



Nottinghamshire
County Council

Internal Audit Service

CONFIDENTIAL

**Internal Audit Report
Executive Summary**

To: Director of Corporate Services
Subject: Contract Compliance Follow-up Audit
Report reference: COR1003
Date: July 2009

1 Introduction

- 1.1 Audit Report RES821 on contract compliance, issued in June 2008, contained an unsatisfactory audit opinion. In line with our follow-up procedures, a further audit review has been completed in May 2009. This follow-up review was delayed to allow additional time for the implementation of the recommendations following a change in senior management responsibility for this area of activity.

2 Objectives and scope of the audit

- 2.1 The objective of the audit was to ascertain the extent to which previous audit recommendations, made in Audit Report RES821, have been implemented. The following recommendations were tested within the scope of the audit:
- Implementation of a report by external consultants and the formulation of a formal Council strategy for procurement
 - Establishing terms of reference for the Procurement Board.
 - Posting the procurement strategy on the authority's internet site
 - Review of the e-procurement initiative and establishment of a formal project to take this forward.
 - Introducing a mechanism for enforcing and monitoring contract compliance.

3 Main Findings

- 3.1 The Corporate Procurement Strategy has been updated and this addresses the core recommendations made by the external consultants in August 2006. This revised strategy remains at draft stage at present, and it will be posted on the intranet once it has been formally agreed.
- 3.2 The former Procurement Board has been disbanded and in its place a Board for Value For Money and Improvement and Efficiency has been established. Terms of reference for this new board have been agreed.
- 3.3 The need for the e-procurement initiative is recognised, together with the potential benefits such as cost savings and contract compliance monitoring. A proposal to initiate a project has been approved by the Corporate Leadership Team, and a draft

Project Initiation Document has been prepared. The IdeA Marketplace is the preferred method of ordering goods and services.

- 3.4 There is no monitoring of off-contract spend at present, and it is expected that this will follow the formal acceptance of the corporate strategy and the e-procurement project. Limited compliance testing at this audit suggested that off-contract spend remains an issue to be addressed and that many purchasing staff are not aware of the existence of corporate contracts. This reinforces the importance of implementing the recommendations in our original report.
- 3.5 The Service Director (Strategic Services) advised that significant changes at senior management level, together with the redeployment of the Service Director on to other priorities for the latter half of 2008 and early 2009, has affected progress with implementing the recommendations in the original audit report.

4 Audit opinion

- 4.1 Of the 5 recommendations made in the Audit Report RED821, two have been fully implemented and three are in the process of being met.
- 4.2 In our opinion, most of the arrangements for financial management remain unsatisfactory. Where we have identified control weaknesses, we have made recommendations to bring the financial controls up to the standards required by Financial Regulations.

**Audit conducted by:
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**Audit supervised by:
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