

# Corporate Procurement

## City of York Council

### Internal Audit Report 2014-15

Business Unit: Customer & Business Support Services,  
 Responsible Officer: Assistant Director – Finance, Asset Management and Procurement  
 Service Manager: Corporate Finance Manager  
 Date Issued: 26/09/2014  
 Status: Final  
 Reference: 19080/020

	P3	P2	P1
<b>Findings</b>	<b>2</b>	<b>0</b>	<b>0</b>
<b>Overall Audit Opinion</b>	<b>Substantial Assurance</b>		

# Summary and Overall Conclusions

## Introduction

The council's expenditure on supplies and services during 2014/15 is budgeted to be 115m. Given that the council is required to make £23m of savings over the next two years, effective procurement is essential in order to ensure high quality, value for money goods and services which will help the council to deliver the economic, social and environmental outcomes it requires while also delivering the necessary savings.

## Objectives and Scope of the Audit

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

- A procurement strategy and activity plan was in place to ensure that goods and services purchased by the council continue to deliver value for money;
- compliance with the council's Contract Procedure Rules and corporate contracts are monitored and breaches were reported;
- financial and performance information relating to procurement activities was produced accurately on a regular basis;
- access to confidential documents on the contract management system was restricted;

This audit covered corporate procurement arrangements. Separate audit work will be undertaken during the year to review specific contracts where necessary.

## Key Findings

The controls in place for the council's corporate procurement arrangements were generally found to be appropriate and operating effectively. The procurement team's workplan has been split into four areas with category managers appointed to each area. This has helped to enable a strategic overview of both the tendering process and the market meaning that contracts can be tendered corporately which will result in economies of scale both in terms of price and quality for goods and services.

One issue identified during the audit was that breaches of the contract procedure rules are not being reported to the Chief Financial Officer as required by the Contract Procedure Rules. This issue was identified during the 2012/13 Corporate Procurement audit but new procedures have not yet been put in place to address this. Two other issues in relation to monitoring compliance with corporate contracts and maintaining records of waivers from Financial Regulations are set out in the main body of the report.

## **Overall Conclusions**

It was found that the arrangements for managing risk were good with few weaknesses identified. An effective control environment is in operation, but there is scope for further improvement in the areas identified. Our overall opinion of the controls within the system at the time of the audit was that they provided Substantial Assurance

**Area Reviewed: Identifying and Reporting Breaches to the Contract Procedures Rules**

**Severity  
Probability**



**1 Issue/ Control Weakness**

**Risk**

Breaches to the Corporate Procedure Rules are not being reported to the Chief Financial Officer.

Breaches may not be investigated, potential procurement fraud may go undetected.

**Findings**

The council's Contract Procedure Rules state that 'All Directors are responsible for reporting all known or discovered breaches of these Rules to the Chief Financial Officers as soon as they become aware of it in practice.' There are currently no procedures in place to record breaches identified by the Corporate Procurement Team or to report them to the Chief Financial Officer. This issue was identified during the 2012/13 Corporate Procurement audit and it was agreed that procedures would be put in place to ensure that all breaches identified by the corporate procurement team are reported to the Chief Finance Officer and to internal audit for investigation.

As this action has not yet been implemented, a revised date for implementation will be discussed and agreed with the Service Manager.

**Management Response**

Any potential breaches identified by the procurement team are always investigated. However, in every instance so far the issue has been identified in sufficient time to allow an alternative course of action (ie waiver completed or spend stopped) so it was not felt to be a best use of limited resource to keep a full list of these potential breaches. In future, procurement will try and keep an ongoing list of issues which can be reported to the Director of CBSS and Veritau on a monthly basis so that any further investigations can take place where necessary. This will begin as soon as possible.

## Area Reviewed: Corporate Contracts

Severity  
Probability



### 2 Issue/ Control Weakness

### Risk

Leakage from corporate contracts is not being monitored.

Purchases may not represent good value for money if corporate contracts in place are not used.

### Findings

For goods and services which are regularly used across the council, such as staff travel and stationery, corporate contracts have been agreed with suppliers to ensure economies of scale are achieved and EU procurement rules are followed. Work has been started to classify expenditure across the council against corporate contracts using the Spend Analysis and Contract Management System, Prospend. However, at the time of the audit this work had not been completed and therefore no formal monitoring of leakage or non-compliance with corporate contracts was being undertaken.

### 2.1 Agreed Action

Regular reports will be prepared to identify off contract spend. This will be reported to CBSS DMT on a regular basis.

Priority

3

Responsible Officer

Corporate Finance Manager

Timescale

December 2014



**3 Issue/ Control Weakness Risk**

The spreadsheet listing waivers is now out of date. Evidence of waivers being approved or declined is not available.

**Findings**

A spreadsheet is kept which records the waivers that have been received by the Corporate Procurement Team and forwarded to the Chief Financial Officer for approval. This spreadsheet has not been updated since January 2014 and therefore waivers submitted since then are only held within an individual's email inbox.

**3.1 Agreed Action**

The spreadsheet list of waivers will be updated and kept up to date in future.

**Priority**

3

**Responsible Officer**

Corporate Finance Manager

**Timescale**

October 2014

## Audit Opinions and Priorities for Actions

Audit Opinions	
<p>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.</p> <p>Our overall audit opinion is based on 5 grades of opinion, as set out below.</p>	
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.
Moderate 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.