendations were raised. Six recommendations were agreed. A satisfactory assurance opinion was issued.
- 3.2 Following the 2010 follow-up audit, five recommendations had not been implemented. It should be noted four recommendations from April 2010 follow-up audit have been revised where appropriate and incorporated into this report. One recommendation is no longer applicable.

### 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 Six recommendations have been raised in this review. Three high risk, one medium risk and two low risk.

### 5. MAIN FINDINGS

#### 5.1 Partnership protocol guidance

- 5.1.1 Internal audit established that a partnership guidance document had been created in 2009, but it had not been published to the relevant officers. It was noted that the partnership guidance has not been updated since 2009 and it has not been allocated to an officer to ensure that it is reviewed and kept up to date. Internal audit had a walkthrough of the partnership toolkit and identified the document had information that is relevant for all stakeholders although it was not comprehensive enough.
- 5.1.2 Internal audit also identified that there is no central partnership register available either internally or externally, which identifies all partnerships in operation at the council. It was also noted that the types of partnerships are not clearly defined and no clear guidance is given on how to administer them according to the council's strategic priorities.
- 5.1.3 Area assurance: Nil  
Three recommendations have been made as a result of our work in this area (Rec 1, 2 and 3).

#### 5.2 Governance arrangements

- 5.2.1 Internal audit assessed the governance arrangements for the council's partnerships and identified that there is no current arrangement in place to ensure that council partnerships are directed and controlled appropriately. It was also established that there is no standard council mechanism to ensure that there is sufficient evaluation of resource input for the partnerships. Internal audit identified a section in the partnership guidance compiled in 2009 that would cover this, however this document has not been published. (Rec 1)

5.2.2 The council does not have central procedures in place to measure best practice against other partnership networks. There is also no central procedure in place to identify strengths and weaknesses in the governance arrangements for partnerships the council is involved in, nor is there a process in place to identify and manage risks within partnerships.

5.2.3 Area assurance: Nil  
One recommendation has been made as a result of our work in this area (Rec 4).

### 5.3 **Delivery and management of partnerships**

5.3.1 Internal audit performed walkthrough testing for a sample of two formal partnerships as part of this review. It was noted that each of the partnerships had a nominated lead officer who is responsible for its effective delivery and management. There were clear action plans in place to achieve the partnership objectives and quarterly monitoring mechanisms. The sample of minutes obtained for the selected partnership sample tested showed regular meetings taking place, effective discussions of progress and relevant issues.

5.3.2 The sample selected also identified that the agreed outcomes are managed adequately by the partnership's nominated lead officer. Although individual partnerships show adequate management by the designated service area, internal audit established that there has been no central management for partnerships since the departure of the community strategy manager in September 2013. (Rec 6)

5.3.3 Area assurance: Satisfactory  
No recommendations have been made as a result of our work in this area but findings have been incorporated within one restated recommendation (Rec 6).

### 5.4 **Monitoring**

5.4.1 As stated in 5.3.1, the nominated partnership lead officers are responsible for the partnerships' management and performance monitoring against the required agreed outcomes. Due to the lack of a published partnership guidance, any issues identified in the monitoring process by the nominated partnership lead officer (i.e. good or bad practices in partnerships), are not being escalated to the council's central partnership manager to ensure that the right action is taken on a corporate level, particularly in line with the council's strategic priorities.

5.4.2 Area assurance: Limited  
One recommendation has been made as a result of our work in this area (Rec 5). Findings from this area are incorporated within recommendations from other objectives of this review (Recs 1, 2 and 6).

5.5 **Reporting mechanisms**

5.5.1 Internal audit can confirm that a reporting mechanism allowing sufficient information to be provided to the relevant managers and councillors within the required timescale is in place within the two partnerships sampled. This is currently done by the nominated lead officers who feed the information to the agreed distribution lists in their respective partnerships. It was noted that there is no mechanism to produce or share appropriate partnership reports centrally to ensure that the performance management of the partnership is being monitored sufficiently.

5.5.2 Area assurance: Limited  
 No recommendations have been made as a result of our work in this area but findings have been incorporated within one restated recommendation (Rec 6). Also, see related recommendation 1.

**6. CATEGORISATION OF RECOMMENDATIONS**

6.1 To assist management in using our reports, we have categorised our recommendations according to their level of priority as follows:

<b>High risk</b>	Fundamental control weakness for senior management action	<b>Recs 1, 2 and 6</b>
<b>Medium risk</b>	Other control weakness for local management action	<b>Rec 4</b>
<b>Low risk</b>	Recommended best practice to improve overall control	<b>Recs 3 and 5</b>

**OBSERVATIONS AND RECOMMENDATIONS**

**PARTNERSHIP PROTOCOL GUIDANCE**

**1. Partnership guidance**

**(High Risk)**

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u>                      A uniform rationale is in place for defining, identifying, managing and evaluating partnerships to ensure they are in-line with the council's priorities, are consistent and have adequate resources.</p> <p><u>Findings</u>                      A partnership guidance document titled 'Best practice guide to partnership working' for SODC and VWHDC had not been piloted when it was originally compiled in 2009. The guidance does not clearly state how the partnerships should support the council's</p>	<p>a) The council's partnership guidance should be updated, implemented and shared across all council services.</p> <p>b) The revised partnership guidance should have the following areas added to the guidance:</p> <ul style="list-style-type: none"> <li>i. Introduction which includes framework, purpose and structure</li> <li>ii. Benefits and risks of partnership working</li> <li>iii. The formal/informal partnership definitions</li> </ul>	<p>Policy &amp; Partnerships Manager</p>



<p>strategic priorities.</p> <p>It was also identified that the council's two partnerships selected by internal audit for testing conform to the majority but not all of the 'best practice guide to partnership working'. For example, there were no signed partnership agreements retained in the partnerships tested.</p> <p>There is no clear definition to distinguish formal and informal partnerships in the council and there is no documented guidance or procedure for informal partnerships.</p> <p>The partnership guidance has not been allocated to an officer to ensure that it is reviewed and kept up to date.</p> <p>There is no evidence of a benchmarking exercise for partnerships.</p> <p>There is no clear outline documented in the guidance of how partnerships need to evidence their agreed outcomes are being achieved and monitored adequately.</p> <p><u>Risk</u> The partnership guidance may not be fit for purpose. Council employees may also enter into partnerships that are not in line with the council priorities. Partnerships may be conducted inconsistently.</p>	<ul style="list-style-type: none"> <li>iv. Risk assessment procedure of partnerships</li> <li>v. Tools for evaluating partnership resource requirements</li> <li>vi. Key council roles and responsibilities</li> <li>vii. Governance framework</li> <li>viii. Partnership agreement template</li> <li>ix. Partnerships checklist</li> <li>x. Risk register template</li> <li>xi. Case studies</li> <li>xii. Further resources of help</li> <li>xiii. Where to go for further information.</li> <li>xiv. Information that should be reported regularly to the council's nominated partnerships officer.</li> </ul> <p>c) Partnerships that are not in line with the council's objective should be investigated further to evaluate whether or not the partnership should be discontinued.</p> <p>d) There should be sufficient evidence to show that the guidance is:</p> <ul style="list-style-type: none"> <li>i. suitably agreed and authorised;</li> <li>ii. regularly reviewed and updated by the relevant officer;</li> <li>iii. available to all relevant internal and external stakeholders;</li> <li>iv. clear in requiring identification of how partnerships can support the council's strategic priorities.</li> </ul> <p>e) An appropriate action plan template should be added to the partnership guidance to ensure that the council's governance arrangements for partnerships are benchmarked accordingly and measured against best practice on a regular basis.</p> <p>f) The council should provide training to</p>	
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	<p>partnership lead officers on what constitutes a strategic outcome so that they can be identified and evidenced in individual partnerships.</p>	
<p><b>Management Response</b></p>		<p><b>Implementation Date</b></p>
<p>Recommendation is <b>Agreed in principle</b>                  Since the original 2010 audit and follow up audit in 2012 were carried out, and in response to the statutory changes in relation to partnership working on a strategic level, the way in which the council manages partnerships has changed. Management is now delegated to individual heads of service/service managers, the number of partnerships the council is involved in has reduced considerably and there is no longer a need for an extensive corporate co-ordination role.</p> <p>It is the responsibility of individual heads of service to ensure that partnerships their teams are involved in are in line with council objectives, have clear governance and reporting structures in place, and that any risks for the council are managed appropriately.</p> <p>The partnership toolkit as originally drafted is considered to be overly bureaucratic and prescriptive, and will be replaced by a much shorter 'checklist' of issues to consider when entering into partnerships as the councils representative – this will form a framework for heads of service to ensure that proportionate measures are in place for the effective and proper management and participation in partnerships.</p> <p>This checklist once produced will include (as above) the need for clear governance, management of risks, clarity of responsibilities, regular review and the needs to contribute to council objectives. It will not include detailed frameworks or templates as mentioned above. The checklist will be agreed by SMB/Strategic Director and will be published to the intranet with heads of service/managers briefed through Operational Management Group.</p> <p>We do not accept recommendations (e) or (f) are necessary or proportionate given the small number of partnerships the council is involved in, the current nature of responsibility for partnerships and the findings of this audit in relation to the two partnerships tested.</p> <p>Management response: Policy &amp; Partnerships Manager</p>		<p>30 June 2016</p>

**2. Partnerships' register**

**(High Risk)**

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u>                      The council can adequately monitor all partnerships centrally.</p> <p><u>Findings</u>                      Internal audit identified that there is currently no central register or a mechanism in place to ensure that all partnerships are captured or listed.</p> <p><u>Risk</u>                      Officers and councillors not aware of the council's participation in its</p>	<p>a) The council should implement a central register of all partnerships that the council's involved in and make this available to internal and external stakeholders.</p> <p>b) The central register should ensure that all partnerships are recorded, monitored, updated and controlled sufficiently by an officer</p>	<p>Policy &amp; Partnerships Manager</p>

<p>partnerships leading to potential opportunities being missed and actions being uncoordinated or contradictory.</p>	<p>assigned as responsible for maintaining the register.</p> <p>c) The central register should include the following details:</p> <ul style="list-style-type: none"> <li>i. date partnership was added to register,</li> <li>ii. name of the partnership,</li> <li>iii. type of partnership (formal or informal)</li> <li>iv. lead officer,</li> <li>v. council service/section,</li> <li>vi. number/name of other partners,</li> <li>vii. purpose of partnership,</li> <li>viii. date of last annual return,</li> <li>ix. date partnership ends,</li> <li>x. key objectives,</li> <li>xi. resource requirements,</li> <li>xii. number of meetings per year.</li> </ul>	
<p><b>Management Response</b></p>		<p><b>Implementation Date</b></p>
<p>Recommendation is <b>Agreed</b>                  We will develop a central register of partnerships to be published on the intranet (with relevant partnerships published to the website), and this will be updated annually.</p> <p>Management response: Policy &amp; Partnerships Manager</p>		<p>31 March 2016</p>

**3. Public awareness of partnerships**

**(Low Risk)**

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u>                      Clear transparency of the council's partnerships is communicated to all stakeholders.</p> <p><u>Findings</u>                      There is currently no formal means of keeping the public informed of the partnerships in which the council participates in.</p> <p>There is currently no formal means for informing councillors of all of the partnerships in which the council participates. Although councillors are involved in some partnerships, not all partnerships require authorisation by councillors.</p> <p><u>Risk</u>                      Councillors will not have a clear overview of the partnerships in which the council participates and are not able to contribute to the continuing assessment of their</p>	<p>a) Brief and non-sensitive details of the partnerships in which the council participates should be published on the council's website and kept up to date.</p>	<p>Policy &amp; Partnerships Manager</p>

benefit to the council.		
<b>Management Response</b>		<b>Implementation Date</b>
Recommendation is <b>Agreed</b>		31 March 2016
Management response: Policy & Partnerships Manager		

## GOVERNANCE ARRANGEMENTS

### 4. Risk register

(Medium Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> Partnership risks are adequately assessed and recorded.</p> <p><u>Findings</u> Internal audit identified that there is no active assessment of the risks associated with partnership activity generally and also with the specific partnerships individually.</p> <p><u>Risk</u> The council is not monitoring or addressing the full range of risks associated with partnerships which could impact upon the success of the partnership.</p>	<p>a) The council needs to ensure that the risks relating to partnerships are identified, recorded and reported in the council's corporate risk register.</p> <p>b) Any changes identified and the reported outcomes needs to be updated to the risk register by the nominated officer as soon as possible.</p> <p>c) Where an existing partnership appears to be realising risks, the council's continuing participation should be reviewed, and changed or, if deemed appropriate, ended.</p>	Policy & Partnerships Manager
<b>Management Response</b>		<b>Implementation Date</b>
Recommendation is <b>Agreed</b> Heads of service should be identifying risks relating to partnerships their teams are involved in and should include these in team/corporate risk registers and manage these as appropriate in accordance with the councils risk management process. This will be included in the partnership checklist and heads of service/managers reminded through Operational Management Group at the time of publication of the checklist.		30 June 2016
Management response: Policy & Partnerships Manager		

## MONITORING

### 5. Issues log

(Low Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> All issues from partnerships are logged, managed and reported sufficiently to the relevant officer and council members.</p>	A council template issues log should be created and shared with all lead officers for the various council partnerships to ensure that they are functioning in accordance to the council's	N/A

<p><u>Findings</u> Internal audit testing identified that the formal partnerships do not use a standard issues log. There is also no procedure in place that requires the issues to be logged or communicated to the policy and performance manager (PPM) for corporate review.</p> <p><u>Risk</u> The officers would not have a clear overview of partnership issues in which the council participates in and possible insufficient mechanisms in place to ensure those issues are resolved appropriately.</p>	<p>strategic priorities.</p>	
<p><b>Management Response</b></p>		<p><b>Implementation Date</b></p>
<p>Recommendation is <b>Not Agreed</b> These should be identified, logged and managed in accordance with the councils risk management process. We do not believe that a separate corporate issues log is necessary or proportionate given the delegated nature of management of partnerships and that no issues were raised in audit testing.</p> <p>Management response: Policy &amp; Partnerships Manager</p>		<p>N/A</p>

**PREVIOUS RECOMMENDATIONS RESTATED**

**6. Centralised management of partnerships (High Risk)**

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> Annual corporate monitoring by an appropriately appointed officer, with clear definition of their role, should facilitate the council in ensuring partnerships are achieving outcomes and are in line with council priorities.</p> <p><u>Findings</u> Internal audit identified that there is no centralised system and leadership for partnership and engagement work. It was noted that there has already been consideration of the responsibility for partnerships which has been placed in corporate strategy under the Policy and Partnership Manager (PPM) although there is no further detail, for example, of whether this includes both participation and oversight.</p> <p>There is also no council requirement or evidence of any good or bad performance, regular reviews and progress evaluations undertaken for partnerships being</p>	<p>a) The Policy and Partnership Manager’s (PPM) role should be clearly defined including:</p> <ul style="list-style-type: none"> <li>i. Whether the role is based on a general oversight or active participation in the council partnerships formed;</li> <li>ii. a proactive oversight of the partnership register and the annual returns, where necessary, from the existing partnerships;</li> <li>iii. monitoring of key partnerships, their performance against budget, compatibility with council priorities and delivery of outcomes should be completed at least annually and;</li> <li>iv. ensuring that a return is made, the details are complete and satisfactory, and that</li> </ul>	<p>N/A</p>

<p>reported centrally to the council's partnership lead officer.</p> <p>Terms of reference are not held centrally and reviewed corporately to ensure they are fit for purpose.</p> <p><u>Risk</u> There is no central management structure for the registration, review or reporting of partnerships which may lead to partnerships being poorly managed and/or not achieving their intended outcomes.</p>	<p>the arrangement is within the council's definition of a partnership.</p> <p>b) Information of good and bad performance in partnerships should be captured by the PPM and reported appropriately.</p> <p>c) Any comments and complaints relating to partnerships should be routed through to the council's comments and complaints system, including the PPM in the process.</p> <p>d) The terms of reference should for all partnerships should be collated and reviewed by the PPM.</p>	
<p><b>Management Response</b></p>		<p><b>Implementation Date</b></p>
<p>Recommendation is <b>Not Agreed</b></p> <p>Given the delegated nature of management of partnerships, this has been established through custom and practice over several years. Our view is that the current delegated nature of management of partnerships to heads of service is working effectively and is not putting the council at risk and therefore no further clarity is required.</p> <p>Management response: Policy &amp; Partnerships Manager</p>		<p>N/A</p>

## **2. VWHDC PARTNERSHIP PERFORMANCE MONITORING** **2015/2016**

### **1. INTRODUCTION**

- 1.1 This report details the internal audit review of procedures, controls and the management of risk in relation to partnership performance monitoring. The audit has a priority score of 17. . The fieldwork was undertaken August and September 2015 and the final report was issued on 14 October 2015.
- 1.2 The following areas have been covered during the course of this review to provide assurance that:
- partnership protocol guidance is in place to assist officers in identifying and classifying partnership arrangements;
  - there are adequate governance arrangements in place for all council partnerships, which includes an evaluation of resource input;
  - partnerships are being managed appropriately and are delivering the agreed outcomes;
  - there is an effective mechanism in place to monitor the partnerships and measure its outcomes; and
  - there is an effective reporting mechanism in place to ensure all partnerships support the council's strategic priorities.

### **2. BACKGROUND**

- 2.1 The council works closely with other authorities and organisations on a range of projects and services. The Vale Partnership Networking Group (VPNG) brought the district council together with other public service providers in the area as well as representatives of the business, voluntary and community sectors. VPNG was set up in 2004 by the district council to help it prepare its first community strategy. It also helped the council to prepare the second community strategy (known as the sustainable community strategy) in 2008.
- 2.2 As local strategic partnerships are now no longer a statutory requirement, the district council carried out a review of the partnership with VPNG board members in spring 2012. The review heard that a number of partners were facing significant reductions in funding and/or were being restructured. Some partners had ceased to attend board meetings for these reasons. In July 2012 the council made an agreement to disband the VPNG and, instead of formal meetings, to keep in touch informally.
- 2.3 SODC and VWHDC partnerships, including the performance monitoring was previously managed by the Community Strategy Manager and is now currently under the responsibility of the council's Policy and Partnerships Manager.

### **3. PREVIOUS AUDIT REPORTS**

- 3.1 Partnership performance monitoring was last subject to an internal audit review in September 2009 with a follow-up audit performed in March

2010 and seven recommendations were raised. Six recommendations were agreed. A satisfactory assurance opinion was issued.

- 3.2 Following the 2010 follow-up audit, five recommendations had not been implemented. It should be noted four recommendations from April 2010 follow-up audit have been revised where appropriate and incorporated into this report. One recommendation is no longer applicable.

#### 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 Six recommendations have been raised in this review. Three high risk, one medium risk and two low risk.

#### 5. MAIN FINDINGS

##### 5.1 Partnership protocol guidance

- 5.1.1 Internal audit established that a partnership guidance document had been created in 2009, but it had not been published to the relevant officers. It was noted that the partnership guidance has not been updated since 2009 and it has not been allocated to an officer to ensure that it is reviewed and kept up to date. Internal audit had a walkthrough of the partnership toolkit and identified the document had information that is relevant for all stakeholders although it was not comprehensive enough.
- 5.1.2 Internal audit also identified that there is no central partnership register available either internally or externally, which identifies all partnerships in operation at the council. It was also noted that the types of partnerships are not clearly defined and no clear guidance is given on how to administer them according to the council's strategic priorities.
- 5.1.3 Area assurance: Nil  
Three recommendations have been made as a result of our work in this area (Rec 1, 2 and 3).

##### 5.2 Governance arrangements

- 5.2.1 Internal audit assessed the governance arrangements for the council's partnerships and identified that there is no current arrangement in place to ensure that council partnerships are directed and controlled appropriately. It was also established that there is no standard council mechanism to ensure that there is sufficient evaluation of resource input for the partnerships. Internal audit identified a section in the partnership guidance compiled in 2009 that would cover this, however this document has not been published. (Rec 1)
- 5.2.2 The council does not have central procedures in place to measure best practice against other partnership networks. There is also no central procedure in place to identify strengths and weaknesses in the



governance arrangements for partnerships the council is involved in, nor is there a process in place to identify and manage risks within partnerships.

- 5.2.3 Area assurance: Nil  
One recommendation has been made as a result of our work in this area (Rec 4).

### **5.3 Delivery and management of partnerships**

- 5.3.1 Internal audit performed walkthrough testing for a sample of two formal partnerships as part of this review. It was noted that each of the partnerships had a nominated lead officer who is responsible for its effective delivery and management. There were clear action plans in place to achieve the partnership objectives and quarterly monitoring mechanisms. The sample of minutes obtained for the selected partnership sample tested showed regular meetings taking place, effective discussions of progress and relevant issues.

- 5.3.2 The sample selected also identified that the agreed outcomes are managed adequately by the partnership's nominated lead officer. Although individual partnerships show adequate management by the designated service area, internal audit established that there has been no central management for partnerships since the departure of the community strategy manager in September 2013. (Rec 6)

- 5.3.3 Area assurance: Satisfactory  
No recommendations have been made as a result of our work in this area but findings have been incorporated within one restated recommendation (Rec 6).

### **5.4 Monitoring**

- 5.4.1 As stated in 5.3.1, the nominated partnership lead officers are responsible for the partnerships' management and performance monitoring against the required agreed outcomes. Due to the lack of a published partnership guidance, any issues identified in the monitoring process by the nominated partnership lead officer (i.e. good or bad practices in partnerships), are not being escalated to the council's central partnership manager to ensure that the right action is taken on a corporate level, particularly in line with the council's strategic priorities.

- 5.4.2 Area assurance: Limited  
One recommendation has been made as a result of our work in this area (Rec 5). Findings from this area are incorporated within recommendations from other objectives of this review (Recs 1, 2 and 6).

### **5.5 Reporting mechanisms**

- 5.5.1 Internal audit can confirm that a reporting mechanism allowing sufficient information to be provided to the relevant managers and councillors within the required timescale is in place within the two partnerships sampled. This is currently done by the nominated lead officers who feed

the information to the agreed distribution lists in their respective partnerships. It was noted that there is no mechanism to produce or share appropriate partnership reports centrally to ensure that the performance management of the partnership is being monitored sufficiently.

- 5.5.2 Area assurance: Limited  
 No recommendations have been made as a result of our work in this area but findings have been incorporated within one restated recommendation (Rec 6). Also, see related recommendation 1.

**6. CATEGORISATION OF RECOMMENDATIONS**

6.1 To assist management in using our reports, we have categorised our recommendations according to their level of priority as follows:

<b>High risk</b>	Fundamental control weakness for senior management action	<b>Recs 1, 2 and 6</b>
<b>Medium risk</b>	Other control weakness for local management action	<b>Rec 4</b>
<b>Low risk</b>	Recommended best practice to improve overall control	<b>Recs 3 and 5</b>

**OBSERVATIONS AND RECOMMENDATIONS**

**PARTNERSHIP PROTOCOL GUIDANCE**

**1. Partnership guidance**

**(High Risk)**

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u>                      A uniform rationale is in place for defining, identifying, managing and evaluating partnerships to ensure they are in-line with the council’s priorities, are consistent and have adequate resources.</p> <p><u>Findings</u>                      A partnership guidance document titled ‘Best practice guide to partnership working’ for SODC and VWHDC had not been piloted when it was originally compiled in 2009. The guidance does not clearly state how the partnerships should support the council’s strategic priorities.</p> <p>It was also identified that the council’s two partnerships selected by internal audit for testing conform to the majority but not all of the ‘best practice guide to partnership</p>	<p>g) The council’s partnership guidance should be updated, implemented and shared across all council services.</p> <p>h) The revised partnership guidance should have the following areas added to the guidance:</p> <ul style="list-style-type: none"> <li>xv. Introduction which includes framework, purpose and structure</li> <li>xvi. Benefits and risks of partnership working</li> <li>xvii. The formal/informal partnership definitions</li> <li>xviii. Risk assessment procedure of partnerships</li> <li>xix. Tools for evaluating partnership resource requirements</li> <li>xx. Key council roles and</li> </ul>	<p>Policy &amp; Partnerships Manager</p>

<p>working'. For example, there were no signed partnership agreements retained in the partnerships tested.</p> <p>There is no clear definition to distinguish formal and informal partnerships in the council and there is no documented guidance or procedure for informal partnerships.</p> <p>The partnership guidance has not been allocated to an officer to ensure that it is reviewed and kept up to date.</p> <p>There is no evidence of a benchmarking exercise for partnerships.</p> <p>There is no clear outline documented in the guidance of how partnerships need to evidence their agreed outcomes are being achieved and monitored adequately.</p> <p><u>Risk</u> The partnership guidance may not be fit for purpose. Council employees may also enter into partnerships that are not in line with the council priorities. Partnerships may be conducted inconsistently.</p>	<p>responsibilities</p> <ul style="list-style-type: none"> <li>xxi. Governance framework</li> <li>xxii. Partnership agreement template</li> <li>xxiii. Partnerships checklist</li> <li>xxiv. Risk register template</li> <li>xxv. Case studies</li> <li>xxvi. Further resources of help</li> <li>xxvii. Where to go for further information.</li> <li>xxviii. Information that should be reported regularly to the council's nominated partnerships officer.</li> </ul> <ul style="list-style-type: none"> <li>i) Partnerships that are not in line with the council's objective should be investigated further to evaluate whether or not the partnership should be discontinued.</li> <li>j) There should be sufficient evidence to show that the guidance is: <ul style="list-style-type: none"> <li>v. suitably agreed and authorised;</li> <li>vi. regularly reviewed and updated by the relevant officer;</li> <li>vii. available to all relevant internal and external stakeholders;</li> <li>viii. clear in requiring identification of how partnerships can support the council's strategic priorities.</li> </ul> </li> <li>k) An appropriate action plan template should be added to the partnership guidance to ensure that the council's governance arrangements for partnerships are benchmarked accordingly and measured against best practice on a regular basis.</li> <li>l) The council should provide training to partnership lead officers on what constitutes a strategic outcome so that they can be identified and evidenced in individual partnerships.</li> </ul>	
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Management Response	Implementation Date
<p>Recommendation is <b>Agreed in principle</b>            Since the original 2010 audit and follow up audit in 2012 were carried out, and in response to the statutory changes in relation to partnership working on a strategic level, the way in which the council manages partnerships has changed. Management is now delegated to individual heads of service/service managers, the number of partnerships the council is involved in has reduced considerably and there is no longer a need for an extensive corporate co-ordination role.</p> <p>It is the responsibility of individual heads of service to ensure that partnerships their teams are involved in are in line with council objectives, have clear governance and reporting structures in place, and that any risks for the council are managed appropriately.</p> <p>The partnership toolkit as originally drafted is considered to be overly bureaucratic and prescriptive, and will be replaced by a much shorter 'checklist' of issues to consider when entering into partnerships as the councils representative – this will form a framework for heads of service to ensure that proportionate measures are in place for the effective and proper management and participation in partnerships.</p> <p>This checklist once produced will include (as above) the need for clear governance, management of risks, clarity of responsibilities, regular review and the needs to contribute to council objectives. It will not include detailed frameworks or templates as mentioned above. The checklist will be agreed by SMB/Strategic Director and will be published to the intranet with heads of service/managers briefed through Operational Management Group.</p> <p>We do not accept recommendations (e) or (f) are necessary or proportionate given the small number of partnerships the council is involved in, the current nature of responsibility for partnerships and the findings of this audit in relation to the two partnerships tested.</p> <p>Management response: Policy &amp; Partnerships Manager</p>	<p>30 June 2016</p>

**2. Partnerships' register**

**(High Risk)**

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u>            The council can adequately monitor all partnerships centrally.</p> <p><u>Findings</u>            Internal audit identified that there is currently no central register or a mechanism in place to ensure that all partnerships are captured or listed.</p> <p><u>Risk</u>            Officers and councillors not aware of the council's participation in its partnerships leading to potential opportunities being missed and actions being uncoordinated or contradictory.</p>	<p>d) The council should implement a central register of all partnerships that the council's involved in and make this available to internal and external stakeholders.</p> <p>e) The central register should ensure that all partnerships are recorded, monitored, updated and controlled sufficiently by an officer assigned as responsible for maintaining the register.</p> <p>f) The central register should include the</p>	<p>Policy &amp; Partnerships Manager</p>

	<p>following details:</p> <ul style="list-style-type: none"> <li>xiii. date partnership was added to register,</li> <li>xiv. name of the partnership,</li> <li>xv. type of partnership (formal or informal)</li> <li>xvi. lead officer,</li> <li>xvii. council service/section,</li> <li>xviii. number/name of other partners,</li> <li>xix. purpose of partnership,</li> <li>xx. date of last annual return,</li> <li>xxi. date partnership ends,</li> <li>xxii. key objectives,</li> <li>xxiii. resource requirements,</li> <li>xxiv. number of meetings per year.</li> </ul>	
<b>Management Response</b>		<b>Implementation Date</b>
<p>Recommendation is <b>Agreed</b>                  We will develop a central register of partnerships to be published on the intranet (with relevant partnerships published to the website), and this will be updated annually.</p> <p>Management response: Policy &amp; Partnerships Manager</p>		31 March 2016

**3. Public awareness of partnerships**

**(Low Risk)**

<b>Rationale</b>	<b>Recommendation</b>	<b>Responsibility</b>
<p><u>Best Practice</u>                  Clear transparency of the council's partnerships is communicated to all stakeholders.</p> <p><u>Findings</u>                  There is currently no formal means of keeping the public informed of the partnerships in which the council participates in.</p> <p>There is currently no formal means for informing councillors of all of the partnerships in which the council participates. Although councillors are involved in some partnerships, not all partnerships require authorisation by councillors.</p> <p><u>Risk</u>                  Councillors will not have a clear overview of the partnerships in which the council participates and are not able to contribute to the continuing assessment of their benefit to the council.</p>	<p>b) Brief and non-sensitive details of the partnerships in which the council participates should be published on the council's website and kept up to date.</p>	<p>Policy &amp; Partnerships Manager</p>
<b>Management Response</b>		<b>Implementation Date</b>
<p>Recommendation is <b>Agreed</b>                  Management response: Policy &amp; Partnerships Manager</p>		31 March 2016

**GOVERNANCE ARRANGEMENTS**

**4. Risk register**

**(Medium Risk)**

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> Partnership risks are adequately assessed and recorded.</p> <p><u>Findings</u> Internal audit identified that there is no active assessment of the risks associated with partnership activity generally and also with the specific partnerships individually.</p> <p><u>Risk</u> The council is not monitoring or addressing the full range of risks associated with partnerships which could impact upon the success of the partnership.</p>	<p>d) The council needs to ensure that the risks relating to partnerships are identified, recorded and reported in the council's corporate risk register.</p> <p>e) Any changes identified and the reported outcomes needs to be updated to the risk register by the nominated officer as soon as possible.</p> <p>f) Where an existing partnership appears to be realising risks, the council's continuing participation should be reviewed, and changed or, if deemed appropriate, ended.</p>	<p>Policy &amp; Partnerships Manager</p>
<b>Management Response</b>		<b>Implementation Date</b>
<p>Recommendation is <b>Agreed</b> Heads of service should be identifying risks relating to partnerships their teams are involved in and should include these in team/corporate risk registers and manage these as appropriate in accordance with the councils risk management process. This will be included in the partnership checklist and heads of service/managers reminded through Operational Management Group at the time of publication of the checklist.</p> <p>Management response: Policy &amp; Partnerships Manager</p>		<p>30 June 2016</p>

**MONITORING**

**5. Issues log**

**(Low Risk)**

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> All issues from partnerships are logged, managed and reported sufficiently to the relevant officer and council members.</p> <p><u>Findings</u> Internal audit testing identified that the formal partnerships do not use a standard issues log. There is also no procedure in place that requires the issues to be logged or communicated to the policy and performance manager (PPM) for corporate review.</p>	<p>A council template issues log should be created and shared with all lead officers for the various council partnerships to ensure that they are functioning in accordance to the council's strategic priorities.</p>	<p>N/A</p>

<p><u>Risk</u> The officers would not have a clear overview of partnership issues in which the council participates in and possible insufficient mechanisms in place to ensure those issues are resolved appropriately.</p>		
<p><b>Management Response</b></p>		<p><b>Implementation Date</b></p>
<p>Recommendation is <b>Not Agreed</b> These should be identified, logged and managed in accordance with the councils risk management process. We do not believe that a separate corporate issues log is necessary or proportionate given the delegated nature of management of partnerships and that no issues were raised in audit testing.</p> <p>Management response: Policy &amp; Partnerships Manager</p>		<p>N/A</p>

**PREVIOUS RECOMMENDATIONS RESTATED**

**6. Centralised management of partnerships (High Risk)**

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> Annual corporate monitoring by an appropriately appointed officer, with clear definition of their role, should facilitate the council in ensuring partnerships are achieving outcomes and are in line with council priorities.</p> <p><u>Findings</u> Internal audit identified that there is no centralised system and leadership for partnership and engagement work. It was noted that there has already been consideration of the responsibility for partnerships which has been placed in corporate strategy under the Policy and Partnership Manager (PPM) although there is no further detail, for example, of whether this includes both participation and oversight.</p> <p>There is also no council requirement or evidence of any good or bad performance, regular reviews and progress evaluations undertaken for partnerships being reported centrally to the council's partnership lead officer.</p> <p>Terms of reference are not held centrally and reviewed corporately to ensure they are fit for purpose.</p> <p><u>Risk</u> There is no central management</p>	<p>e) The Policy and Partnership Manager's (PPM) role should be clearly defined including:</p> <ul style="list-style-type: none"> <li>i. Whether the role is based on a general oversight or active participation in the council partnerships formed;</li> <li>ii. a proactive oversight of the partnership register and the annual returns, where necessary, from the existing partnerships;</li> <li>iii. monitoring of key partnerships, their performance against budget, compatibility with council priorities and delivery of outcomes should be completed at least annually and;</li> <li>iv. ensuring that a return is made, the details are complete and satisfactory, and that the arrangement is within the council's definition of a partnership.</li> </ul> <p>f) Information of good and bad performance in partnerships should be captured by the PPM and</p>	<p>N/A</p>

<p>structure for the registration, review or reporting of partnerships which may lead to partnerships being poorly managed and/or not achieving their intended outcomes.</p>	<p>reported appropriately.</p> <p>g) Any comments and complaints relating to partnerships should be routed through to the council's comments and complaints system, including the PPM in the process.</p> <p>h) The terms of reference should for all partnerships should be collated and reviewed by the PPM.</p>	
<p><b>Management Response</b></p>		<p><b>Implementation Date</b></p>
<p>Recommendation is <b>Not Agreed</b>                  Given the delegated nature of management of partnerships, this has been established through custom and practice over several years. Our view is that the current delegated nature of management of partnerships to heads of service is working effectively and is not putting the council at risk and therefore no further clarity is required.</p> <p>Management response: Policy &amp; Partnerships Manager</p>		<p>N/A</p>



### 3. JOINT PROCUREMENT FOLLOW-UP 2015/2016

#### 1. INTRODUCTION

- 1.1 This report details the findings from internal audit's follow-up review of procurement 2015/2016. The original fieldwork was undertaken in August 2015 and the final report was issued in September 2015. Follow-up work has been undertaken in accordance with the 2015/2016 audit plan agreed with the audit and governance committee of South Oxfordshire District Council (SODC) and Vale of White Horse District Council (VWHDC), to ensure that the agreed recommendations have been implemented within the timescales provided.

#### 2. INITIAL AUDIT FINDINGS

- 2.1 The final report made eight joint recommendations and one specific to SODC all of which were agreed. A limited assurance opinion was issued.

#### 3. FOLLOW UP MAIN FINDINGS

- 3.1 The review found that five recommendations, including the one specific to SODC, have been implemented. The remaining four have been partly addressed and nearing completion with revised implementation dates agreed.

### FOLLOW-UP OBSERVATIONS

#### STRATEGY, POLICY AND PROCEDURES

##### 1. Contract procedure rules

(Low Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> Procurement (contract procedure rules) are reviewed annually.</p> <p><u>Findings</u> 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.</p> <p><u>Risk</u> 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.</p>	<p>The council should ensure that the contract procedure rules are reviewed annually and that this review is annotated and scheduled for each year.</p>	<p>Head of HR, IT and Technical Services</p>
<b>Management Response</b>		<b>Implementation Date</b>
<p>Recommendation is <b>Agreed</b> Contracts procedure rules are already reviewed annually.</p>		<p>30 September 2015</p>

Management response: Head of HR, IT and Technical Services	
<b>Follow-up observations</b>	
An annual review of the contract procedure rules has been undertaken and proposed changes have been reviewed and agreed by the constitution review group. The changes are scheduled for approval by the councils and will be implemented once approved.	<b>Partly Implemented</b> Revised Implementation date: 30 June 2016

**2. Procurement thresholds**

**(Medium Risk)**

<b>Rationale</b>	<b>Recommendation</b>	<b>Responsibility</b>
<p><u>Best Practice</u> Detailed procurement thresholds should be regularly reviewed to ensure they are at an appropriate level.</p> <p><u>Findings</u> 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.</p> <p>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.</p> <p><u>Risk</u> 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.</p>	<p>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.</p>	<p>Head of HR, IT and Technical Services</p>
<b>Management Response</b>		<b>Implementation Date</b>
<p>Recommendation is <b>Agreed</b> 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.</p> <p>Management response: Head of HR, IT and Technical Services</p>		<p>31 December 2015</p>
<b>Follow-up observations</b>		
<p>The thresholds were reviewed during the September 2015 heads of service meeting and it was agreed that they should remain at the current levels. There will be opportunity for future review as part of the annual review of contract procedure rules.</p>		<p><b>Implemented</b></p>

**3. Procurement procedures****(Medium Risk)**

<b>Rationale</b>	<b>Recommendation</b>	<b>Responsibility</b>
<p><u>Best Practice</u> 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.</p> <p><u>Findings</u> The council has no documented procedures for procurement.</p> <p><u>Risk</u> 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.</p>	<p>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.</p>	<p>Procurement Officer</p>
<b>Management Response</b>		<b>Implementation Date</b>
<p>Recommendation is <b>Agreed</b> 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.</p> <p>Management response: Head of HR, IT and Technical Services</p>		<p>31 December 2015</p>
<b>Follow-up observations</b>		
<p>A comprehensive procedure has been drafted and is being reviewed by the councils' legal team prior to being finalised and made available.</p>		<p><b>Partly Implemented</b>  Revised Implementation date: 31 January 2016</p>

**RESOURCES AND OVERSIGHT****4. Pre commitment****(Medium Risk)**

<b>Rationale</b>	<b>Recommendation</b>	<b>Responsibility</b>
<p><u>Best Practice</u> 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.</p> <p><u>Findings</u> At present procurement is only an advisory function and there is no mandate for all procurement to be reviewed by the procurement function.</p> <p><u>Risk</u> Failure to ensure all procurement expenditure is reviewed to maximise</p>	<p>All expenditure on goods and services should be reviewed by the procurement officer prior to the expenditure being authorised.</p>	<p>Procurement Officer</p>

<p>savings and reduce costs, can lead to the council's purchases being more expensive than necessary, resulting in financial and reputational loss.</p>		
<p><b>Management Response</b></p>		<p><b>Implementation Date</b></p>
<p>Recommendation is <b>Agreed in principle</b> 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.</p> <p>Management response: Head of HR, IT and Technical Services</p>		<p>31 December 2015</p>
<p><b>Follow-up observations</b></p>		
<p>Whilst it is not practical for all items of procurement expenditure to be reviewed, the procurement officer is becoming more involved in procurement exercises and currently reviews contracts exceeding £10,000. Involvement of the procurement officer will become a formal requirement once the revised contract procedure rules are in place. More complex procurements have a gateway review prior to procurement with a commercial options paper developed setting out the structure and framework for the exercise with and assessment of the pros and cons for each option.</p>		<p><b>Partly Implemented</b></p> <p>Revised Implementation date: 30 June 2016</p>

**5. Post commitment**

**(Medium Risk)**

<b>Rationale</b>	<b>Recommendation</b>	<b>Responsibility</b>
<p><u>Best Practice</u> Procurement should be reviewed by a second official to ensure compliance with council rules.</p> <p><u>Findings</u> 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.</p> <p><u>Risk</u> 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.</p>	<p>All procurement expenditure should be advised to the procurement department so that a check can be conducted to ensure that appropriate monitoring is undertaken.</p>	<p>Procurement Officer</p>
<p><b>Management Response</b></p>		<p><b>Implementation Date</b></p>
<p>Recommendation is <b>Agreed</b> 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.</p> <p>Management response: Head of HR, IT and Technical Services</p>		<p>31 December 2015</p>

Follow-up observations	
Agresso expenditure is reviewed every two months by the procurement officer and items exceeding £5,000 are compared with the contracts register to establish any commitments that may require recording. Any significant exceptions are reported to the Head of HR, IT and Technical Services through regular meetings. Furthermore procurement is an agenda item at monthly head of service meetings.	Implemented

**6. Supporting documentation**

**(Medium Risk)**

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> All expenditure incurred should be supported by the appropriate level of documentation as detailed in the contracts procedure rules.</p> <p><u>Findings</u> From the sample of ten payments reviewed for each council:- VWHDC – one (EP) SODC - two (planning) were unsupported by documentation, which the auditee was unable to supply.</p> <p><u>Risk</u> Failure to ensure expenditure is supported by the documentation required, can lead to inappropriate expenditure resulting in financial and reputational loss.</p>	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
Management Response		Implementation Date
<p>Recommendation is <b>Agreed</b> 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.</p> <p>Management response: Head of HR, IT and Technical Services</p>		31 December 2015
Follow-up observations		
The contracts are now recorded through South East Business Portal with supporting documentation linked including expressions of interest and tenders. Furthermore, the evaluation of tender documents are now also to be linked through the portal providing comprehensive supporting documentation.		Implemented

## EU PROCUREMENT COMPLIANCE

### 7. Non-compliance with legislation – SODC only

(High Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> All procurement should be undertaken in accordance with European Union rules.</p> <p><u>Findings</u> 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.</p> <p>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.</p> <p><u>Risk</u> The council could be at risk of a claim by an alternative supplier which could lead to compensation payments and reputational damage.</p>	<p>Cease any further purchases from this supplier, and make further purchases through a framework supplier.</p>	<p>Head of HR, IT &amp; Technical Services</p>
<b>Management Response</b>		<b>Implementation Date</b>
<p>Recommendation is <b>Agreed</b> Purchases from this supplier 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.</p> <p>Management response: Head of HR, IT and Technical Services</p>		<p>30 September 2015</p>
<b>Follow-up observations</b>		
<p>The Head of HR, IT and Technical Services has prepared a report on this procurement explaining why it is considered to be compliant with EU legislation. No further action is expected regarding this recommendation.</p>		<p><b>Implemented</b></p>

## FRAMEWORKS

## 8. Decision Tree

(Low Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> 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.</p> <p><u>Findings</u> There is no documented decision process regarding which procurement framework to use.</p> <p><u>Risk</u> Procurement may not be undertaken through the correct or most beneficial framework.</p>	A decision tree for selecting procurement frameworks should be designed and incorporated into the documented procedures.	Procurement Officer
<b>Management Response</b>		<b>Implementation Date</b>
<p>Recommendation is <b>Agreed in principle</b> 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.</p> <p>Management response: Head of HR, IT and Technical Services</p>		31 December 2015
<b>Follow-up observations</b>		
Flow chart style matrices setting out options under the procurement legislation and for the award of contracts has been incorporated within the draft procedure referred to in recommendation 1.		<p><b>Partly Implemented</b></p> <p>Revised Implementation date: 31 January 2016</p>

## REPORTING

## 9. Governance arrangements

(High Risk)

Rationale	Recommendation	Responsibility
<p><u>Best Practice</u> 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.</p> <p><u>Findings</u> There are no formal or informal governance arrangements in place.</p> <p><u>Risk</u> Procurement can take place without proper management and oversight leading to financial and reputational loss.</p>	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
<b>Management Response</b>		<b>Implementation</b>

	<b>Date</b>
<p>Recommendation is <b>Agreed</b>                      Procurement has been added to the monthly agenda for heads of service meetings. These meetings are minuted.</p> <p>Management response: Head of HR, IT and Technical Services</p>	30 September 2015
<b>Follow-up observations</b>	
Procurement is now an agenda item at monthly heads of service meetings.	<b>Implemented</b>