

Audit Committee



29 January 2024

Title	<i>Procurement Internal Audit Recommendations Progress Review</i>
Purpose of the report	To note
Report Author	<i>Hilary Gillies, Interim Head of Procurement</i>
Ward(s) Affected	All Wards
Exempt	No
Exemption Reason	<i>N/A</i>
Corporate Priority	This item is not in the current list of Corporate Priorities but still requires a Committee decision.
Recommendations	<p>Committee is asked to note and agree:</p> <ol style="list-style-type: none"> 1. The recommendations made in the Internal Audit of Procurement, and agree the actions taken so far to address the recommendations; 2. The further planned and ongoing actions.
Reason for Recommendation	<p><i>The Internal Audit of Procurement carried out in July 2023 made 12 recommendations. The Audit Committee has requested an update of progress to date against actions.</i></p> <p><i>The Internal Auditor found that there is reasonable assurance of Spelthorne Borough Council's procurements.</i></p>

1. Summary of the report

What is the situation	Why we want to do something
<p>The Procurement Audit carried out in July 2023 raised 12 recommendations and returned an Assurance Opinion of Reasonable Assurance.</p> <p>Three of the recommendations are low risk and the remainder are medium.</p>	<p>The internal audit concluded that whilst an appropriate framework is in place and has been strengthened since the prior internal audit, the requirements need to be re-enforced to all Procuring Officers to ensure adherence to Contract Standing Orders. The audit also highlighted that compliance monitoring processes need to be</p>

<p>Some of the Areas considered fall outside of the remit of the Procurement Team.</p> <p>In terms of the Audit Risk Review, six areas were tested. Systems of Internal Control were found to be Effective (1) and Partly Effective (4); one area had no measure.</p> <p>In terms of the Audit Risk Review, seven areas were tested. Systems of Internal Control were found to be Effective (2) and Partly Effective (5).</p>	<p>strengthened and embedded, and contract management processes across various stages of the cycle including the Contracts Register require enhancements.</p> <p>This report details the actions that have been taken in response to the recommendations, and planned actions.</p>
<p>This is what we want to do about it</p>	<p>These are the next steps</p>
<p>The Action Plan shows the proposed actions and those actions completed, and is being presented for consideration, comment and a steer.</p>	<p>Committee is asked to note the actions taken and proposed, and to provide comment and steer as appropriate.</p>

This report seeks to inform the Audit Committee of the responses and actions taken to the Procurement Audit and to the planned actions.

2. Key issues

- 2.1 Procurement represents a significant area of risk for a Local Authority, particularly in terms of opportunities for fraud, bribery and corruption; challenge from market providers should the requirements of the applicable regulations not be followed; reputational damage and lack of public trust.
- 2.2 It is therefore critical that the appropriate levels of control are in place to mitigate these risks.
- 2.3 Many of the controls sit within the remit of the Corporate Procurement function; however the Council's Finance, Legal and operational Services have equal responsibility for their respective elements of the purchase to pay cycle. The Action Plan at Appendix A provides further detail of the progress to date against the actions and recommendations. In summary, the recommendations focus on:
 - **improving compliance with Contract Standing Orders**, (particularly in those procurements not undertaken by the Corporate Procurement team). The actions taken in this regard focus largely on ensuring relevant levels of spend are supported by a valid current contract;
 - **improving access to procedures and training**, which has resulted in a new webpage (with all relevant content accessible in one area), and regular procedure-related training;

- **carrying out spend analysis, as stated in the Procurement Policy, every 6 months.** A spend analysis task group (comprised of Finance, Procurement and Projects teams) has been set up to address anomalies in categorisation, which prevent good analysis; and
- **improve contract management.** Increased intervention by the Corporate Procurement team to review, monitor and manage the top ten contracts by value and / or strategic importance has been set up with a Contract Management schedule.

3. Options analysis and proposal

- 3.1 Do Nothing (not recommended): doing nothing would mean that the required improvements in control and risk mitigation are not implemented.
- 3.2 Committee notes and agrees the actions taken and planned (recommended): the Procurement team will continue to work through the actions with a deadline of end January 2024, and a commitment to ongoing actions identified.
- 3.3 Committee notes the actions taken and planned, and proposes alternative and / or additional actions for the planned actions: the Committee may wish to propose further actions where, in their opinion, these will address the Audit recommendations more appropriately.

4. Financial management comments

- 4.1 With the exception of officer time, there are no costs associated with the delivery of the actions identified to deliver the responses to the recommendations.
- 4.2 Finance is aware of the potential risks (as identified in the Audit Report) to the Council associated with the procurement of third party works, goods and services, and the imperative therefore to ensure that appropriate controls are in place. The recommendations and the responses seem proportionate to the management of the risks.
- 4.3 There is a requirement to achieve value for money in all of our third party expenditure, and Finance notes and accepts the actions proposed to achieve this outcome.

5. Risk management comments

- 5.1 The key issues section of this report already highlights that Procurement represents a significant/high risk area for the authority with examples of potential risk implications/adverse impact.
- 5.2 The action plan attached at Appendix A sets out how the Procurement Manager is taking forward the recent internal audit recommendations raised in managing and alleviating associated risk.

6. Procurement comments

- 6.1 Procurement comments form the basis of this report and are covered within.

7. Legal comments

- 7.1 The actions taken and planned in Appendix A support the Council's compliance with Public Contracts Regulations 2015 and Best Value obligations.
- 8. Other considerations**
- 8.1 No other considerations than those considered are asked to be taken into account.
- 9. Equality and Diversity**
- 9.1 The Council's policies and procedures are designed and intended to allow equal access to any procurement and contract opportunities offered by the Council.
- 10. Sustainability/Climate Change Implications**
- 10.1 The Council's policies and procedures are designed and intended to consider sustainable sourcing and to minimise climate change wherever applicable.
- 11. Timetable for implementation**
- 11.1 Actions in the Appendices to this report identify the target dates for implementation.
- 12. Contact**
- 12.1 Hilary Gillies h.gillies@spelthorne.gov.uk

Background papers: There are none.

Appendices:

Appendix A - Management Responses and Action Plan to Audit Recommendations

Appendix B - Contract Management Schedule

Appendix C - Managing Contracts procedure