



# Procurement and Contract Management 2014-15

## City of York Council

### Internal Audit Report

Business Unit: Customer & Business Support Services  
Responsible Officer: AD of Finance, Asset Management & Procurement  
Service Manager: Corporate Finance and Commercial Procurement Manager  
Date Issued: 21.07.15  
Status: Final  
Reference: 19080/019

	P1	P2	P3
<b>Actions</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Overall Audit Opinion</b>	High Assurance		

# Summary and Overall Conclusions

## Introduction

The council has a duty to make best use of its assets and finances on behalf of council tax payers and the wider community. It is extremely important therefore, that works, goods and services are procured in a way that is carefully regulated, lawful, ensures transparency and accountability and serves to deter fraud and corruption.

The Cabinet scheme of delegation requires that all Key Decisions are reserved to the Cabinet unless specifically delegated to a Cabinet Member or an officer or where the Leader and Cabinet are acting in case of urgency. In the context of procurement, a Key Decision is one where the aggregate contract value is £500,000 or more. In order to facilitate the procurement process the Cabinet has specifically delegated to the Chief Finance Officer (CFO) in consultation with the Monitoring Officer (MO), the authority to approve procurements with values in excess of £500,000 where they are deemed 'Routine' as defined by the Contract Procedure Rules. Contracts of £500,000 or more must then be entered under the seal of the council.

## Objectives and Scope of the Audit

The purpose of the audit was to provide assurance to management that procedures and controls within the system ensure that:

- Contracts of £500,000 and over are authorised by Cabinet as Key Decisions, or are authorised by the CFO as Routine Decisions when appropriate;
- Contracts of £500,000 and over are signed off by a Chief Officer with appropriate authorisation or are entered under the seal of the council.

## Key Findings

There were limited records available in order to determine the identity of the individuals who had authorised the sample of contracts chosen. This was due to the historic nature of some contracts, with lengthy periods of service provision and exploitation of extension clauses. However, the findings for the remaining contracts would suggest that the authorisation process is compliant with the Contract Procedure Rules.

Contracts of £500,000 and over were found to have successfully been executed under the seal of the council, in accordance with the council Constitution and Contract Procedure Rules (version 3, 2015).

## Overall Conclusions

It was found that the arrangements for managing risk were very good. An effective control environment appears to be in operation. Our overall opinion of the controls within the system at the time of the audit was that they provided High Assurance.

# Audit Opinions and Priorities for Actions

## Audit Opinions

Audit work is based on sampling transactions to test the operation of systems. It cannot guarantee the elimination of fraud or error. Our opinion is based on the risks we identify at the time of the audit.

Our overall audit opinion is based on 5 grades of opinion, as set out below.

Opinion	Assessment of internal control
High Assurance	Overall, very good management of risk. An effective control environment appears to be in operation.
Substantial Assurance	Overall, good management of risk with few weaknesses identified. An effective control environment is in operation but there is scope for further improvement in the areas identified.
Reasonable Assurance	Overall, satisfactory management of risk with a number of weaknesses identified. An acceptable control environment is in operation but there are a number of improvements that could be made.
Limited Assurance	Overall, poor management of risk with significant control weaknesses in key areas and major improvements required before an effective control environment will be in operation.
No Assurance	Overall, there is a fundamental failure in control and risks are not being effectively managed. A number of key areas require substantial improvement to protect the system from error and abuse.

## Priorities for Actions

Priority 1	A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management.
Priority 2	A significant system weakness, whose impact or frequency presents risks to the system objectives, which needs to be addressed by management.
Priority 3	The system objectives are not exposed to significant risk, but the issue merits attention by management.

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