

## Final Internal Audit Report

# ESFRS – Delegated Financial Management (Contracting & Procurement)

## 2012/13

<b>Final Report To:</b>	Richard Charman – Director of Financial Services Duncan Savage - Treasurer Warren Tricker – Strategic Finance and Procurement Manager
<b>Draft Report To:</b>	Duncan Savage, Treasurer Warren Tricker – Strategic Finance and Procurement Manager
<b>Report Date:</b>	March 2013
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<b>Assignment Reference:</b>	R1-019-06
<b>Document Version:</b>	Final

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## **1 INTRODUCTION**

1.1 The review of the East Sussex Fire and Rescue Services (ESFRS) contracting and procurement system has been completed as part of the agreed annual audit plan for 2012/13. This report aims to provide assurance on the overall adequacy and effectiveness of the controls within the system and identifies areas of concern or weakness where improvements can be made.

### **Background Information**

1.2 The Authority spends around £15million p.a. on procuring goods, services and works.

1.3 ESFRS has in place a Commissioning and Procurement Strategy which helps to ensure all officers involved in contracting and procurement are consistent in their procedures and that they comply with other policies such as Contract Standing Orders (CSOs). One of the main objectives of this document is to prevent goods and services being procured without proper organisational checks, risk assessments and certification.

1.4 ESFRS has a central procurement team, which is headed by the Strategic Finance and Procurement Manager. The team is supported by the Procurement Contracts & Insurance Manager, a part-time Procurement Officer, 2 part-time Procurement Assistants and 2 Service Support Operatives.

1.5 The procurement team provides advice and support on general procurement issues to all staff involved with procurement activities. Their responsibilities include:

- Advising on forms of contracts and procurement options.
- Preparation of tender documents and specifications.
- Ensuring compliance with Contract Standing Orders and procurement statutory obligations.
- Supporting the periodic review of the Procurement Strategy, Contract Standing Orders and Financial Regulations.

## **Audit Approach and Scope**

- 1.6 As part of planning this review, we obtained a list of all payments made by the Authority during the period 1 April 2011 to 31 December (18 months). Due to the high volume of data, we focused our analytical review on payments made to suppliers with cumulative amounts exceeding £25k.
- 1.7 In selecting our audit sample, we compared the suppliers in our list to the Authority's Contracts Register to establish whether they had been awarded contracts and/or been subject to competitive tender.
- 1.8 We selected 10 contracts for detailed testing and these covered a variety of tendering options and contract values. For each contract we checked that the Authority's procurement procedures were being complied with and that robust contractual arrangements were in place.
- 1.9 This report is written on an exception basis whereby only control weaknesses have been reported. However, if a finding is considered to be of low risk and has already been discussed and resolved with the client then it is not included in this report.
- 1.10 Management should note that in the case of any three star (high risk) recommendations issued in this report, implementation will be monitored by Internal Audit on a regular basis and that, where actions are not addressed within the agreed timescales, this will be reported to the Corporate Management Team and the Scrutiny and Audit Panel.
- 1.11 It is management's responsibility to consider the extent to which any of the issues and risks raised in this report should be reflected within divisional, departmental or corporate risk registers.

## 2 Executive Summary and Audit Opinion

2.1 Based on the work completed as part of this review, we are able to provide the following opinion over the control framework:

Audit Opinion			No Assurance	Minimal Assurance	Partial Assurance	Substantial Assurance	Full Assurance
Direction of Travel				<b>X</b>			
Improved	Unchanged	Reduced					
<b>N/A first review</b>							
<b>Key Findings</b>							
<p>Based on the audit work completed, we are only able to provide an opinion of <b>minimal assurance</b>. This is due to there being weaknesses in the system of control that put the system objectives at risk. Failure to improve will lead to an increased risk of financial loss to the Authority.</p> <p><b>Supplier Contracts</b></p> <p>Our primary finding is that we cannot provide assurance that contracts are in place with all suppliers as appropriate. This is mainly because we identified 13 suppliers (with total payments of £2.4million) where no contract could be located. This is a breach of the Authority's Contract Standing Orders and, in some cases, of EU procurement regulations. Our assessment that contracts should have been in place is based on the fact that each of these suppliers received large volumes of orders, with the minimum accumulated spend amounting to £35k and the largest £550k. Where no formal contract is in place, there is a risk that the Authority may enter into purchases for goods, works or services which do not meet the specified level of service or quality, or represent value for money. Further, the Authority may not be able to adequately resolve disputes should they occur.</p> <p><b>Procurement Spend Analysis</b></p> <p>The Authority does not monitor procurement spend by category (supplier group or commodity), and it does not routinely check if payments made to suppliers are exceeding agreed contract values. Whilst we could not find any evidence that this has had implications for the monitoring of individual project budgets (because the costs were accurately coded to various SAP cost centres</p>							

and then monitored accordingly), it increases the risk that the Authority is not achieving good value for money because it may not be tendering based on the correct level of spend. Further, it increases the risk that potential breaches of EU procurement regulations and the Authority's Contract Standing Orders are not identified.

### **Contract Documents**

Procurement and contract management files lack important documents which have prevented us from being able to provide assurance that many key controls are being complied with. We could not establish if the files were not being routinely updated, or if the documents were not in place. However, further investigation confirmed that there were a number of documents that could not be found by contract officers and, of documents that were in place, these had not been fully or accurately completed.

The other key findings from this review are:

- The Commissioning & Procurement Strategy does not provide adequate guidance on the required procurement activities, procurement action plans or the procurement management structure. This increases the risk that procurement activities do not always support the delivery of the Authority's strategic objectives.
- Option appraisals are not being completed prior to the procurement of goods, works and services. This has potential effect that not all procurement decisions made by the Authority have been based upon fully informed and robust decisions.
- Procurement strategies, setting out the most appropriate procurement route, are not being routinely completed prior to procurement exercises. We were therefore unable to obtain documentary evidence that outlined the reason for the procurement exercises in our testing sample and assurance cannot be given that adequate controls are in place to ensure best value is always achieved.
- As required by Contract Standing Orders, preferred bidders are not always being signed off by an appropriate officer. This has implications in terms of promoting transparency, objectivity and non-discrimination.
- No evidence that post contract review/lessons learnt are undertaken at the end of each procurement exercise.

Following the completion of our audit work, we understand that a number of improvements have been made to strengthen arrangements since 2012, including updating Contract Standing Orders and associated processes to provide more transparency and accountability. A training programme which focuses on project management, procurement and contract management

requirements has been rolled out to staff. The Procurement Team has been restructured and a new qualified Procurement Manager is now in post and is working closely with key commissioners and budget managers, offering procurement advice and support.

Control Objective	System Status	Compliance Status	Recommendations Raised		
			***	**	*
There is an approved and communicated strategy, policy and procedures for procuring goods and services.	Green	Green	0	1	0
Procurement practices are compliant with policies, procedures and legislative requirements e.g. compliant contracts are in place for all major expenditure.	Amber	Red	3	4	0
Contracts are monitored appropriately in line with procurement procedures/legislation and goods and services are received in line with contract deliverables.	Green	Amber	1	0	1



## 2 Issues Arising, Recommendations and Management Comments

Ref	Issue/Risk	Action	Risk Rating	Action Agreed
<b>Commissioning &amp; Procurement Strategy</b>				
1.	<p>A Procurement Strategy should set out a clear framework for all procurement activities carried out with an organisation, and it should support the development of a longer term vision of how procurement can help deliver its keys aims and objectives.</p> <p>In checking the ESFRS Commissioning and Procurement Strategy 2012/15, we found that it contained no details or guidance on:</p> <ul style="list-style-type: none"> <li>• Current or planned procurement activities (e.g. spend analysis)</li> <li>• Procurement action plans, including objectives and performance measures.</li> <li>• The procurement leadership and management structures (responsibilities for purchasing and managing contracts).</li> </ul> <p>Without a robust procurement strategy, there is a risk that procurement activities will not support the delivery of the Authority's strategic objectives.</p>	<p>The Authority's Commissioning and Procurement Strategy should be reviewed to ensure it fully supports the ESFRS long term procurement aims and objectives.</p> <p>Specifically, it should provide details and guidance on:</p> <ul style="list-style-type: none"> <li>• Spend Analysis.</li> <li>• All aspects of procurement performance measures.</li> <li>• The procurement leadership and management structures</li> </ul>	**	Yes
<b>Management Response</b>		<b>Responsible Officer</b>	<b>Target Date</b>	
The Authority's documentation and guidance is currently divided between four separate documents. There is an opportunity to		Procurement Manager	30 June 2014	

Ref	Issue/Risk	Action	Risk Rating	Action Agreed
	<p>update and realign these to the needs of the Authority.</p> <p>A new Procurement Strategy will be produced for the period 2014-16 and will include the areas highlighted in the recommendation and this will be supported by a forward procurement plan.</p> <p>Contract Standing Orders will also be reviewed and contracting thresholds updated.</p> <p>The Strategic Procurement Action Plan will be absorbed into the annual business plan.</p> <p>The Procurement Manual which provides guidance for officers will also be updated accordingly with appropriate briefing and training to ensure it is properly communicated to key officers.</p>			

Ref	Issue/Risk	Action	Risk Rating	Action Agreed
<b>Contract Register</b>				
2.	<p>CSO 6 (Contracts Register) requires the Authority to keep a single, corporate, electronic register to document the relevant details of all contracts awarded above £10,000.</p> <p>We identified 5 vendors that had Framework Agreements in place, but the details had not been added to the contracts register.</p> <p>If the Contracts Register is not kept up to date, there is a risk that some contracts may not be subject to the same control and accountability process as required by the approved polices.</p>	<p>The Contracts Register should be brought up to date to include all the Authority's contracts over £10,000.</p> <p>.</p>	**	Yes
<b>Management Response</b>		<b>Responsible Officer</b>	<b>Target Date</b>	
<p>The Authority will review the thresholds set out in its CSOs in line with the guidance included in "Local Transparency - A Practitioners Guide to Publishing New Contracts and Tenders Data (March 2011)".</p> <p>A more pro-active approach to maintaining the Register will be put in place supported by compliance checks based on periodic spend analysis. The Procurement Assistant responsible for maintaining the register has been nominated to attend CIPS Contract Management training to enhance their skill set.</p>		Procurement Manager	30 June 2014	

Ref	Issue/Risk	Action	Risk Rating	Action Agreed
<b>Contract documents</b>				
3.	<p>We identified a total of 13 vendors that did not have contracts in place. The total payments made to these supplier's amounted to approximately £2.4million, with the minimum accumulated spend for a supplier being approximately £35k and the maximum £550k.</p> <p>We were unable to establish reasons why there were no formal agreement/contracts in place.</p> <p>Where no formal contract is in place, there is a risk that the Authority may enter into purchases for goods, works or services which do not meet the specified level of service, quality or represent value for money. Further, the Authority may not be able to adequately resolve disputes should they occur.</p>	<p>Further analysis is required of the 13 cases identified, to determine whether these are multiple purchases of low value which have not been disaggregated, and therefore do not require a formal contract, or larger value or higher risk where a contract is necessary.</p>	***	Yes
<b>Management Response</b>		<b>Responsible Officer</b>	<b>Target Date</b>	
<p>Analysis of the 13 suppliers with no contract identified during the audit will be carried out and compliant procurement processes put in place where necessary. A broader spend analysis exercise will also be used to inform a clearer forward procurement plan which will seek to ensure the contracts are in place for all relevant spend.</p>		Procurement Manager	30 June 2014	

Ref	Issue/Risk	Action	Risk Rating	Action Agreed
<b>Category Management/Spend Analysis</b>				
4.	<p>Analysing category spend will enable the Authority to break down expenditure in to similar groups or related products or services (categories), which enable senior management to make informed decisions regarding procurement strategies and policies (e.g. reducing costs by aggregating spend and leveraging supplier markets).</p> <p>Whilst we acknowledge that the Procurement Team regularly analyse supplier spend to ensure compliance with CSO's, there are currently no procedures in place to analyse, monitor and report on the Authority's procurement spending (values and volumes) by category.</p> <p>Without effective category management information, there is a risk that unauthorised spending may not be identified and that the Authority may miss out on potential savings and procurement process efficiencies.</p>	<p>The ESFRS Procurement Team should establish procedures for collecting, identifying and monitoring procurement spend by category.</p> <p>In doing this, consideration should be given to:</p> <ol style="list-style-type: none"> <li>1. Enabling procurement officers to analyse spend across any time period, supplier group, or commodity in order to continually improve the supplier base and supplier agreements.</li> <li>2. Enabling managers throughout the Authority to identify the information which is most important to them within their span of control and have it available at all times.</li> </ol>	**	Yes
<b>Management Response</b>		<b>Responsible Officer</b>	<b>Target Date</b>	
The action is agreed and work has started on a high level analysis which will inform the new Procurement Strategy and the forward procurement plan. ESFRS have engaged the services of an external consultant to conduct a thorough examination of the Authority's spend and to work with the Procurement Manager in segmenting the Authority's spend portfolio by category and cross		Procurement Manager	30 June 2014	

Ref	Issue/Risk	Action	Risk Rating	Action Agreed
	<p>referenced according to security of supply, value and strategic importance.</p> <p>The opportunity to assign a ProClass category to vendors in SAP, our finance system, will also be explored. This will enhance our reporting capability.</p>			

Ref	Issue/Risk	Action	Risk Rating	Action Agreed
<b>Contract Spend Analysis</b>				
5.	<p>For 6 out of the 10 contracts tested, the aggregated spend with the suppliers exceeded the contract value.</p> <p>As an example, for the maintenance, servicing, inspections, repairs and renewals of appliance bay doors contract, the total spend taken from SAP since the commencement of the contract was £376,936.29 compared to the total contract value of £130,500.</p> <p>We were unable to confirm whether the additional expenditure was approved following a robust competition process, but we were advised that some was due to renewals/replacement costs which were not included as part of the initial specification. We were also informed that in some cases, the annual estimates included as part of the initial tender were not a true reflection of what was being completed each year.</p> <p>If the aggregated spend with each supplier is not routinely checked against the approved contract values, there is an increased risk of the Authority not achieving value for money, and not complying with EU procurement regulations.</p>	<p>The total spend with suppliers should be periodically checked against approved contract values and adequate evidence retained that spend in excess of the contract value was appropriately authorised.</p>	***	Yes
<b>Management Response</b>		<b>Responsible Officer</b>	<b>Target Date</b>	
There has been an element of checking spend through the quarterly transparency report on all spend over £500 which did highlight the above issue and did lead to a change in procedures.		Procurement Manager	30 June 2014	

Ref	Issue/Risk	Action	Risk Rating	Action Agreed
	However it is acknowledged that further action is required and this will form part of the new Procurement Strategy, primarily through improved spend analysis, the production of a forward procurement plan and training.			



Ref	Issue/Risk	Action	Risk Rating	Action Agreed
<b>Pre-contract option appraisal</b>				
6.	<p>In accordance with the Commissioning &amp; Procurement Strategy (Section H11 of the ESFSA Members' Handbook), management should undertake an appraisal process of the potential options available prior to the procurement of goods, services and works.</p> <p>However, for 9 out of 10 contracts, we were unable to obtain documentary evidence that an option appraisal had been undertaken.</p> <p>This increases the risk that not all procurement decisions made by the Authority have been based upon fully informed and robust evidence.</p>	To ensure that best value is achieved, all staff involved in the letting of contracts should analyse the various options available to the Authority, and objectively test their ability to deliver Best Value (commensurate to the type of and value of the contract) prior to the tender process taking place. Further, documentary evidence of this appraisal should be retained and placed on the corresponding tender file.	**	Yes
<b>Management Response</b>		<b>Responsible Officer</b>	<b>Target Date</b>	
<p>The establishment of Project Boards for key projects since 2012 has already addressed this issue for all major projects. Officer guidance and training will be reviewed to ensure that option appraisals are carried out appropriately for all procurement exercises and suitably evidenced</p> <p>The Procurement Manager is actively engaging with Department Heads, to offer guidance in this area.</p>		Procurement Manager	30 June 2014	

Ref	Issue/Risk	Action	Risk Rating	Action Agreed
<b>Contract Procurement Strategy</b>				
7.	<p>A procurement strategy should clearly document the most appropriate procurement route to use for a project, based upon project objectives, constraints (budget, timeframe, resources) and identified risks.</p> <p>In accordance CSO 12 (Choice of Procurement Method), the contract officer should consider and select the procurement method which is intended to give best value to the Authority.</p> <p>However, in testing this requirement, we were unable to obtain documentary evidence that outlined the reason for the procurement option selected for all 10 contracts.</p> <p>Assurance cannot therefore be given that adequate controls are in place to ensure best value is always achieved.</p>	<p>Prior to undertaking a tendering exercise, a procurement strategy should be created which clearly documents the rationale for the procurement route selected. Further, this should be subject to review and approval by the project sponsor/budget holder.</p>	**	Yes
<b>Management Response</b>		<b>Responsible Officer</b>	<b>Target Date</b>	
<p>Not all procurements will require a formal procurement strategy, however, the choice of procurement method must be clearly documented in line with CSO12 and this should be proportionate to the value and nature of the contract. The Procurement Manual will be updated accordingly and the requirements communicated to relevant officers.</p>		Procurement Manager	30 June 2014	

Ref	Issue/Risk	Action	Risk Rating	Action Agreed
<b>Procurement Record Keeping</b>				
8.	<p>For each contract, there should be an accurate record of all documentation so that the stages and reasoning for each event and decision are apparent.</p> <p>However, during this review, we were unable to obtain evidence to support much of our testing as key documentation was missing from contract files.</p> <p>Missing documents included:</p> <ul style="list-style-type: none"> <li>• Evidence of pre-tender estimates.</li> <li>• Evidence that the competition process has been followed.</li> <li>• Records of the delivery, opening and recording of quotations and tenders.</li> <li>• Evaluation of quotations or tenders.</li> <li>• Acceptance of quotations or tenders.</li> </ul> <p>Assurance cannot therefore be given that procurement practices are compliant with policies, procedures and legislative requirements.</p> <p>Further, without an adequate audit trail, there is a risk of potential legal action if an accusation of error, fraud or impropriety is made.</p>	<p>The Authority should maintain a complete and up to date record on the entire procurement and contract administration process (pre-tender stage, tendering stage and contract administration stage) for each contract. These should be held in an appropriate format and retained in accordance with the Authority's documentation retention policy.</p>	***	Yes
<b>Management Response</b>		<b>Responsible Officer</b>	<b>Target Date</b>	

Ref	Issue/Risk	Action	Risk Rating	Action Agreed
	<p>The new Records Management Manual, approved 22 August 2013 (FRS5.2), sets out the Authority's document retention requirements in relation to contracts and tendering. The Procurement Manual will also be reviewed to ensure that expectations for the use of standard documentation during the procurement process are clear.</p>	Procurement Manager	30 June 2014	

Ref	Issue/Risk	Action	Risk Rating	Action Agreed
<b>Contract Selection</b>				
9.	<p>In accordance with the CSO 17 (Acceptance of Quotations or Tenders), the preferred Quotation or Tender may be accepted by an officer with the necessary delegated power under CSO 8.2 (Authorised Officers).</p> <p>A review of 10 contracts identified that in 3 instances there was no documentation on the corresponding contract file, and in a 3 instances there was no evidence of appropriate sign off and approval of the preferred bidder.</p> <p>The bid evaluation methodology and approval should promote transparency, objectivity and non-discrimination. Failure to record decisions taken and the rationale behind those decisions could open the Authority up to challenge from other bidders.</p>	Staff should be reminded that a formal record should be made of the decision making process leading to the award of each contract. This document should clearly show who made the decision and the basis upon which the contract was awarded. This document should be retained on the tender file.	***	Yes
<b>Management Response</b>		<b>Responsible Officer</b>	<b>Target Date</b>	
The guidance in the Procurement Manual will be reviewed to ensure that it is clear and the requirements communicated to the relevant officers. Consideration will be given to providing templates for documenting the award of contract.		Procurement Manager	30 June 2014	

Ref	Issue/Risk	Action	Risk Rating	Action Agreed
<b>Contracts</b>				
10.	<p>CSO 18 (Contract Formalities) states that every contract shall be in writing and signed by an officer of the Authority who has the necessary delegated power under CSO 8.2 (Authorised Officers).</p> <p>As well as the 13 vendors identified in issue/risk 3 above, of the 10 contracts selected for further testing, we were unable to locate a copy of one contract.</p> <p>Without a formal written contract, there is a risk that the Authority may not be able to adequately resolve disputes should they occur.</p>	Formal written contracts should be in place for all works and services commissioned by ESFRS as required by CSO's.	**	Yes
<b>Management Response</b>		<b>Responsible Officer</b>	<b>Target Date</b>	
See R3 & R8 A number of contracts are stored on the network and consideration will also be given to storing an electronic copy of all new contracts on a central network folder available to all officers.		Procurement Manager	30 June 2014	

Ref	Issue/Risk	Action	Risk Rating	Action Agreed
<b>Contract Management</b>				
11.	<p>We reviewed 10 contract files to determine the level and type of contract monitoring activities taking place, and identified inconsistencies in the types of contract monitoring information kept.</p> <p>For some contracts we found some evidence of correspondence, minutes of meetings and customer satisfaction questionnaires etc., whilst for the others, the contract monitoring was ad hoc and we found little evidence of any documented contract meetings, performance visits, performance reports or service updates.</p> <p>There was also no evidence of any business continuity plans and arrangements, or risk management arrangements in place for any of the 10 contracts.</p> <p>Whilst we recognise that not all contracts carry an equal amount of risk or require the same level of oversight and monitoring, due to the lack of evidence, we are unable to give assurance that contracts are being monitored effectively, or in line with procurement procedures/legislation.</p> <p>Without effective contract monitoring arrangements, there is a risk that services will not be delivered to the required standard, and the Authority will not receive appropriate</p>	<p>In line with CSO 20 (Monitoring Contract Performance), Contract Managers' should ensure that there are adequate systems in place to manage and monitor contracts. These could include planned meetings with the contractor, copies of minutes and action logs, and performance reports etc.</p> <p>Further, a contract management plan could be developed for contracts which are high in value and business critical, or where a contract manager is responsible for a large number of contracts simultaneously.</p> <p>The above should be proportionate to each contract (based on such factors as financial, viability, strategic relevance etc) and where possible evidence should be obtained and held on the relevant contract file.</p>	***	Yes

Ref	Issue/Risk	Action	Risk Rating	Action Agreed
	value for money.			
<b>Management Response</b>		<b>Responsible Officer</b>	<b>Target Date</b>	
<p>The Procurement Manual will be rewritten to include specific guidance on contract management and appropriate documentation. Guidance is already in place for the evaluation of contractors' financial position and this can be expanded to include business continuity and existing business continuity plans and associated guidance. Consideration will be given to providing training and support where that is necessary including enhancement to the existing Corporate Governance Training and Delegated Financial Management training.</p>		<p>Procurement Manager</p> <p>Corporate Risk Support Manager</p>	<p>30 June 2014</p>	



Ref	Issue/Risk	Action	Risk Rating	Action Agreed
<b>Post Contract Review/ Lessons Learnt</b>				
12.	<p>We were unable to identify and obtain documentary evidence which confirms that a post contract review process or lessons learned exercise is undertaken at the end of a procurement project.</p> <p>Where lessons learnt exercises are not undertaken, there is a risk that poor practices continue, and contracts fail to be efficiently and cost effectively procured.</p>	A post contract review should be undertaken to evaluate whether the procurement process had achieved its objectives and delivered the benefits, this will also ensure that procurement processes can be developed for future procurement activities	*	Yes
<b>Management Response</b>		<b>Responsible Officer</b>	<b>Target Date</b>	
The procurement Manual will be rewritten to include specific guidance on review and could be incorporated in the contract register compliance checking.		Procurement Manager	30 June 2014	

**Acknowledgements**

We should like to take this opportunity to thank the following staff for their help and advice throughout the course of the audit:

- Bill Brewster, Head of Engineering
- Claire George, Procurement, Contracts & Insurance Manager
- Brenda Guile, Head of Information Management
- Mark Rivers, Contracts & Insurance Support Administrator
- Julian Salmon, Estates Manager
- Warrant Tricker, Strategic Finance and Procurement Manager

## Definitions of Audit Opinions

Full Assurance:	<i>There is a sound system of control designed to achieve the system objectives. Compliance with the controls is considered to be good. All major risks have been identified and are managed effectively.</i>
Substantial Assurance:	<i>Whilst there is a sound system of control, there are a small number of weaknesses which put some of the system/service objectives at risk, and/or there is evidence of non-compliance with some controls. Opportunities to strengthen control still exist.</i>
Partial Assurance:	<i>Controls are in place and to varying degrees are complied with, but there are gaps in the control process which weaken the system. There is therefore a need to introduce additional controls and/or improve compliance with existing controls to reduce the risk to the Authority.</i>
Minimal Assurance:	<i>Weaknesses in the system of control and/or the level of compliance are such as to put the system objectives at risk. Controls are considered to be insufficient with the absence of at least one critical or key control. Failure to improve will lead to an increased risk of loss or damage to the Authority.</i>
No Assurance:	<i>Control is generally weak or non-existent, leaving the system open to significant error or abuse and high risk to the system or service objectives. A high number of key risks remain unidentified and/or unmanaged.</i>

## Recommendations Risk Ratings

A three star rating (***):	<i>Applies to audit findings which are considered to relate to weaknesses in a fundamental control or high risk area and require urgent action by management.</i>
A two star rating (**):	<i>Applies to weaknesses in the control system which are not considered serious, but still represent a risk and need to be addressed within a reasonable period.</i>
A one star rating (*):	<i>Given in respect of findings which, although relatively minor and low risk, provide an opportunity to improve the control framework.</i>

**Control Objectives**

The key control objectives of this audit were to ensure that:

- There is an approved and communicated strategy, policy and procedures for procuring goods and services.
- Procurement practices are compliant with policies, procedures and legislative requirements e.g. compliant contracts are in place for all major expenditure.
- Contracts are monitored appropriately in line with procurement procedures/legislation and goods and services are received in line with contract deliverables.

Appendix B

Vendors with spend but no contract identified in Recommendation 3

Updated position April 2014

Vendor Name	Spend 2013/14 £	Invoice numbers	Spend 2012/13 £	Invoice numbers	Total Payments on SAP	Proclass Category	Description of spend	Current position
Mason IT	20,596	1	146,757	11	555,150	ICT	IMD network infrastructure contractor / reseller	No further spend - no action required
Allstar Business Solutions	45,841	17	73,063	25	510,861	Vehicles Not Buses	Fuel Cards	Vendor is accessed under compliant framework RM536 - no action required
Lima Networks Ltd	6,801	1	111,833	25	223,951	ICT	IMD network infrastructure contractor / reseller	No further spend - no action required
Opinion Research Ltd	4,221	3	53,527	7	256,731	Facilities Management	Research and consultation	Vendor is accessed under compliant framework - no action required
PCI Comms Ltd	10,575	1	23,412	8	180,882	Facilities Management	IMD network infrastructure contractor / reseller	No further spend - no action required
Ripley Auto Spares Ltd	15,800	7	32,280	12	204,544	Vehicles Not Buses	Provision / disposal of scrap cars for training	Spend in excess of CSO and EU threshold - given nature of market for this service risk of challenge believed to be low. Arrangement to be reviewed with Learning & Organisational Development as part of forward procurement plan. L&OD are currently consulting on a draft specification, for an imminent tender exercise.
Huntress Search Ltd	9,785	22	30,320	62	65,120	Human Resources	Permanent / temporary staffing	Spend in excess of CSO threshold but covers a range of appointments. Further assessment to be carried out with HR of spend with all agencies to assess options for formalising procurement arrangements via a framework.
Decorpanel Ltd	10,902	2	13,082	2	103,437	Building Construction Materials	provision of scrap wood for live fire training	Ongoing low level annual spend - review with Learning & Organisational Development to discuss future needs / options.
Bond Solon Training Ltd	4,347	2	27,505	16	88,179	Education	Legal training and information	Variable levels of spend primarily for advocacy training. Likely to be covered through new regional training framework contract being let by Royal Berkshire which we are participating in.
Survitech Service and Distribution	2,627	11	16,325	17	44,528	Health and Safety	Marine and industrial safety equipment	Recent spend below CSO threshold - no action required
Calyx	9,769	3	15,630	4	50,789	ICT	ICT and cloud based managed services	No further spend planned, no action required, provision no longer required.
The Lawson Partnership Ltd	10,140	6	0	0	123,130		Town planning and surveying services	Recent spend below CSO threshold - review future needs with Estates
Avnet Embedded	0	0	14,459	2	35,774	ICT	IMD network infrastructure contractor / reseller	Recent spend below CSO threshold - no action required
	151,404		558,193					

Notes:

Total Payments on SAP figure taken from internal audit analysis reflecting spend from 2004 to 2012

2013/14 spend is based on invoices paid 01/04/13 - 16/12/13