

**MERTHYR TYDFIL COUNTY BOROUGH COUNCIL
INTERNAL MEMORANDUM**

To:	Procurement Manager	From:	Audit Manager
Ref:		Ref:	
		Ask For:	Helen Harbord
Date:	Friday, 20 September 2019	Tel.Ext	5156

Subject: Internal Audit Report – Strategic Procurement 2018/19

I want to take this opportunity to thank you and your staff for the co-operation given during the audit process.

Please find enclosed a copy of the Final Internal Audit Report, copies of which have also been sent to the Deputy Chief Executive and the Chief Finance Officer.

Also enclosed is a copy of the agreed Action Plan that you now need to sign. A Quality Control Questionnaire has also been enclosed for you to complete. I would appreciate it if you could return them to Internal Audit by Friday, 4th October 2019.

The recommendations made in the audit have been entered onto the Audit Action Plan (AAP) together with the agreed date for implementation.

Your AAP record must be reviewed and updated on a timely basis as they will be discussed at Corporate Management Team periodically.

In addition, progress on the implementation of recommendations will be reported to the Audit Committee periodically so it is important that you update the AAP's as necessary (we suggest you should do this on a quarterly cycle).

If you have any queries or comments please do not hesitate to contact Helen Harbord on the above telephone number.

Regards

Audit Manager

Deputy Chief Executive
Chief Finance Officer

Merthyr Tydfil
County Borough Council

Internal Audit Final Report

Strategic Procurement
2018/19

MANAGEMENT IN CONFIDENCE

Date of Audit: 2018/2019

Auditor(s): Helen L Harbord

Report Distribution: Deputy Chief Executive
Chief Finance Officer
Procurement Manager

Date of Issue: 20th September 2019

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1.0 Introduction

- 1.1 As part of the audit plan for 2018/19 a review was undertaken of the Strategic Procurement systems and procedures.
- 1.2 The system was examined using a matrix designed by Internal Audit to test the controls that should be in place within the Authority.
- 1.3 Sample testing was conducted for the 2018/19 financial year.
- 1.4 Acknowledgement is given to the staff concerned for their help and assistance during the course of the audit.
- 1.5 Copies of this report have been sent to the Deputy Chief Executive and the Chief Finance Officer. A copy will also be passed to the Audit Committee for them to monitor/comment upon recommendations made and accepted.
- 1.6 The report is addressed to appropriate Councillors and Officers and may contain confidential and/or privileged material. Any review, reproduction, external distribution, dissemination or other use of, or taking of any action in reliance upon, this information by persons or entities other than the Authority is prohibited.

2.0 Background

- 2.1 A Procurement Strategy has been devised to help provide the best possible services and value for money. There are strict guidelines and legal requirements set out by the EU and UK in the way in which the providers of goods, services and works to Merthyr Tydfil County Borough Council are selected. The strategy addresses all elements of the procurement policy and activity.
- 2.2 The Authority spends over £90 million with suppliers for the provision of goods, services and works and the purpose of the strategy is to provide guidance to those involved in the process taking into account the EU and UK legislations.
- 2.3 Aims of the Procurement Strategy:
 - Determine the direction of travel and improvement of all procurement activity in the Council in support of front line services and the way we do it.
 - Enhance the capability and capacity of procurement across the Council.
 - Establish procurement as a strategic activity within the Council.
 - Promote the Council's key procurement policy principles and the way they support delivery of the corporate plan and service delivery.
 - Deliver value for money and realise all obtainable benefits through the application of effective procurement and management of third party suppliers.
 - Establish good procurement as a vehicle of change.

3.0 Scope and Objectives

- 3.1 The objective of the audit was to evaluate the system of internal controls with a view to delivering reasonable assurance to the Authority over the adequacy of the internal control environment. This is defined as the whole system of controls, established by management, which help to ensure the achievement of objectives, economy and efficiency, compliance with policies and procedures, safeguarding of assets and the integrity and reliability of information.
- 3.2 The system has been evaluated against the following control objectives:
- Procurement levels have been defined and approved by the Council.
 - Appropriate staff are aware of the Procurement and Contracting Rules.
 - The Procurement and Contracting Rules are being complied with.

4.0 Methodology

- 4.1 The audit was undertaken using a risk-based auditing methodology. Actual controls were evaluated against the expected controls within each control objective. A risk assessment of the individual controls under each control objective was undertaken and the level of testing decided upon. The system evaluation and the results of compliance testing were then used as the basis on which to draw conclusions and to form an opinion on the overall effectiveness and adequacy of the internal control environment.

5.0 Findings

- 5.1 The detailed findings of the audit are included as Appendix A.

6.0 Conclusion

System of Internal Control

- 6.1 The system of internal control applied has been graded "**C**" – **Satisfactory**. While there is basically a sound system of control, there are weaknesses, which put some of the System's/Authority's or establishment objectives at risk.

Testing Opinion

- 6.2 The assessment of compliance with established controls has been graded **“C” – Satisfactory**. There is evidence that the level of non-compliance with some of the controls may put some of the system's objectives at risk/may leave the Authority or establishment open to risk.

Overall Opinion on Internal Control Environment

- 6.3 The overall conclusion is that the internal control environment is graded **“C” – Satisfactory**. Details of the evaluation of each objective are listed in Appendix B

7.0 Recommendations

- 7.1 Details of the recommendations are shown in the action plan attached as Appendix C.

Summary of Recommendations

- 7.2 The review made 9 recommendations that are categorised on the following basis:

Priority	Category	Definition	No. Of Recs
1	Mandatory - Urgent	Action is imperative to ensure that the objectives for the area under review are met.	2
2	Mandatory - Less Urgent	Requires action to avoid exposure to significant risks in achieving the objectives for the area under review.	4
3	Best Practice / Other Recommendations	Action is advised to enhance control or improve operational efficiency.	3

Risk may be viewed as the chance, or probability, of one or more of the Authority's objectives not being met. It refers both to unwanted outcomes that may arise, and to the potential failure to realise desired results.

Management agreed to the implementation of 8 out of 9 recommendations.

REF	EXPECTED CONTROL	RISK	ACTUAL CONTROL 2018/19			Comments	TEST RESULTS		Rec. No.	Recommendation	Priority (1,2,3)	
				Y	N		Findings	Is Control Being Applied				
								Y				N
APPROVAL												
1	Procurement levels have been defined and approved by Council.											
1.1	Procedures are clearly defined and approved by Council.	Non-compliance with the Authority's Procurement and Contracting Rules. Failure to obtain Best Value.	Procurement and Contracting Rules Procedures are clearly defined in the Authority's Constitution. However, these were last updated and approved by Full Council on 23rd April 2014. Contract Procedures Rules have also been devised which supersedes the procedures included in the Financial Procedures Rules/Constitution. The Rules were last updated and approved by Full Council in July 2017. The Rules are due for review July 2019.	Y		Procedures are clearly defined in both the Financial Procedure Rules/Constitution and also the Contract Procedure Rules. The control results are assessed as being very good.	Copies of the Contract Procedure Rules and Financial Procedure Rules/Constitution were obtained and reviewed. It was evidenced that procedures are clearly defined in both documents. Further investigation identified that both documents had been approved by Full Council. The test results are assessed as being very good.	Y				
COMMUNICATION												
2	Appropriate staff are aware of the Procurement and Contracting Rules.											
2.1	The Procurement and Contracting Rules/Contract Procedure Rules have been communicated to all appropriate staff.	Non-compliance with the Authority's Procurement and Contracting Rules. Failure to obtain Best Value.	Following changes made to the Contract Procedure Rules, Procurement Services have visited a number of departments and provided training sessions to raise awareness on the amended Rules. Presentation/Training Session notes have been devised to accompany the training sessions. On a daily basis Procurement Services provide advice and guidance to staff on all aspects of Procurement. Also the Contract Procedure Rules and the Financial Procedure Rules/Constitution are available on the Authority's Intranet for all staff to access.	Y		Procurement Services visited many departments providing awareness/training sessions as and when the Contract Procedures Rules were updated. Presentation/Training Session notes were also devised to accompany the training sessions. On a daily basis Procurement Services provide advice and guidance to staff on all aspects of Procurement. Also the Contract Procedure Rules and the Financial Procedure Rules/Constitution are available on the Authority's Intranet for all staff to access. The control results are assessed as being very good.	A sample of 20 staff with Procurement responsibilities was sent a questionnaire to identify their awareness and compliance with the Contract Procedure Rules. Out of the 20 staff, 65% responded (13 members of staff). Details of the responses are as follows: Q1. Are you aware of the Authority's Financial Regulations? A. 11 - Yes, 1 - No, 1 had limited awareness. Q2. Do you know where you can obtain a copy of the Financial Regulations? A. 8 - Yes, 4 - No, 1 assumed Intranet. Q3. Are you aware of the Authority's Contract Procedure Rules? A. 12 - Yes, 1 had limited awareness. Q4. Do you know where you can obtain a copy of the Contract Procedure Rules? A. 10- Yes, 2 - No, 1 assumed Intranet Q5. Have you ever received training on the Procurement Rules. If so, when was last time you received training? A. 4 - Yes, 8 - No, 1 but my Managers have. Q6. In the event of a query in respect of Procurement, would you know who to contact? A. 13 Yes The test results are assessed as being satisfactory.	Y		1 Training on Contract Procedure Rules should be provided on a more regular basis to ensure that staff involved in the Procurement process are aware of them and are in compliance. 2 Consideration should be given to Management raising awareness of the Authority's policies including the Financial Procedure Rules e.g. during staff induction process, via the staff handbook, annual emails to staff involved in the Procurement process.	2 3	

REF	EXPECTED CONTROL	RISK	ACTUAL CONTROL 2018/19	TEST RESULTS					Rec. No.	Recommendation	Priority (1,2,3)	
				Y	N	Comments	Findings	Is Control Being Applied				
								Y				N
COMPLIANCE												
3	The Procurement and Contracting Rules are complied with.											
GOODS AND SERVICES												
3.1	Procurement services are governed by detailed European and UK legislation and is conducted transparently, fairly and in a non-discriminatory manner.	Non-compliance with the Authority's Procurement and Contracting Rules. Failure to obtain Best Value.	Procurement Services are governed by strict guidelines and legal requirements set out by European, Westminster and Welsh governments in the way in which it procures its goods, services and works. A Procurement Strategy has been devised to raise awareness of these guidelines and requirements. The strategy addresses all elements of procurement policy and activity. The Procurement Strategy is available on the Intranet for all staff to refer to. On a periodic basis, training has been provided to Managers by Procurement Services.	Y		Procurement Services are governed by strict guidelines and legal requirements set out by European, Westminster and Welsh governments in the way in which it procures its goods, services and works. A Procurement Strategy has been devised to raise awareness of these guidelines and requirements. The strategy addresses all elements of procurement policy and activity. The control results are assessed as being very good.	There is no definitive list maintained of contracts awarded under the value of £5,000. The onus is on the Service Area to demonstrate and record that value for money is being achieved. Procurement Services are not informed of these types of contracts. Whilst the test was not undertaken, a weakness was identified that prohibited Internal Audit selecting a sample of contracts to review and to ensure best value and compliance with European and UK legislations. Therefore, the test results are assessed as being unsatisfactory.		N	3	Consideration should be given to Procurement Services assessing the feasibility of maintaining a definitive list of all contracts including those under £5,000.00. Further to this, all officers involved in the Procurement process should be requested to provide details of all contracts awarded to Procurement Services, in order for them to maintain a definitive list and to ensure best value has been demonstrated on all occasions.	3
3.1							A list of contracts awarded since April 2018 was provided to Internal Audit. From this list a small sample of 2 contracts was selected for review to ensure Contract Procedure Rules were being adhered to. The following was found: It was not easy to obtain copies of the required documentation associated with the contracts to ensure adherence with the Contract Procedure Rules as there is not one place where the information/documentation is retained which resulted in Internal Audit contacting a number of officers to obtain the necessary evidence. Details are as follows: ITT68001 / ECM108090 - £41,375.33 <ul style="list-style-type: none"> • An Invitation to Tender document was devised and included instructions and information on tendering procedures, specification and terms and conditions of contract. • The minimum number of required suppliers were invited to tender. • The tender was opened by nominated officers. • Quotes received and acceptance letters were found on the e-Tender system. Rejection letters were not found as only one supplier responded. • The Insurance Manager was not informed of the insurances of the contract, however a copy of the insurance certificate was provided. • The contract had been awarded by an authorised officer. 		N	4	Consideration should be given to Procurement Services maintaining a central record of all contracts awarded along with the subsequent documentation/evidence to support the contract i.e. the initial invitation to tender right through to the report to cabinet.	
										5	Consideration should be given to Procurement Services communicating to all staff involved in the Procurement process the importance of adhering to the Contract Procedure Rules at all times.	2
										6	The Insurance Manager should be provided with the contractors certificate of insurance for all services and works prior to the awarding of the contract.	2

REF	EXPECTED CONTROL	RISK	ACTUAL CONTROL 2018/19	TEST RESULTS				Rec. No.	Recommendation	Priority (1,2,3)		
				Y	N	Comments	Findings				Is Control Being Applied	
											Y	N
3.1							<p>ITT69242 / ECM108201 - £38,000.00</p> <ul style="list-style-type: none"> An Invitation to Tender document was devised and included instructions and information on tendering procedures, specification and terms and conditions of contract. The minimum number of required suppliers (3) were invited to tender. The tender was opened by nominated officers. Quotes received and acceptance letters were found on the e-Tender system. Rejection letters were not found as only one supplier responded. The Insurance Manager was not informed of the insurances of the contract and a copy of the insurance certificate was not provided. The contract had been awarded by an authorised officer. <p>The test results are assessed as being unsatisfactory.</p>	N	7	Consideration should be given to the Insurance Manager maintaining a list of insurance certificates. Liaisons should be made with Procurement Services to ensure the details correspond with the contracts awarded.	3	
								8	As a matter of priority, all missing documentation i.e. insurance certificate, should be obtained and copies should be retained on file. In the event a contract signed by both parties is outstanding, consideration should be given to putting a hold on payments until the contract has been received.	1		
3.1							<p>Using a list of contracts provided by Procurement Services, a small sample of 2 contracts was selected for review to ensure compliance with Contract Procedure Rules. The following was found:</p> <p>It was not easy to obtain copies of the required documentation associated with the contracts to ensure adherence with the Contract Procedure Rules as there is not one place where the information/documentation is retained which resulted in Internal Audit contacting a number of officers to obtain the necessary evidence. Details are as follows:</p> <p>ITT65906 / ECM107625 - £94,801.00</p> <ul style="list-style-type: none"> An Invitation to Tender document was devised and included instructions and information on tendering procedures, specification and terms and conditions of contract. The contract was not required to be advertised on Sell2Wales as it was a framework agreement. The minimum number of 3 suppliers responded to the invitation to tender using the e-Tender system. The tenders received had been opened by Procurement Services and Central Services. A copy of the tender report was provided. The Gateway report was provided. The award letter and the rejection letters were found on the e-Tender system. The Insurance Manager was not informed of the insurances of the contract and a copy was not provided. The contract had been awarded appropriately i.e. by a Chief Officer and Head of Finance. A copy of the signed contract was obtained. A copy of the report that went to Cabinet for information purposes was not provided. 	N		Refer to recommendations 4, 5, 6, 7, and 8.		

REF	EXPECTED CONTROL	RISK	ACTUAL CONTROL 2018/19				TEST RESULTS			Rec. No.	Recommendation	Priority (1,2,3)
				Y	N	Comments	Findings	Is Control Being Applied				
								Y	N			
3.1							<p>ITT67658 / ECM108091 - £79,520.00</p> <ul style="list-style-type: none"> An invitation to Tender document was devised and included instructions and information on tendering procedures, specification and terms and conditions of contract. The contract was not required to be advertised on Sell2Wales as it was a framework agreement. The minimum number of three suppliers responded to the invitation to tender using the e-Tender system. The tenders received had been opened by Procurement Services and Central Services. A copy of the tender report was provided. The Gateway reports was obtained. The award letter and the rejection letters were found on the e-Tender system. The Insurance Manager was not informed of the insurances of the contract. The contract had been awarded appropriately i.e. by a Chief Officer and Head of Finance. A copy of the signed contract had been provided by the supplier. It was not possible to evidence a report went to Cabinet for information purposes. <p>The test results are assessed as being unsatisfactory.</p>		N			
3.1							<p>Using a list of contracts provided by Procurement Services, a small sample of 2 contracts was selected for review to ensure compliance with Contract Procedure Rules. The following was found:</p> <p>It was not easy to obtain copies of the required documentation associated with the contracts to ensure adherence with the Contract Procedure Rules as there is not one place where the information/documentation is retained which resulted in Internal Audit contacting a number of officers to obtain the necessary evidence. Details are as follows:</p> <p>ITT66856 / ECM105816 - £368,048.00</p> <ul style="list-style-type: none"> An invitation to Tender document was devised and included instructions and information on tendering procedures, specification and terms and conditions of contract. The contract was advertised on Sell2Wales. This was an open tender, therefore the minimum number of 5 tenders was not required. The tenders were opened by Procurement Services and Central Services Copies of the Cabinet and Gateway reports were provided. The award letter and the rejection letters were found on the e-Tender system. The Insurance Manager was not informed of the insurances of the contract. However a copy of the insurance certificate was provided. According to correspondence found on the e-Tender system, the contract was awarded by Cabinet with a 10 day standstill. However a copy of the signed contract was not provided to Internal Audit. A report was provided to Cabinet. 		N	Refer to recommendations 4, 5, 6, 7, and 8.		

REF	EXPECTED CONTROL	RISK	ACTUAL CONTROL 2018/19				TEST RESULTS			Rec. No.	Recommendation	Priority (1,2,3)
				Y	N	Comments	Findings	Is Control Being Applied				
								Y	N			
3.1							<p>ITT68686 / ECM111554 - £461,193.00</p> <ul style="list-style-type: none"> • An invitation to Tender document was devised and included instructions and information on tendering procedures, specification and terms and conditions of contract. • The contract was not required to be advertised on Sell2Wales as it was a framework agreement. • The minimum number of 5 tenders were obtained. • The tenders were opened by Procurement Services and Central Services • Copies of the Cabinet and Gateway reports were provided. • The award letter and the rejection letters were found on the e-Tender system. • The Insurance Manager was not informed of the insurances of the contract. However copies of the certificate were provided to Internal Audit. • The contract was not awarded by Cabinet with 10 day standstill as the contract was a framework agreement. • A new contract has been written and is awaiting to be signed by both parties. • A report was provided to Cabinet. <p>The test results are assessed as being unsatisfactory.</p>		N			

REF	EXPECTED CONTROL	RISK	ACTUAL CONTROL 2018/19	TEST RESULTS				Rec. No.	Recommendation	Priority (1,2,3)		
				Y	N	Comments	Findings				Is Control Being Applied	
											Y	N
3.2	Social, Economical and Environmental factors are considered when awarding contracts over the value of £25,000.	Key impacts on the Environment, Economy and Society may not be identified.	<p>The Wales Procurement Policy Statement (WPPS, June 2015), defines Procurement in Wales as "...the process whereby organisations meet their needs for goods, services, works and utilities in a way that achieves value for money on a whole life basis in terms of generating benefits not only to the organisation, but also to society and the economy, whilst minimising damage to the environment."</p> <p>Principle 3 of the WPPS states that "Economic, Social and Environmental Impact" further defines Value for Money as "...the optimum combination of whole-of-life costs in terms of not only generating efficiency savings and good quality outcomes for the organisation, but also benefit to society and the economy, whilst minimising damage to the environment."</p> <p>The statement requires the Welsh Public Sector i.e. Procurement Services to apply a Sustainability Risk Assessment (SRA) to all procurements i.e. Goods and Services over £25,000.</p> <p>Discussions were undertaken with the Procurement Manager and Internal Audit was informed that the document is so cumbersome that it wasn't easy getting the departments/service areas to complete. The Procurement Manager confirmed that this the use of the RSA has never been monitored and is aware that other Local Authorities i.e. Monmouthshire, Blaenau Gwent are also not using the RSA.</p> <p>When queried as to how the social, economic and environmental factors are considered when awarding contracts over £25,000 the following was stated by the Procurement Manager:</p> <p>"These are considered as part of the procurement board gateway process with reference to wellbeing objectives and how they fit with those. The Wellbeing objectives are now the key driver to ensuring that the projects fit and support these objectives."</p>		N	<p>The Welsh Policy Statement requires all Welsh Public Sectors i.e. Procurement Services to apply a Sustainability Risk Assessment (SRA) to all procurements over £25,000, this will ensure social, economic, environmental factors are considered when awarding the contracts.</p> <p>Procurement Services do not utilise the SRA and rely on the procurement board gateway process and wellbeing objectives to ensure social, economical and environmental factors are taken into consideration.</p> <p>The control results are assessed as being unsatisfactory.</p>	<p>There is non-compliance with the Welsh Procurement Policy Statement.</p> <p>The Welsh Government Sustainability Risk Assessments are not being completed by staff involved in the Procurement process. A sample of 8 officers were contacted and none of the officers were aware of the requirement to complete the Risk Assessments. Also, three neighbouring Local Authority Procurement Services were contacted and none of those utilised the Sustainability Risk Assessment.</p> <p>The test results are assessed as being poor.</p>		N	9	<p>In order to comply with the Welsh Procurement Policy, Management need to devise and implement a suitable Risk Assessment document that will ensure the social, economic and environmental factors of all contracts over the value of £25,000 are considered, The risk assessment should be derived from the template risk assessment provided by the Welsh Assembly Government. The document should be communicated to all staff throughout Authority involved within the procurement process and reminded of the importance of completing for each contract over £25,000. All future contracts should be subject to this process.</p>	1

REF	EXPECTED CONTROL	RISK	ACTUAL CONTROL 2018/19	TEST RESULTS				Rec. No.	Recommendation	Priority (1,2,3)		
				Y	N	Comments	Findings				Is Control Being Applied	
											Y	N
WORKS												
3.3	Procurement services are governed by detailed European and UK legislation and is conducted transparently, fairly and in a non-discriminatory manner.	Non-compliance with the Authority's Procurement and Contracting Rules. Failure to obtain Best Value.	Procurement Services are governed by strict guidelines and legal requirements set out by Europe, Westminster and Welsh governments in the way in which it procures its goods, services and works. A Procurement Strategy has been devised to raise awareness of these guidelines and requirements. The strategy addresses all elements of procurement policy and activity. The Procurement Strategy is available on the Intranet for all staff to refer to. On a periodic basis, training has been provided to Managers by Procurement Services.	Y		Procurement Services are governed by strict guidelines and legal requirements set out by Europe, Westminster and Welsh governments in the way in which it procures its goods, services and works. A Procurement Strategy has been devised to raise awareness of these guidelines and requirements. The strategy addresses all elements of procurement policy and activity. The control results are assessed as being very good.	There were no contracts awarded for 2018/19 between the values of £5,000 and £75,000 therefore no testing was undertaken.					
3.3							A list of contracts awarded since April 2018 was provided to Internal Audit. From this list a small sample of 4 contracts was selected for review to ensure Contract Procedure Rules were being adhered to. The following was found: It was not easy to obtain copies of the required documentation associated with the contracts to ensure adherence with the Contract Procedure Rules as there is not one place where the information/documentation is retained which resulted in Internal Audit contacting a number of officers to obtain the necessary evidence. Details are as follows: ITT70552/ECM111553 - £164,730.00 <ul style="list-style-type: none"> • An invitation to Tender document was devised and included instructions and information on tendering procedures, specification and terms and conditions of contract. • The contract was advertised on Sell2Wales. • The minimum number of three suppliers responded to the invitation to tender using the e-Tender system. • The tenders were opened by Procurement Services and Central Services. • The pre-tender and tender report was provided. • The award letter and the rejection letters were found on the e-Tender system. • The Insurance Manager was not informed of the insurances of the contract and a copy was not provided. • The contract was awarded by the Chief Officer and Head of Finance. • A copy of the signed contract was obtained. • A report was not provided to Cabinet as the contract was less than £250,000. 	N		Refer to recommendations 4, 5, 6, 7, and 8.		

REF	EXPECTED CONTROL	RISK	ACTUAL CONTROL 2018/19				TEST RESULTS			Rec. No.	Recommendation	Priority (1,2,3)
				Y	N	Comments	Findings	Is Control Being Applied				
								Y	N			
3.3							ITT69610/ECM110609 - £189,843.00 • An invitation to Tender document was devised and included instructions and information on tendering procedures, specification and terms and conditions of contract. • The contract was not required to be advertised on Sell2Wales as it was a framework agreement. • The minimum number of three suppliers responded to the invitation to tender using the e-Tender system. • The tenders were opened by Procurement Services and Central Services • The pre-tender and tender report was provided. • The award letter and the rejection letters were found on the e-Tender system. • The Insurance Manager was not informed of the insurances of the contract and a copy was not provided. • The contract was awarded by the Chief Officer and Head of Finance. • A copy of the signed contract was obtained. • A report was not provided to Cabinet as the contract was less than £250,000.		N			
3.3							ITT69593/ECM111914 - £354,431.00 • An invitation to Tender document was devised and included instructions and information on tendering procedures, specification and terms and conditions of contract. • The contract was not required to be advertised on Sell2Wales as it was a framework agreement. • The minimum number of three suppliers responded to the invitation to tender using the e-Tender system. • The tenders were opened by Procurement Services and Central Services. • The pre-tender and tender report was provided. • The award letter and the rejection letters were found on the e-Tender system. • The Insurance Manager was not informed of the insurances of the contract but a copy of the insurance certificate was provided. • The contract was awarded by the Chief Officer and Head of Finance. • A copy of the signed contract was not provided to Internal Audit • There was no evidence obtained that an information report was provided to Cabinet.		N			

REF	EXPECTED CONTROL	RISK	ACTUAL CONTROL 2018/19	TEST RESULTS			Rec. No.	Recommendation	Priority (1,2,3)			
				Y	N	Comments				Findings	Is Control Being Applied	
											Y	N
3.3												
3.3												
3.3												

Strategic Procurement 2018/19 - Control Evaluation

Audit conclusions are graded using the following grading structure:

LEVEL OF CONTROL	GRADE	EVALUATION OF SYSTEM OF INTERNAL CONTROL OPINION	GRADE	TESTING OPINION
VERY GOOD	A	There is a sound system of internal control designed to achieve the Authority's strategic aims.	A	The controls are being consistently applied with no errors identified.
GOOD	B	There is a sound system of internal control designed to achieve the system/Authority or establishment objective(s).	B	The controls are being consistently applied with a small number of minor errors identified.
SATISFACTORY	C	While there is basically a sound system of control, there are weaknesses, which put some of the System's/Authority's or establishment objectives at risk.	C	There is evidence that the level of non-compliance with some of the controls may put some of the system's objectives at risk/may leave the Authority or establishment open to risk.
UNSATISFACTORY	D	Weaknesses in the system of controls are such as to put the System's/Authority's or establishment objectives at risk.	D	The level of non-compliance puts the system's objectives/Authority or establishment at risk.
POOR	E	Control is generally weak leaving the System/Authority or establishment open to significant risks.	E	Significant non-compliance with basic controls leaves the System/Authority or establishment open to error or abuse.

Risk may be viewed as chance, or probability, of one or more of the Authority's objectives not being met. It refers to both unwanted outcomes that may arise, and to the potential failure to realise desired results.

OVERALL OPINION ON THE INTERNAL CONTROL ENVIRONMENT

On completion of the audit the auditor will need to provide an evaluation opinion and a testing opinion, both these opinions will then be used to formulate an overall opinion of the system/establishment/area etc. audited. The overall opinion will be formulated and arrived at by using the lower of either the evaluation opinion or testing opinion.

Conclusion for Strategic Procurement 2018/19: Overall Evaluation

The system of internal control applied has been graded **Satisfactory**. There is a sound system of internal control designed to achieve the system/Authority or establishment objective(s).

The assessment of compliance with established controls has been graded **Satisfactory**. The controls are being consistently applied with a small number of minor errors identified.

Therefore the overall conclusion is that the internal control environment is graded SATISFACTORY.

Strategic Procurement 2018/19 - Control Evaluation

	AREA OF AUDIT	CONTROL GRADE	TEST GRADE	OVERALL GRADE	REASONS
1	Procurement levels have been defined and approved by Council.	A	A	A	<p>Procedures are clearly defined in both the Financial Procedure Rules/Constitution and also the Contract Procedure Rules.</p> <p>Both documents had been approved by Full Council.</p>
2	Appropriate staff are aware of the Procurement and Contracting Rules.	A	C	C	<p>Procurement Services have provided training sessions and devised notes to accompany these sessions. Procurement and Contracting Rules are available on the Intranet for all staff to refer to.</p> <p>A sample of 20 staff involved in the procurement process were randomly selected and sent a questionnaire to complete in order to identify their awareness and compliance to the Rules. Only 65 % (13) staff responded. A small number of staff (1 out of 2) were not aware of or had limited awareness of the Authority's Financial Procedure Rules and the Procurement and Contracting Rules. 8 out of 13 responses stated they have never received training on the Authority's Financial Procedure Rules or the Procurement Contracting Rules, 4 stated they had received training and 1 stated that their manager had received training. Refer to Appendix A - Detailed Findings for a full breakdown of the questionnaire results.</p>

Strategic Procurement 2018/19 - Control Evaluation

	AREA OF AUDIT	CONTROL GRADE	TEST GRADE	OVERALL GRADE	REASONS
3	The Procurement and Contracting Rules are complied with.	C	D	D	<p>Procurement Services are governed by strict guidelines and legal requirements set out by European, Westminster and Welsh governments in the way in which it procures its goods, services and works. A Procurement Strategy has been devised to raise awareness of these guidelines and requirements. The strategy addresses all elements of procurement policy and activity.</p> <p>A sample of contracts awarded by the Authority was selected for review to ensure compliance with EU and UK legislations and also policies and procedures. For the documentation obtained compliance was evidenced, however there were several occasions whereby documentation was not provided to Internal Audit i.e. insurance certificates. Several recommendations were made to tighten controls and to improve weaknesses identified.</p>
					<p>There is non-compliance with the Welsh Policy Statement. The Welsh Government Sustainability Risk Assessments are not being completed by staff involved in the procurement process, however there is a gateway process in place which links all activities to the Well Being Future Generation Act and also includes sustainability.</p> <p>The Gateway processes are scrutinised at the Change and Well Being Steering Group and also the Procurement Board.</p> <p>Investigations identified that it is not standard practice for Local Authorities to use the Welsh Government Sustainability Risk Assessments and they are not being monitored by the Welsh Assembly Government as confirmed by the Procurement Manager.</p>
	OVERALL OPINION	C	C	C	Satisfactory

Strategic Procurement 2018/19 - Audit Action Plan

Recommendations are categorised on the following basis:

Priority / Key	Category	Definition
1	Mandatory - Urgent	Action is imperative to ensure that the objectives for the area under review are met.
2	Mandatory - Less Urgent	Requires action to avoid exposure to significant risks in achieving the objectives for the area under review.
3	Best Practice / Other Recommendations	Action is advised to enhance control or improve efficiency.

Key	Rec No.	Recommendation /Action	Inspection Agency and Inspection/Audit Report Title	Start Date	End Date	Lead Officer
		Title	Strategic Procurement 2018/19			
2	1	Recommendation	Training on Contract Procedure Rules should be provided on a more regular basis to ensure that staff involved in the Procurement process are aware of them and are in compliance.	Jun-19	Sep-19	Procurement Manager
		Action	Agree - The Procurement Contract Rules and Procurement Strategy have recently been updated and are going to Full Council in September 2019. As a result of this, training sessions will be provided to all staff involved in the procurement process. Any new starters will receive one to one training. There is also a Corporate Procurement section within the Staff Handbook.			
3	2	Recommendation	Consideration should be given to Management raising awareness of the Authority's policies including the Financial Procedure Rules e.g. during staff induction process, via the staff handbook, annual emails to staff involved in the Procurement process.	Jun-19	Sep-19	Procurement Manager
		Action	Agree - The Procurement Contract Rules and Procurement Strategy have recently been updated and are going to Full Council in September 2019. As a result of this, training will be provided to all staff involved in the procurement process. Any new starters will receive one to one training. There is also a Corporate Procurement section within the Staff Handbook.			

Strategic Procurement 2018/19 - Audit Action Plan

Key	Rec No.	Recommendation /Action	Inspection Agency and Inspection/Audit Report Title	Start Date	End Date	Lead Officer
3	3	Recommendation	Consideration should be given to Procurement Services assessing the feasibility of maintaining a definitive list of all contracts including those under £5,000.00. Further to this, all officers involved in the Procurement process should be requested to provide details of all contracts awarded to Procurement Services, in order for them to maintain a definitive list and to ensure best value has been demonstrated on all occasions.	Jun-19	Jun-19	Procurement Manager
			<p>Agree in principle - However, the majority of contracts under £5,000 are P2P orders and it would not be feasible to print out all these P2P orders in order to maintain a list. There are authorisation chains on the P2P system to ensure correct procedures/policies are being adhere to.</p> <p>An email has recently been sent to all staff involved in the procurement process reminding them of the importance of informing Procurement Services of all contracts awarded over £5,000. A list will then be devised detailing all contracts over £5,000. Further to this on a quarterly basis, all contracts awarded over £5,000 in the previous three months are being reported to Cabinet and then discussed at Procurement Board.</p>			
2	4	Recommendation	Consideration should be given to Procurement Services maintaining a central record of all contracts awarded along with the subsequent documentation/evidence to support the contract i.e. the initial invitation to tender right through to the report to cabinet.	Jun-19	Sep-19	Procurement Manager
			Agree in principle - However, a process would need to be established for ensuring that all information is collated and stored. A checklist could be devised and followed each time to ensure all information has been received.			
2	5	Recommendation	Consideration should be given to Procurement Services communicating to all staff involved in the Procurement process the importance of adhering to the Contract Procedure Rules at all times.	Jun-19	Sep-19	Procurement Manager
			Agree - The Procurement Contract Rules and Procurement Strategy have recently been updated and are going to Full Council in September 2019. As a result of this, training sessions will be provided to all staff involved in the procurement process. Any new starters will receive one to one training. There is also a Corporate Procurement section within the Staff Handbook.			

Strategic Procurement 2018/19 - Audit Action Plan

Key	Rec No.	Recommendation /Action	Inspection Agency and Inspection/Audit Report Title	Start Date	End Date	Lead Officer
2	6	Recommendation	The Insurance Manager should be provided with the contractors certificate of insurance for all services and works prior to the awarding of the contract.	Jun-19	Dec-19	Procurement Manager Insurance Manager
			Agree - A new selection process has recently been implemented and an ESPD (European Single Procurement Document) has been introduced. Included on this document are specific questions regarding the suppliers insurance.			
3	7	Recommendation	Consideration should be given to the Insurance Manager maintaining a list of insurance certificates. Liaisons should be made with Procurement Services to ensure the details correspond with the contracts awarded.	Jun-19	Dec-19	Insurance Manager
			Agree - A list of contracts could be maintained if the correct amount of information was provided i.e. brief synopsis of all contracts along with the necessary insurance documentation. This will enable a decision to be made as to whether the summary of insurances were suitable or further information was required.			
1	8	Recommendation	As a matter of priority, all missing documentation i.e. insurance certificate, should be obtained and copies should be retained on file. In the event a contract signed by both parties is outstanding, consideration should be given to putting a hold on payments until the contract has been received.	Jun-19	Ongoing	Procurement Manager
			Agree - Consideration will be giving to holding payments until a copy of the signed contract/s have been obtained, however there is a caveat included in the Form of Tender that states all parties must adhere to the terms and conditions of the contract regardless. With regards to the missing documentation, as a result of staffing issues within the Procurement Service, it has become necessary for an exercise to be undertaken to identify missing documentation. Any missing documentation identified will be replaced.			

Strategic Procurement 2018/19 - Audit Action Plan

Key	Rec No.	Recommendation /Action	Inspection Agency and Inspection/Audit Report Title	Start Date	End Date	Lead Officer
1	9	Recommendation	In order to comply with the Welsh Procurement Policy, Management need to devise and implement a suitable Risk Assessment document that will ensure the social, economic and environmental factors of all contracts over the value of £25,000 are considered, The risk assessment should be derived from the template risk assessment provided by the Welsh Assembly Government. The document should be communicated to all staff throughout Authority involved within the procurement process and reminded of the importance of completing for each contract over £25,000. All future contracts should be subject to this process.	Jun-19	Jun-19	Procurement Manager
			<p>Disagree - It is not standard practice for Local Authorities to complete this document and its usage is not being monitored by the Welsh Assembly Government. This was confirmed via contact with neighbouring Local Authorities.</p> <p>A Gateway process is in place which links all projects to the Well Being Future Generations Act which also includes sustainability.</p> <p>The gateway processes are scrutinised at the Change and Well Being steering group and the Procurement Board.</p>			