

Internal Audit Service

Internal Audit Report

To: Strategic Director of  
 Subject: Contract Compliance Follow-up  
 Audit report reference: COR1003  
 Date: July 2009

Follow up of previous audit recommendations (Report Reference and date)			
Previous Report Ref.	Original Recommendation and Management Response	Current Findings	Further Audit Recommendation and management response, officer responsible and date of implementation
Rec 1	<p>A decision should be taken as to whether or not the document prepared by the external consultant is to be formally adopted as the authority's procurement strategy, and overall responsibility for delivery of the procurement strategy should be clearly defined.</p> <p><u>Response of the Strategic Director of Resources</u></p> <p>The new service director has initiated a review of the procurement business plan, with a view to establishing an updated procurement strategy for the Council, which will be adopted through the formal decision making channels.</p> <p><u>Officer Responsible for Implementation</u></p> <p>Service Director (Strategic Services).</p> <p><u>Date for Implementation</u></p> <p>October 2008.</p>	<p><b>Implementation of this recommendation remains in progress.</b></p> <p>A draft strategy has been drawn up, and we reviewed this against the consultants' report referred to in the previous audit review.</p> <p>We found that the four recommendations made in the consultants' report are featured as key themes in the draft Procurement Strategy:</p> <p>Key Theme 1 - Providing leadership and building capacity: this responds to the consultants' recommendation for improved organisation of the procurement function.</p> <p>Key Theme 2 - Partnering and collaboration: to address the consultants' recommendation around collaborative sourcing.</p> <p>Key Theme 3 - Doing business electronically: to address the recommendations on e-procurement.</p> <p>Key Theme 4 - Stimulating markets and achieving community benefits: to pick up the improvements recommended on strategic sourcing.</p>	

		<p>The Service Director (Strategic Services) advised that the strategy is being developed in conjunction with the new Corporate Director and additional support is being brought in to progress this work. The Service Director anticipates that the strategy will be reported to the Corporate Leadership Team in August 2009, and to Members shortly thereafter.</p>	
Rec 2	<p>The terms of reference for the Procurement Board should be formally stated.</p> <p><u>Response of the Strategic Director of Resources</u></p> <p>The new service director has already reviewed the Board's terms of reference and made recommendations concerning its future role that are under consideration.</p> <p><u>Officer Responsible for Implementation</u></p> <p>Service Director (Strategic Services).</p> <p><u>Date for Implementation</u></p> <p>July 2008.</p>	<p><b>This recommendation has been implemented.</b></p> <p>The former Procurement Board has been disbanded, in favour of a new Board for VFM and Improvement and Efficiency.</p> <p>The terms of reference for this new board state its purpose as being to oversee the development and delivery of the County Council's strategies and plans for value for money and for improvement and efficiency. Its objectives and members are stated as well as the responsibility of the service director representatives.</p> <p>The Service Director (Strategic Services) advised that the agreement of the terms of reference was minuted at the Board's first meeting, and that they were also agreed by the Corporate Leadership Team as part of a wider report in March 2009.</p>	
Rec 3	<p>The procurement strategy, being a policy document, should be made available on the authority's internet site</p> <p><u>Response of the Strategic Director of Resources</u></p> <p>Once a revised procurement strategy has been formally adopted, it will be published on the internet site.</p> <p><u>Officer Responsible for Implementation</u></p> <p>Service Director (Strategic Services).</p>	<p><b>This recommendation has not been implemented yet.</b></p> <p>The Procurement Strategy is still in its draft stage and so will not appear on the intranet until it has been formally approved (see recommendation 1 above).</p>	

	<p><u>Date for Implementation</u> October 2008.</p>		
Rec 4	<p>The e-Procurement initiative should be reviewed and a formal project established, sufficiently resourced, to manage its implementation.</p> <p><u>Response of the Strategic Director of Resources</u> The new service director has already initiated a review of the e-procurement initiative as part of the wider strategy review.</p> <p><u>Officer Responsible for Implementation</u> Service Director (Strategic Services).</p> <p><u>Date for Implementation</u> October 2008.</p>	<p><b>Implementation of this recommendation remains in progress.</b></p> <p>The need for the e-procurement initiative is recognised. A paper was taken to the Corporate Leadership Team on 5/5/2009, setting out proposals for a review of the Council's procurement process. This highlights the importance of e-procurement, the current issues that exist due to its absence and the savings that could be made from it, including the prevention of repetitive duties, cost savings, and the ability to monitor contract compliance through the Management Information System.</p> <p>A recommendation was made that a project should be initiated. The Service Director (Strategic Services) advised that this was approved by the Corporate Leadership Team, and a draft Project Initiation Document has been prepared. Further work is now required to understand linkages to the financial systems, to enable the potential benefits to be realised. The IdeA Marketplace is the preferred method of ordering goods and services.</p>	
Rec 5	<p>The ability to enforce contract compliance is intrinsically linked with the identification of a responsible party to push through the required changes (see 1.1 above).</p>	<p><b>This recommendation has not been implemented yet.</b></p> <p>There is no monitoring for contract compliance at present. Corporate contracts are posted on the intranet, and we carried out limited testing at this audit to assess compliance levels. This consisted of obtaining reports from the accounting system of potential spending in these categories with alternative suppliers. Of the ten purchases tested, it appeared in eight cases that the purchase should have been made through the approved supplier, or an exemption from the corporate policy sought. Speaking to staff who made these purchases identified they were generally not aware of the corporate contracts posted on the intranet.</p>	