

## **Appendix F**

**London Borough of Barnet**

**Final Internal Audit Report**

**Procurement Controls and Monitoring Action Plan**

**November 2012**

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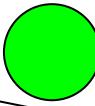
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## 1. Executive Summary

<b>Introduction</b>	<p>As part of the agreed 2012/13 Internal Audit Plan, endorsed by the Audit Committee, we have undertaken an internal audit of Contract Procedure Rules, specifically progress against the Procurement Controls and Monitoring Action Plan.</p> <p>The scope of our work was set out in our terms of reference agreed by management dated 5 November 2012.</p>
<b>Background</b>	<p>Contract management was identified as a key theme for controls rectification in 2012/13, following the presentation of the Annual Internal Audit Opinion to the Audit Committee in June 2012. Following this, actions were taken by management to address the deficiencies identified in this area. Actions included:</p> <ul style="list-style-type: none"> <li>• The development of a 'Procurement Controls and Monitoring Action Plan' by the Commercial Directorate.</li> <li>• The formation of a working group including representatives from all directorates to consider practical solutions to issues identified.</li> <li>• The continuation of a Member Task and Finish group to discuss progress against strategic procurement.</li> </ul> <p>A report made in April 2012 to the Audit Committee identified that progress had been made in improving controls related to procurement. However, there were still gaps in the effectiveness of these controls with the key concern being the embedding of these controls. These areas were identified by us as 'amber' in the Procurement Controls and Monitoring Action Plan in April 2012, and were followed up as part of this review.</p>
<b>Corporate objectives and risks</b>	<p>This area supports the corporate priority of "Sharing Opportunities and Responsibilities" and 'Better Services with Less Money'.</p>

	None	Limited	Satisfactory	Substantial
<b>Audit Opinion &amp; Direction of Travel</b> April 2012-13 Corporate Procurement Rules Report (Limited)				

## Key Findings

Since the previous review, reported by Internal Audit in April 2012, there remains some progress to be made to complete all the actions in the Procurement Controls and Monitoring Action Plan however there has been considerable progress and embedding of controls. As in December 2011 and April 2012, we have confirmed action taken by management against the Procurement Controls and Monitoring Action Plan. Through the testing performed in this review, five medium priority and two low priority findings were noted:

- Corporate Repository: all of our sample of new contracts were compliant with the CPRs in that tenders, contracts and authorisations were available for inspection, however 56% of our sample of new contracts were not stored on the Corporate Repository. These missing contracts were however produced for inspection and added to the Corporate Repository during the course of the audit testing. Data on the Corporate Repository is not always consistent with Directorate information: 13% of contracts listed on the Contracts Register do not have a contract stored in the Corporate Repository, and 35% of contracts listed on the Contracts Register do not have contract authorisation recorded in the Corporate Repository.
- Sensitive data: we found that names of individual foster carers were listed on the Contracts Register.
- Existing non-compliant contracts stated as now compliant contracts: two (14%) of our sample of contracts tested remained non-compliant in that one did not have a final signed contract available for inspection and one could not demonstrate authorisation.
- Vendor limits: Whilst within our sample all new and existing contracts had vendor limits added to in line with the contract value to reduce risk of overspend, there is spend which is unmonitored by the Corporate Procurement Team (CPT) which is added to vendors on the system through the Works Order Management System (WOMS). Monthly spend reports need to incorporate this data.
- Corporate Oversight: the monthly vendor spend reports have been produced however have not been circulated on a timely basis.

The following low priority finding was also noted:

- New vendors: One (13%) of eight forms tested was not appropriately authorised and there were omissions on five (63%) other forms, including contract dates, VAT number, insurance number, financial viability testing and bank details, as such the control was in place but on occasions not optimised.
- Training Package: on-line contract management training has been rolled out, as well as CPR workshops with 90% of contract managers having been trained. However, there remain 17 out of 157 contract managers currently listed as managing contracts on the Contracts Register who have had not taken up the training.

We also note that in future where a waiver is sought, care should be taken to ensure that any such application includes specifying which rule in particular is being waived, rather than waiving all contract procedure rules, to bring the contract to compliance. We do note however that the use of a waiver was used for existing non-compliant contracts only.

For more detailed findings, see below and Appendix C: Achievement against Procurement Controls and Monitoring Action Plan.

<b>Acknowledgement</b>	We would like to thank the management and staff of the Procurement Team for their time and co-operation during the course of the internal audit.
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## 2.1 Corporate Repository

P	Detailed finding	Risk	Recommendation
2	<p>A sample of nine new contracts entered into since April 2012 was tested to assess if these were processed in line with the CPRs. Of the sample, all were compliant with the CPRs in that tenders, contracts and authorisations were available for inspection. However, we noted the following with regards to the Corporate Repository:</p> <ul style="list-style-type: none"> <li>Five contracts (56%) were not stored on the Corporate Repository, although these were produced for inspection and added to the Corporate Repository during the course of the audit testing</li> </ul> <p>We reviewed the data on the Corporate Repository to assess if this was consistent with Directorate information and that all contracts have been uploaded as on the Contracts Register. We tested a sample of twenty-three contracts and found that:</p> <ul style="list-style-type: none"> <li>Three (13%) of contracts were not contained on the Corporate Repository: we were unable to inspect the final contracts and verify compliance.</li> </ul> <p>The authorisation for eight (35%) of the sample could not be located and inspected, and so could not be verified as compliant.</p>	<p>The Council may not be able to manage its contracts effectively if relevant documentation is unavailable.</p> <p>The Corporate Procurement Team may not be able to perform its oversight role as appropriate, in terms of reviewing compliance with contract management arrangements as included within the contract.</p>	<p>As per the guidance issued by the Corporate Procurement Team, contracts and a record of their authorisation must be stored on the Corporate Repository.</p> <p>The Corporate Procurement Team in their oversight role should, on a line-by-line basis, ensure that all contracts which are listed on the Corporate Repository have a complete contract and authorisation scanned in and stored in the Corporate Repository. Where these are not present, Directorates should ensure that the information is uploaded once requested. Exceptions should be reported back to Directorate leads and Assistant Directors on a monthly basis.</p>

Management Response	Responsible Officer	Deadline
<p>In line with the CPT procedures it is the Service Areas responsibility to ensure that documents are scanned and stored on the repository. In the oversight role, CPT will sample from the Contract Register and report back to Assistant Directors if documents are not available. However, for future contracts a process will be implemented to carry out a check before entering contracts onto SAP.</p>	Relevant Assistant Director Service Area and Head of Procurement	January 2013

## 2.2 Redaction of sensitive data from the Corporate Repository and Contracts Register

P	Detailed finding	Risk	Recommendation	
2	We found, during our review, that a contract between the Council and individual foster carers had not been placed on the Corporate Repository due to it containing sensitive information regarding young people. However, the names of the foster carers are on the Corporate Repository and also the Contracts Register, which is intended to be published quarterly.	There is a risk that the Council is publishing unnecessarily personal information regarding foster carers and others who have contracts with the Council.	<p>The Corporate Procurement Team should review the information which is recorded and published, and draft guidance on redaction and omission of sensitive contract information. The guidance should be disseminated across the Council.</p> <p>The Corporate Procurement Team should ensure that the Contracts Register is published quarterly, as per their procedures.</p>	
Management Response			Responsible Officer	Deadline
<p>Assistant Directors of Service Areas must remove unnecessary information from the Contract Register.</p> <p>CPT will review for sensitive information and then publish the Contracts register on a quarterly basis.</p>			Assistant Directors of Service Areas Head Of Procurement	December 2012 December 2012

## 2.3 Existing Contracts – Movement from non-compliant to compliant

P	Detailed finding	Risk	Recommendation
2	We obtained a listing of contracts which were non compliant in April 2012, and assessed if they were now compliant with the Contract Procedure Rules as listed as such on the contracts register. Within our sample of fourteen, two (14%) of these contracts remained non-compliant in that one did not have a final signed contract available for inspection and one could not demonstrate authorisation.	The Council may have non-compliant contracts remaining which go unmonitored if they are recorded as compliant but are actually non-compliant.	The Corporate Procurement Team should, when updating the contracts register to the 'compliant' column, ensure that Directorates upload their signed contract and relevant authorisation at the same time as evidence that the contract is indeed compliant.
Management Response		Responsible Officer	Deadline
CPT will implement a process to check that new contracts are signed and uploaded with authorisation documentation in the correct place in the repository by the Service Areas.		Head of Procurement	December 2012

## 2.4 Vendor limits

P	Detailed finding	Risk	Recommendation
2	<p>We selected a sample of eighteen vendors from the Contracts Register, and reviewed their vendor limits on SAP, to assess if there was a limit in place and if it was compliant with the contract value/CPR thresholds. For three of our sample (17%), we found the following:</p> <ul style="list-style-type: none"> <li>In one instance, there had been no request from service area to set up a vendor limit and the Corporate Procurement Team informed us that therefore there could be no spend under this contract as it would be impossible to raise a Purchase Order. However, when we checked, there is spend for 12/13 with the organisation in question which has come through the Works Order Management System (WOMS), which currently has not been included within monitoring reports from CPT.</li> </ul> <p>Two issues reflected data quality issues with the current contracts register:</p> <ul style="list-style-type: none"> <li>One has no contract and therefore a vendor ID could not be set up. However, the contract is listed on the contract register as compliant when it is in fact non-compliant. As such there is no vendor limit but also no vendor on the system as yet.</li> <li>One contract had expired by the time</li> </ul>	<p>If the information on the Contracts Register is not up-to-date, the Council cannot have clear oversight of all of its contractual relationships and obligations.</p> <p>If spend can be incurred without a vendor limit existing in SAP, there is a risk of overspend on contracts.</p> <p>If the CPT are not monitoring all systems which authorise spend, there is a risk of the CPRs being circumvented, or of aggregate spend breaching procurement thresholds.</p>	<p>The Corporate Procurement Team should:</p> <ul style="list-style-type: none"> <li>Ensure the quality of the Contracts Register by regularly sampling contracts and referring any issues of non-compliance back to Directorates, escalating to Assistant Directors where non-compliance is ongoing.</li> <li>Review all routes of spending, and ensure that controls are in place to prevent unauthorised spend and overspend against contracts.</li> </ul>

Cross Cutting – Procurement Controls and Monitoring Action Plan

	the vendor limits were set up but was still on the Contracts Register.		
Management Response		Responsible Officer	Deadline
	<p>With the help of the Service Areas, CPT will carry out a cleansing of the contract register to remove expired contracts. Implementation of the process mentioned in the previous response will ensure quality of the Register going forward.</p> <p>A review of all systems including the Works Order Management System (which is an engineering planned maintenance system for small work orders) is being undertaken and appropriate reports and mechanisms will be put in place.</p>	Assistant Director Service Areas  Head of Procurement	December 2012  February 2013

## 2.5 New Vendors – data quality issues

P	Detailed finding	Risk	Recommendation
3	<p>A sample of eight new vendors created since the last review in April 2012 was tested to assess if they have undergone appropriate due diligence before being added to SAP, and confirm if they have been appropriately authorised as vendors in SAP. The following was noted:</p> <ul style="list-style-type: none"> <li>One form had been signed by a former member of the Corporate Procurement Team (CPT) acting-up as the “Responsible Assistant Director”: however the same officer had signed the same form as the “Approval signature from CPT”. The form was accepted and processed by CPT and the vendor added to SAP.</li> <li>Although the remainder of the forms were appropriately authorised, there were omissions on five (63%) of the forms which we reviewed, including contract dates, VAT number, insurance number, financial viability testing and bank details, as such the control was ineffective.</li> <li>Contract authorisation via DPR or CRC is requested by the New Vendor Form, but the wrong authorisation in support of the contract was provided to us in three (38%) instances within the sample. The authorisation did however exist.</li> </ul>	<p>The Council may incur costs to a vendor who has not been appropriately authorised before being added to SAP. If forms are processed without appropriate authorisation, or if separation of duties is inadequate, there is a risk that the CPRs will be circumvented, that the Council will incur unauthorised spend and that systems will become vulnerable to fraud.</p> <p>If information is omitted from or contract authorisations is not attached to the New Vendor Form, the Corporate Procurement Team cannot be satisfied with regards to compliance with the CPRs.</p>	<p>All New Vendor Forms should be fully completed, appropriately authorised and evidence of contract authorisation provided prior to their addition to SAP. Forms which are not submitted to the Corporate Procurement Team as such should be rejected and returned to Directorates.</p>

Management Response	Responsible Officer	Deadline
<p>There was good system control and all values on the forms reconciled with the contract value on SAP; however the paper based process needs to be reviewed, optimised and unnecessary detail removed.</p>	Head of Procurement	December 2012

## 2.6 Corporate Oversight – Vendor Spend

P	Detailed finding	Risk	Recommendation
2	The Corporate Procurement Team (CPT) procedure requires that in the first ten working days of every month CPT will send monthly spend analysis to Directorates. We asked to review vendor spend reports since June 2012 to assess whether these had been produced and distributed in accordance with procedures. We found that information was being produced on a quarterly basis and disseminated and presented to Directorates in meetings. However, quarter one (April, May, June) was sent in August and quarter two (July, August, September) was sent in November.	The Council may not be able to appropriately monitor spend if monthly spend analysis is not sent to Directorates in a timely manner.	The Corporate Procurement Team should send monthly spend analysis to Directorates in the first ten working days of every month, as per their procedure.
Management Response		Responsible Officer	Deadline
Data is available and shared with Directorates in meetings; however CPT will make sure that spend data is sent within the first ten working days in future.		Assistant Director Commercial Assurance	December 2012

## 2.7 Contract Procedure Rules (CPRs) Training: Launch status and training contents

P	Detailed finding	Risk	Recommendation	
3	We reviewed the launch status and take up for the contract management training and found that 140 officers have passed the Council's on-line Contract Management Training, and a further 23 have attended workshops run by the Corporate Procurement Team, representing 90% of contract managers. However, there remain 17 contracts responsible officers on the contracts register who have not completed the Contract Management Training.	Training may not be delivered in a timely manner to all required staff members, to enable the appropriate procurement route to be followed.	<p>Directorates should ensure that officers responsible for the management of contracts undertake and pass the related tests within the Contract Management e-learning training prior to assuming responsibility for contracts.</p> <p>The Corporate Procurement Team should monitor the contracts register to ensure that all contracts responsible officers undertake the Contract Management Training, reporting to Assistant Directors where there are any issues.</p>	
Management Response			Responsible Officer	Deadline
<p>All contract managers on the Contract Register took the e-Learning training and passed the test. CPT will monitor the Contract Register but will also rely on Service Areas to ensure that all new contract managers take and pass the training course before being allowed to become operational. CPT has already started to roll out a workshop based training session which compliments the e-Learning.</p> <p>Those who have not had the training at the time of the audit have now been trained.</p>			Assistant Directors – Service Areas Head of Procurement	January 2013 
				Complete.

## **Appendix A: Statement of Responsibility**

We take responsibility for this report which is prepared on the basis of the limitations set out below.

The matters raised in this report are only those which came to our attention during the course of our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of internal audit work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices. We emphasise that the responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by internal audit should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity. Auditors, in conducting their work, are required to have regards to the possibility of fraud or irregularities. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud. Internal audit procedures are designed to focus on areas as identified by management as being of greatest risk and significance and as such we rely on management to provide us full access to their accounting records and transactions for the purposes of our audit work and to ensure the authenticity of these documents. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system.

## Appendix B: Guide to assurance and priority

The following is a guide to the assurance levels given:

	Substantial Assurance	There is a sound system of internal control designed to achieve the system objectives. The control processes tested are being consistently applied.
	Satisfactory Assurance	While there is a basically sound system of internal control, there are weaknesses, which put some of the client's objectives at risk. There is evidence that the level of non-compliance with some of the control processes may put some of the system objectives at risk.
	Limited Assurance	Weaknesses in the system of internal controls are such as to put the client's objectives at risk. The level of non-compliance puts the system objectives at risk.
	No Assurance	Control processes are generally weak leaving the processes/systems open to significant error or abuse. Significant non-compliance with basic control processes leaves the processes/systems open to error or abuse.

Priorities assigned to recommendations are based on the following criteria:

**High (1)** – Fundamental issue where action is considered imperative to ensure that the Council is not exposed to high risks; also covers breaches of legislation and policies and procedures. Action to be effected within 1 to 3 months.

**Medium (2)** – Significant issue where action is considered necessary to avoid exposure to significant risk. Action to be effected within 3 – 6 months.

**Low (3)** – Issue that merits attention/where action is considered desirable. Action usually to be effected within 6 months to 1 year.

## Appendix C: Achievement against Procurement Controls and Monitoring Action Plan

The Procurement Controls and Monitoring Action Plan is outlined below with the results of work performed in November 2012. This has been documented to confirm the Operating Effectiveness (are controls working) of controls and the Control Design (are controls mitigating the risk) and has been colour coded to illustrate the completion and risk still arising in these areas. This is reflective of the recommendations raised above in the body of this report and the assurance ratings provided in the key findings of this report.

The results of this audit are colour coded based on the testing performed, in line with previous measurement of achievement against the Action Plan. Previously the report issued in December 2011 rated the action plan only on Control Design as they had not been in place for a sufficient amount of time to test whether the control were operating effectively. We would expect operating effectiveness to embed over at least a 12 month period. Since the previous report we have reviewed the seven (7) outstanding areas from the last review. At the time of our last review there were three areas rated as amber, one now remains amber and the others have moved to green. For operating effectiveness, there were five areas rated as amber and one as red in April 2012. Fours areas remain rated as amber, but one red area has now moved to amber, with another area which was amber moving to green.

Recommendation	Risks	Previous Assessment by Internal Audit (December 2011)	Previous Assessment by Internal Audit (April 2012)	Work Performed (November 2012)	Control Design	Operating Effectiveness
Contract Procedure Rules (CPRs) should be followed by all services to procure works, supplies and services.	The Council could be exposed to unnecessary risk, financial loss and likelihood of challenge arising from non compliant tendering activity.	Training has been arranged however low attendance noted and a number of sessions were cancelled due to sickness absence. Mop up sessions have been arranged by CPT covering those staff not previously trained, non attendance to result in functionality in SAP being switched off.	Internal Audit will obtain a listing of new contracts entered into since September 2011 and on a sample basis ensure that Contract Procedure Rules have been adhered to.	Internal Audit will obtain a listing of new contracts entered into since April 2012 and on a sample basis ensure that Contract Procedure Rules have been adhered to.	No issues noted. <u>GREEN</u>	No Issues noted for new contracts.  <u>From AMBER to GREEN</u>

Recommendation	Risks	Previous Assessment by Internal Audit (December 2011)	Previous Assessment by Internal Audit (April 2012)	Work Performed (November 2012)	Control Design	Operating Effectiveness
A SAP solution should be explored by Corporate Procurement team to enter vendor limits in accordance with the contract procedure rules thresholds.	Non-approved or vetted contractors/suppliers could expose the Council to financial loss and reputation damage.	<p>System improvements not requiring re-programming identified. Logica proposal received for Business Warehouse reporting enhancements.</p> <p>Solution will not be received for another 12 weeks; therefore interim solution needs to be determined. IS has developed reports for use in Services - 1) purchase order report, 2) Block vendor set-up and 3) aggregated spend, these can all be used by services now.</p> <p>How-to guides and training needs to be developed around these reports.</p>	<p>Internal audit will obtain a listing of contracts that were non compliant in August 2011, and assess if they are now compliant with Contract Procedure Rules.</p> <p>We will also select a sample of vendors from the contract register, and review their vendor limits on SAP, to assess if there is a limit in place and if it is compliant with the contract value / contract procedure rules thresholds.</p>	<p>Internal audit will obtain a listing of contracts that were non compliant in April 2012, and assess if they are now compliant with Contract Procedure Rules.</p> <p>We will also select a sample of vendors from the contract register, and review their vendor limits on SAP, to assess if there is a limit in place and if it is compliant with the contract value / contract procedure rules thresholds.</p>	<p>Spend against a contract can still occur regardless of a vendor limit being in place, due to spend made within the Works Order Management System (WOMS) feeding into SAP.</p> <p>See <b>Finding 2.4</b> for detail.</p> <p><b><u>REMAINS AMBER</u></b></p>	<p>Two (14%) of our sample of contracts tested remained non-compliant in that one did not have a final signed contract available for inspection and one could not demonstrate authorisation.</p> <p>See <b>Finding 2.2</b> for detail.</p> <p><b><u>REMAINS AMBER</u></b></p>
Formal written contracts should be established for all services commissioned by the Council as	There is a risk that the Council may not receive the service required or will be unable to recover damages for works	Institute key control whereby new vendor records cannot be set up without confirmation of Contract Procedure	We will obtain a listing of new vendors created since the last review in August 2011. We will	We will obtain a listing of new vendors created since the last review in April 2012. We will	No issues noted.	<p>One (13%) of eight forms tested was not appropriately authorised and there were omissions on five (63%) other forms.</p> <p><b><u>REMAINS GREEN</u></b></p>

Recommendation	Risks	Previous Assessment by Internal Audit (December 2011)	Previous Assessment by Internal Audit (April 2012)	Work Performed (November 2012)	Control Design	Operating Effectiveness
required by the Contract Procedure Rules.	<p>not carried out or for breach in the event of the dispute if terms are not formally agreed and clearly defined contracts are not in place</p> <p>The absence of a written contract results in more resource intensive efforts to understand contract arrangements in place.</p>	<p>Rules (CPR) compliance.</p> <p>Procurement now authorise and set up all new vendor requests</p>	<p>select a sample to test if they have undergone appropriate due diligence before being added to SAP, and confirm if they have been appropriately authorised as vendors in SAP.</p>	<p>select a sample to test if they have undergone appropriate due diligence before being added to SAP, and confirm if they have been appropriately authorised as vendors in SAP.</p>		<p>See Finding 2.5 for detail.</p> <p><b><u>REMAINS AMBER</u></b></p>
All directors should maintain a complete register of contracts as required by the current Contract Procedure Rules (CPR). This should assist with the completion of a Corporate contract register, which should be placed on the Council's internet to meet the transparency agenda.	<p>There is a risk that failures to comply Contract Procedure Rules may not be identified, that the Council may not be able to work collaboratively with other local authorities on procurement initiatives and ineffective budget planning.</p>	<p>All schemes of delegation received from all directorates. As per the financial regulations each Corporate Director is required to maintain a scheme of financial delegation in accordance with the minimum standards as determined by the Chief Finance Officer as Section 151 Officer or Nominated Deputy, and which accords to the</p>	<p>As this recommendation was fully implemented in December we will not cover this as part of our review.</p>	N/A		<p>Satisfactory Assurance was given in this area previously and has not been reviewed in this audit.</p>

Recommendation	Risks	Previous Assessment by Internal Audit (December 2011)	Previous Assessment by Internal Audit (April 2012)	Work Performed (November 2012)	Control Design	Operating Effectiveness
		financial limits included within the overall scheme of delegation and contract rules. Schemes of delegations were formally approved.  Internal audit reviewed 20% of each Directorate's contract register and agreed to a valid contract and that there was an audit trail, i.e. for each contract the contract was either obtained in a central location either in hard copy or soft copy. This would have been collated as part of the quality assurance procedures of each Directorate. All Directorates who were found not to have an audit trail were requested to re-submit quality assurance statements.				

Recommendation	Risks	Previous Assessment by Internal Audit (December 2011)	Previous Assessment by Internal Audit (April 2012)	Work Performed (November 2012)	Control Design	Operating Effectiveness
Corporate Procurement should undertake an oversight function to ensure that contracts are in place where expenditure in Services exceeds the stipulated Contract Procedure Rules (CPR) thresholds. Complete and accurate Directorate contract registers should enable this monitoring to take place.	There is a risk that failures to with comply Contract Procedure Rules (CPR) may not be identified, that the Council may not be able to work collaboratively with other local authorities on procurement initiatives and ineffective budget planning.	Completeness checking is still ongoing by Corporate Procurement Team. A monitoring role has been established by Corporate Procurement that has been process mapped this is to be rolled out to services so that expectations are clear.  Protocol for the repository has been determined and sent to Services as agreed process, some contracts have been sent for inclusion on repository however not entirely complete.	We will review vendor spend on SAP across Directorates to identify any vendors for whom the total spend is over the amount specified in the Contract Procedure Rules, and check to see if they are included on the contract register.  We will review the data on the Corporate Repository held in Legal to assess if this is consistent with Directorate information and that all contracts have been uploaded in line with the Chief Executive's request.	We will review vendor spend reports since June 2012 and ensure these are distributed with the services in accordance with procedures.  We will review the data on the Corporate Repository to assess if this is consistent with Directorate information and that all contracts have been uploaded as on the contracts register.	No issues noted.  <u><b>From AMBER to GREEN</b></u>	The monthly vendor spend reports have not been produced and circulated on a timely basis.  See <b>Finding 2.6</b> for detail.  <u><b>REMAINS AMBER</b></u>
A fit for purpose contract service specification	Complete tendering of corporate security contract in line with	Tender exercise for Security Services underway and	As this was confirmed at the last review we will		Satisfactory Assurance was given in this area previously.	

<b>Recommendation</b>	<b>Risks</b>	<b>Previous Assessment by Internal Audit (December 2011)</b>	<b>Previous Assessment by Internal Audit (April 2012)</b>	<b>Work Performed (November 2012)</b>	<b>Control Design</b>	<b>Operating Effectiveness</b>
should be developed for tender evaluation purposes and monitoring service delivery.	Contract Procedure Rules (CPR).	progressing. Tenders received and are been evaluated.	not be reviewing this area.			
The Corporate Procurement Team should establish a process for identifying and monitoring expenditure by category by service across the Council to ensure that current levels do not exceed Contract Procedure Rule limits.	In the absence of an effective monitoring and analysis process there is a risk of non compliance with the Council's procurement policies which may then prevent the Council from achieving value for money.	There has been guidance issued on how the Director of Commercial Services will carry out monitoring expenditure by category in the interim whilst reporting enhancements are pending.  However these arrangements are not considered embedded.	We will review the protocol for monitoring spend in each Directorate to confirm whether it is consistently applied and in line with corporate procurements planned approach.  We will discuss with management the process for monitoring Commercial Services expenditure, and review evidence of this occurring.		Satisfactory Assurance was given in this area previously.	
Independent checks of amendments to key Vendor Master Data records, such as bank data, should be	Without evidencing the checks necessary for setting up new Vendors, and without following the standard practices	Master file vendor approval form updated to include additional checks. VAT and company details checked for all new vendor requests	We gave satisfactory assurance during the accounts payable audit and therefore will not be reviewing this area		Satisfactory Assurance was given in this area previously.	

Recommendation	Risks	Previous Assessment by Internal Audit (December 2011)	Previous Assessment by Internal Audit (April 2012)	Work Performed (November 2012)	Control Design	Operating Effectiveness
undertaken routinely for an appropriate number of records. Checks should ensure that appropriate checks are made to confirm details and validity of the requested changes from related parties. Management should retain all supporting data for vendor set-up and amendment checks. In particular, necessary records to confirm the checks undertaken for amendments for key data fields, such as Bank details, should be retained.	for verifying change requests, there is a significant risk of inappropriate payments to an invalid vendor resulting in financial losses to the council.	prior to approval and set up. The Accounts Payable audit included within the scope to review all of these areas to give assurance that this control was implemented, PwC reviewed these processes and confirmed as implemented.	in this audit.			
There should be a review carried out to calculate the exact figure the	Non-compliance with the Financial Regulations requirement to pay	HMRC were sent all invoices pertaining to the Metpro companies for them	As satisfactory assurance was given in these areas following the		Satisfactory Assurance was given in this area previously.	

Recommendation	Risks	Previous Assessment by Internal Audit (December 2011)	Previous Assessment by Internal Audit (April 2012)	Work Performed (November 2012)	Control Design	Operating Effectiveness
<p>Council has overpaid VAT on this vendor, and immediately contact HMRC.</p> <p>Officers should, as standard, refer all name changes on supplier's invoices to the Central Procurement Team who should obtain the advice of the VAT officer for confirming compliance with the VAT regulations before a change can be processed.</p> <p>Training provided to officers should focus on the implications of name changes on supplier's invoices and how those should be addressed for the purpose of compliance with the HMRC's VAT requirements.</p>	<p>valid VAT invoices can result in the Council facing penalties for the over-recovery of output VAT.</p>	<p>to independently review VAT compliance. They confirmed that these were compliant for VAT purposes.</p> <p>Reviewed as part of accounts payable audit and achieved satisfactory assurance.</p> <p>Training was given to Finance staff specifically by the VAT officer. VAT was included within training however as mentioned above overall training needs completion by those in scope.</p>	<p>accounts payable audit we will not be reviewing these areas in this audit.</p>			

Recommendation	Risks	Previous Assessment by Internal Audit (December 2011)	Previous Assessment by Internal Audit (April 2012)	Work Performed (November 2012)	Control Design	Operating Effectiveness
Contract extensions should be undertaken in line with Contract Procedure Rules (CPR) requirements.  Changes to conditions of service should be formally documented for referral by all parties who may be required to certify delivery and payment.	In the absence of formal extensions to contracts, value for money opportunities may be lost.  The lack of formal records of variation to terms increases the risk that incorrect charging may not be identified and addressed.	All service now have a contracts register, with quality assurance on-going and actions plans now in place. All action plans have varying degrees of delivery for compliance; this is subject to weekly reporting.	We will review a sample of contract extensions made since August 2011 and assess if they comply with Contract Procedure Rules.		Satisfactory Assurance was given in this area previously.	
Standard practice should be re-enforced throughout the Council, specifically:  Changes to contract terms should be formally approved and documented for referral by those involved in certifying delivery per invoice;  Invoices should be	There is a risk that invoices may be paid which are not in line with authorised service conditions and that have not been confirmed as being a liability of the Council.	All services were advised of changes in processes for having approval of invoices, requiring a purchase order. We reviewed arrangements prior to, and after, August when the changes took place. Within the Internal Audit sample there was a 33% improvement in retrospective orders from pre to post	We will inquire as to the procedures in place to review retrospective order reports, the frequency of monitoring these reports, and the compliance of this control across Directorates. We will review current retrospective order reports to assess direction of travel at a Directorate level since April 2012.	We will inquire as to whether there was any update of procedures for retrospective orders. We will review current retrospective order reports to assess direction of travel at a Directorate level since April 2012.	No issues noted.  <b><u>REMAINS GREEN</u></b>	The direction of travel is good in that Directorates are on the whole raising less retrospective Pos.  <b><u>AMBER TO GREEN</u></b>

Recommendation	Risks	Previous Assessment by Internal Audit (December 2011)	Previous Assessment by Internal Audit (April 2012)	Work Performed (November 2012)	Control Design	Operating Effectiveness
<p>initiated as evidence of confirmation of service delivery in line with current terms and calculation check;</p> <p>Supporting documentation should be provided to evidence service delivery;</p> <p>Delivery should be confirmed with officers who are able to comment on delivery as part of their respective role; and</p> <p>Purchase orders should be approved and before delivery of the service to ensure that expenditure is valid and in line with agreed terms.</p>		<p>August. Whilst this Direction of Travel is positive there will need to be focus by Services to reach the desired compliance with Financial Regulations. Reports are prepared for management to investigate non compliant with financial regulations. We will continue reporting back to the Audit Committee on this aspect.</p> <p>The goods receipt system is a three way match between order, invoice and goods receipt note. This process negates a need to physically note on invoices service delivery.</p> <p>Invoices cannot be paid on SAP unless there is a three way match between invoice, order and goods receipt note. This was tested</p>	a Directorate level.			

Recommendation	Risks	Previous Assessment by Internal Audit (December 2011)	Previous Assessment by Internal Audit (April 2012)	Work Performed (November 2012)	Control Design	Operating Effectiveness
		satisfactorily in recent review of accounts payable.				
<p>Directors/Heads of Service must ensure that systems are in place to manage and monitor contracts.</p> <p>Tasks:</p> <p>All contracts to be monitored, with arrangements documented in service schemes of delegation.</p> <p>Directors to report compliance with scheme of delegation through monthly performance monitoring process.</p> <p>Performance monitoring - Format and to whom this should be reported to be determined.</p>	<p>The lack of contract monitoring arrangements generally increases the risk that failures in service delivery may not be identified, that service delivery may not be optimised and failures in regulatory compliance which may expose the council to financial and reputation risk may not be identified.</p>	<p>All Services have a Scheme of Delegation in place, however they have only recently received guidance on expectations on contract management and monitoring. Training discussion is taking place on what is expected of Directors and Assistant Directors. Directors and Assistant Directors, since July, are monitoring contracts through their monthly monitor. Reports on spend is currently being undertaken on a ad hoc basis, guidance has established what is the best practice will be going forward but this has not been in place for enough time for us to sufficiently assure</p>	<p>We will review the Contract Management e-learning package, which has been developed to assist in managing and monitoring contracts, to assess if it is meeting its objectives.</p> <p>We will also review the launch status for this package to assess if it is appropriately timed and there is sufficient take-up across the Council.</p>	<p>We will review the launch status and take up for the contract management training and on a sample basis consider information retained by services to demonstrate good contract management based on the risk related to that contract.</p>	<p>No issues noted. <u><b>AMBER to GREEN</b></u></p>	<p>On-line contract management training has been rolled out, as well as CPR workshops. However, out of 157 contract managers there are 17 contract managers who have had no training.</p> <p>See <b>Finding 2.7</b> for detail.</p> <p><u><b>RED TO AMBER</b></u></p>

Recommendation	Risks	Previous Assessment by Internal Audit (December 2011)	Previous Assessment by Internal Audit (April 2012)	Work Performed (November 2012)	Control Design	Operating Effectiveness
Contract monitoring - Guidance and training required for contract monitoring to be put in place		ourselves it is embedded.				