

# Cumbria Shared Internal Audit Service

## Internal Audit Report for Cumbria Constabulary



## Audit of Procurement

Draft Report Issued: **28<sup>th</sup> July 2016**

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## Audit Report Distribution

For Action:	Les Hopcroft (Head of Procurement)
For Information:	Stephen Kirkpatrick (Director of Corporate Support) Roger Marshall (Chief Constable's Chief Finance Officer)
Audit Committee	The Audit Committee, which is due to be held on 7 <sup>th</sup> September 2016, will receive the report.

*Note: Audit reports should not be circulated wider than the above distribution without the consent of the Audit Manager.*

## Cumbria Shared Internal Audit Service

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## 1 Background

- 1.1 This report summarises the findings from the audit of procurement within Cumbria Constabulary. This was a planned audit assignment which was undertaken in accordance with the 2016/17 Audit Plan.
- 1.2 Procurement is important to the organisation because it contributes to the efficient use of resources to support operational policing needs and the delivery of the objectives in the Police and Crime Plan for Cumbria 2013-17. Effective procurement in line with the organisation's constitution and legislation is necessary for the Constabulary to be able to demonstrate that funds are used and managed in a manner that is accountable and displays both probity and value for money.
- 1.3 Cumbria Constabulary spends around £30 million on goods, works and services each year.

## 2 Audit Approach

### 2.1 Audit Objectives and Methodology

- 2.1.1 Compliance with the mandatory Public Sector Internal Audit Standards requires that internal audit activity evaluates the exposures to risks relating to the organisation's governance, operations and information systems. A risk based audit approach has been applied which aligns to the five key audit control objectives which are outlined in section 4 of this report.

### 2.2 Audit Scope and Limitations

- 2.2.1 The Audit Scope was agreed with management prior to the commencement of this audit review. The Client Sponsor for this review was the Director of Corporate Support and the agreed scope was to provide independent assurance over management's arrangements for ensuring effective governance, risk management and internal controls in the following area:

- Compliance with the new Joint Procurement Regulations, from tendering through to supply and across the various procurement routes.

There were no instances whereby the audit work undertaken was impaired by the availability of information.

### 3 Assurance Opinion

- 3.1 Each audit review is given an assurance opinion and these are intended to assist Members and Officers in their assessment of the overall level of control and potential impact of any identified system weaknesses. There are 4 levels of assurance opinion which may be applied. The definition for each level is explained in **Appendix A**.
- 3.2 From the areas examined and tested as part of this audit review, we consider the current controls operating in respect of procurement provide **partial** assurance.

*Note: as audit work is restricted by the areas identified in the Audit Scope and is primarily sample based, full coverage of the system and complete assurance cannot be given to an audit area.*

### 4 Summary of Recommendations, Audit Findings and Report Distribution

- 4.1 There are three levels of audit recommendation; the definition for each level is explained in **Appendix B**.
- 4.2 There are 16 audit recommendations arising from this review.

Control Objective	No. of recommendations		
	High	Medium	Advisory
1. <b>Management</b> - achievement of the organisation's strategic objectives (see section 5.1)	3	2	-
2. <b>Regulatory</b> - compliance with laws, regulations, policies, procedures and contracts (see section 5.2)	-	4	1
3. <b>Information</b> - reliability and integrity of financial and operational information (see section 5.3)	-	3	1
4. <b>Security</b> - safeguarding of assets	-	-	-

5. Value - effectiveness and efficiency of operations and programmes (see section 5.4)	-	1	1
<b>Total Number of Recommendations</b>	<b>3</b>	<b>10</b>	<b>3</b>

4.3 **Strengths:** The following areas of good practice were identified during the course of the audit:

- An up to date and approved Procurement Strategy is in place which was fully consulted upon and has clear links to strategic policing priorities.
- Joint Procurement Regulations have been developed with the OPCC to reflect current legislation, EU Directives, strategy and best practice.
- Arrangements are in place to ensure adherence to Public Procurement Regulation 2015 timescales.
- Appropriate approval is granted for any exemptions from normal procurement procedures, prior to the order for goods, works and services being placed.
- Arrangements are in place to ensure appropriate approval is obtained for contracts (dependant on value).
- Contract information is openly published on the OPPC's website for public scrutiny.
- A comprehensive training and development plan is in place for the procurement team to address the identified gap in skills.

4.4 **Areas for development:** Improvements in the following areas are necessary in order to strengthen existing control arrangements:

4.4.1 *High priority issues:*

- Arrangements are not yet in place to update relevant constabulary staff on the new Procurement Strategy and updated Procurement Regulations.
- The risks of over dependence on the Head of Procurement in ongoing operational procurement activity have not been identified, assessed or managed.
- Procurement fraud risks are not identified, assessed and managed.

4.4.2 *Medium priority issues:*

- The procurement risk register does not comply with the constabulary's Risk Management Policy and associated guidance.

- Arrangements are not in place to ensure procurement staff are aware of potential fraudulent procurement practices and fully understand expectations regarding their professional and ethical behaviour.
- Authorities, roles and responsibilities for undertaking procurement activity and monitoring compliance are unclear.
- Arrangements for the supervisory review of work within the procurement team and the evidencing of this are not in place.
- Professional indemnity insurance certificates are not routinely obtained from consultants in line with the Joint Procurement Regulations.
- The Joint Procurement Regulations do not provide guidance on the level of professional indemnity insurance required.
- The Procurement Team are not kept fully informed of future procurement activity for effective forward planning.
- A mechanism is not in place to clearly highlight the amount and source of budget approval to those tasked with approving contracts.
- Arrangements for storing and retaining procurement documentation have not been defined and communicated.
- Post completion reviews are not undertaken to identify good practice and areas for improvement in procurement activity.

#### 4.4.3 *Advisory issues:*

- The Joint Procurement Regulations do not include review arrangements.
- Additional checks on the financial standing of framework suppliers subject to mini competition are not highlighted for the attention of those approving contracts.
- Approved lists of suppliers are out of date and therefore do not comply with the Joint Procurement Regulations.

#### **Comment from the Director of Corporate Support:**

The strengths identified within this audit help illustrate that Procurement function has come a long way over last two years since the procurement review and successfully meets organisational needs of both the Constabulary and OPCC whilst also complying with all required legislation.

I recognise that there a relatively large number of recommendations made within this report and that addressing some of the recommendations

will help formalise the best practices already in place.

The audit identifies concerns regarding procurement capacity and expertise which are continually being addressed with strong progress being made.

I accept the recommendations made which will be of benefit in continuing to continue to develop the procurement service.

Although the audit gives a partial assurance level, I am confident that the Procurement function effectively serves the needs of the Constabulary and OPCC and that there are no material concerns that need to be addressed.

## 5 Matters Arising / Agreed Action Plan

### 5.1 Management - achievement of the organisation's strategic objectives.

● High priority

Audit finding	Management response
<p>a) <b>Communication</b></p> <p>The procurement team and relevant staff within the OPCC have been updated on the new Procurement Strategy and updated Procurement Regulations. Arrangements are not yet in place to update relevant staff throughout the rest of the constabulary.</p> <p>There is a need for all staff involved in procurement activity to be aware of how procurement links to strategic policing priorities and clearly understand their role within the procurement process and what is expected of them.</p>	<p>Agreed management action:</p> <p>The Procurement Strategy has been reviewed and approved by Extended COG and the previous Commissioner.</p> <p>The update of the Joint Procurement Regulations was reviewed by JASC with final agreement delayed due to clarification of policy regarding late tenders which has now been resolved.</p>
<p><b>Recommendation 1:</b></p> <p>Arrangements should be made to update appropriate staff in the constabulary on the new Procurement Strategy and updated Procurement Regulations.</p>	<p>The Procurement team together with the Heads of Service, OPCC and the Estates Teams have been briefed on the Procurement Strategy.</p> <p>Communications strategy to be developed to brief key staff on the strategy and revised regulations, including:</p> <ul style="list-style-type: none"> <li>● Business Board.</li> <li>● Corporate Support SMT.</li> <li>● Staff involved in procurement processes (Incl. CSD, Finance, ICT, Estates etc).</li> <li>● Brief update on ForceNet Intranet site</li> </ul>
<p><b>Risk exposure if not addressed:</b></p> <ul style="list-style-type: none"> <li>● Sanctions and reputational damage arising from non-compliance with procurement regulations.</li> </ul>	<p><b>Responsible manager for implementing:</b> <b>Head of Procurement</b></p>

- Wasted resources through inefficient procurement decisions.
- Strategic policing priorities are not achieved because supporting procurement activities are inadequate.

Date to be implemented:  
**End September 2016**

- Medium priority (Rec 2)
- High priority (Rec 3)

Audit finding	Management response
<p><b>b) Risk Management</b></p> <p>The Head of Procurement, in consultation with his team, has recently captured procurement risks in a risk register. The register requires further development to address the following:-</p> <ul style="list-style-type: none"> <li>• There is no clear link to delivery of the Procurement Strategy and strategic objectives.</li> <li>• The corporate approach to risk identification and assessment has not been followed.</li> <li>• Risks are not scored to inform escalation to the Corporate Support risk register.</li> <li>• The constabulary risk register template has not been utilised.</li> <li>• Guidance has not been sought from the Corporate Improvement team.</li> </ul> <p>The current version of the risk register does not demonstrate that risks have been scored, mitigating actions have been identified or actions to address residual risks have been allocated to nominated individuals. The risks included are not described using the standard format and they are numerous, potentially diluting the risk management’s effectiveness.</p> <p>The Corporate Support risk register includes a risk around the procurement team not having the</p>	<p>Agreed management action:</p> <p><b><u>Recommendation 2</u></b></p> <ul style="list-style-type: none"> <li>• Bullet points 2, 3 and 4 have been addressed and completed and can now be found in the Corporate Support risk register.</li> <li>• Further work has been undertaken to ensure that procurement risks are aligned to strategic objectives, including the Plan on a Page.</li> <li>• Guidance and quality assurance from Corporate Improvement risk management team has been actioned as part of the Constabulary’s quarterly risk management process.</li> </ul> <p>Recommendation 2 is <b>complete</b>.</p>

appropriate skill set to meet the high demand for complex procurement. The risk, as described, does not capture and address the implications for the Constabulary. Significant reliance is placed on the Head of Procurement in operational procurement activity on an ongoing basis. This reduces his ability to meet the requirements of the post and provide strategic direction to, and oversight of, the procurement function.

**Recommendation 2:**

The procurement risk register should be prepared in accordance with the constabulary's Risk Management Policy and associated guidance.

**Recommendation 3:**

The risks of over dependence on the Head of Procurement in operational procurement activity should be identified, assessed and managed.

**Risk exposure if not addressed:**

- Procurement Strategy is not delivered because the risks have not been identified, assessed and managed.
- Strategic policing priorities are not achieved because supporting procurement activities are

**Recommendation 3**

- Over dependence on the Head of Procurement is recognised and reviewed as part of on-going 121's with the Director of Corporate Support with appropriate prioritisation and assistance provided where necessary.
- It is recognised that the skills & experience of the procurement team have progressed significantly since the last procurement review but that further development is still required.
- A comprehensive training and development framework is in place for members of the Procurement Team, including 21 training sessions delivered to date with a further 6 planned, which continues to increase the knowledge and skills base of those involved in procurement activities.
- The current Admin Review, led by Corporate Improvement, is considering transactional procurement activities with the aim of introducing further efficiencies.
- Work continues to embed category management across procurement, including continued review of roles and responsibilities.

**Responsible manager for implementing:**  
**Director of Corporate Support & Head of Procurement**

**Date to be implemented:**

inadequate.

End September 2017

● High priority (Rec 4)    ● Medium priority (Rec 5)

Audit finding	Management response
<p><b>c) Fraud risk</b></p> <p>The procurement risk register does not demonstrate that arrangements are in place to identify, assess and manage fraud risks. The risk of fraud in procurement is generally considered to be high. CIPFA estimated, in May 2016, that the annual cost of fraud in the UK is in the region of £193bn with the biggest sources of fraud relating to procurement. Fraud risks are heightened in less knowledgeable and experienced procurement teams.</p> <p>Action has not been taken to raise awareness of potential fraudulent practices with procurement staff as an important component of proactive fraud prevention and detection. It is key that procurement staff understand how fraud might occur in the procurement lifecycle and what needs to be in place to mitigate the risks identified. This requires an appreciation amongst staff about what is expected of them in terms of standards of professional behaviour and integrity as part of their role in procurement activity.</p>	<p>Agreed management action:</p> <p>All procurement staff are aware of their responsibilities and have received training in relation to the Code of Ethics (both College of Policing &amp; CIPS 2008), the Joint Procurement Regulations and the Constabulary's Anti-Fraud &amp; Corruption policy and procedures.</p> <p><b><u>Recommendation 4</u></b></p> <ul style="list-style-type: none"> <li>The Constabulary's CFO and Head of Procurement will undertake a procurement fraud risk assessment. Draft by end August 2016 with full assessment by end of October following further training.</li> </ul>
<p><b><u>Recommendation 4:</u></b> Procurement fraud risks should be identified, assessed and managed accordingly.</p> <p><b><u>Recommendation 5:</u></b> Arrangements should be in place to ensure procurement staff are aware of potential fraudulent procurement practices and fully understand expectations regarding their professional and ethical behaviour.</p>	<p><b><u>Recommendation 5</u></b></p> <ul style="list-style-type: none"> <li>A training course on Procurement Fraud has been arranged for 06 October 2016, delivered by external consultants, to relevant staff across the organisation including Procurement,</li> </ul>

	Finance, OPCC, Estates, Fleet & ICT.
<p><b>Risk exposure if not addressed:</b></p> <ul style="list-style-type: none"> <li>Financial loss and reputational damage arising from procurement fraud or unethical behaviour.</li> <li>Trust and confidence in Cumbria Constabulary is undermined because of a failure to award contracts with consistently high standards of integrity.</li> </ul>	<p><b>Responsible manager for implementing:</b>  <b>Head of Procurement and CFO</b></p> <p><b>Date to be implemented:</b>  <b>End October 2016.</b></p>

**5.2 Regulatory** - compliance with laws, regulations, policies, procedures and contracts.

- **Medium priority (Rec 6)**
- **Advisory Issue (Rec 7)**

Audit finding	Management response
<p><b>a) Procurement Regulations</b></p> <p>The Joint Procurement Regulations provide limited clarity around authorities, roles and responsibilities for day to day procurement activity across the constabulary. The regulations state that this responsibility is delegated to ‘Authorised Officers’ in accordance with the Scheme of Delegation. However the Scheme of Delegation does not detail who these Authorised Officers are and refers back to the Joint Procurement Regulations for clarification. Furthermore the Joint Procurement Regulations do not state who is responsible for ensuring staff comply with the regulations and for ensuring that only Authorised Officers are engaged in procurement activity. There is a need for staff undertaking procurement activity and monitoring compliance to know, understand and execute their responsibilities with appropriate authority.</p> <p>The Joint Procurement Regulations do not include review arrangements to demonstrate that they will be appraised on a regular basis to ensure they reflect legislation, EU Directives, strategy and best practice.</p>	<p>Agreed management action:</p> <p><b><u>Recommendation 6</u></b></p> <ul style="list-style-type: none"> <li>Roles &amp; Responsibilities defined within Joint Procurement Regulations and individual role profiles of relevant staff.</li> <li>Budget holder responsibilities, managed by Finance, are reviewed and refreshed on an annual basis.</li> <li>The Scheme of Delegation to be reviewed to refer to the Scheme of Devolved Resource Management’ rather than the Joint Procurement Regulations.</li> </ul>

<p><b>Recommendation 6:</b> Authorities, roles and responsibilities for undertaking procurement activity and monitoring compliance should be clarified and communicated to those concerned.</p> <p><b>Recommendation 7:</b> Review arrangements for the Joint Procurement Regulations should be established.</p>	<p><b>Recommendation 7</b></p> <ul style="list-style-type: none"> <li>The Joint Procurement Regulations are reviewed on a bi-annual basis, or as required (i.e. legislative change), in-line with the agreed corporate governance reviews.</li> <li>Next review date to be added to the Joint Procurement Regulations.</li> </ul>
<p><b>Risk exposure if not addressed:</b></p> <ul style="list-style-type: none"> <li>Unauthorised and inefficient procurement activity because of a lack of clarity around officers authorised to undertake procurements.</li> <li>Poor performance because staff are unclear of their roles, responsibilities and authority.</li> <li>Sanctions and reputational damage arising from non-compliance with procurement regulations</li> </ul>	<p><b>Responsible manager for implementing:</b> <b>Head of Procurement and CFO's</b></p> <p><b>Date to be implemented:</b> <b>End August 2016</b></p>

● **Medium priority**

Audit finding	Management response
<p><b>b) Procurement Team</b></p> <p>Arrangements for supervisory review of work within the procurement team and evidencing this are not in place. Procedures do not detail the checks that should be undertaken at key stages, responsibility for undertaking checks, how they should be documented and mechanisms for providing feedback on the outcome of the checks. Supervisory confirmation that tasks are being appropriately undertaken might include the following:-</p> <ul style="list-style-type: none"> <li>Joint agreement and sign off of evaluation criteria (department and procurement team).</li> </ul>	<p><b>Agreed management action:</b></p> <ul style="list-style-type: none"> <li>The Head of Procurement holds fortnightly 121's with all staff within the Procurement Team and also works closely with his team to ensure oversight of all procurement activities detailed within this audit finding.</li> </ul>

<ul style="list-style-type: none"> <li>• Scoring took place against published criteria.</li> <li>• Award decisions are fully justified.</li> <li>• The required number / suitability of personnel are involved in procurement exercises.</li> <li>• All outcome letters have been issued to bidders.</li> <li>• All conflicts of interest forms have been returned promptly and reviewed.</li> <li>• All contracts over £10K have been captured on the Blue Light database for reporting purposes.</li> </ul> <p>Current arrangements do not give the Head of Procurement assurance that procurement activity is being undertaken consistently and effectively, in compliance with Joint Procurement Regulations and that actions are being taken to secure ongoing improvement. Supervision is particularly important given the team's current level of skills, knowledge and experience. It is a relatively new team pulled together from different parts of the organisation, not necessarily with a procurement background.</p>	<ul style="list-style-type: none"> <li>• The Constabulary is confident that the appropriate checks and balances are undertaken to give the Head of Procurement reassurance that procurement activities are compliant with both the Joint Procurement Regulations and the EU Procurement Regulations (2015).</li> <li>• The draft procurement cycle checklist to be finalised and introduced across all procurement functions.</li> </ul>
<p><b>Recommendation 8:</b></p> <p>Management should define and communicate requirements around supervisory checking at key stages of the procurement lifecycle.</p>	
<p><b>Risk exposure if not addressed:</b></p> <ul style="list-style-type: none"> <li>• Sanctions and reputational damage arising from non-compliance with procurement regulations.</li> <li>• Strategic policing priorities are not achieved.</li> <li>• Poor performance because opportunities for improvement are not identified and acted upon.</li> </ul>	<p><b>Responsible manager for implementing:</b>  <b>Head of Procurement</b></p> <p><b>Date to be implemented:</b>  <b>End October 2016</b></p>

● **Medium priority (Recs 9 & 10)**

<b>Audit finding</b>	<b>Management response</b>
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c) **Professional Indemnity Insurance**

The requirement for professional indemnity insurance is included, as standard, as part of the Invitation to Tender (ITT) process for consultants. The Procurement Team ask bidders to confirm that they have the required level / period of cover in place but copy certificates are not routinely obtained in accordance with the Joint Procurement Regulations.

The Joint Procurement Regulations do not provide any guidance on the level of insurance cover required.

**Recommendation 9:**

Arrangements should be in place to ensure consultants have current professional indemnity insurance, for the specified period, and copy certificates are obtained.

**Recommendation 10:**

Guidance should be developed regarding the level of professional indemnity insurance cover required in different circumstances to adequately address risk exposure.

**Risk exposure if not addressed:**

- Sanctions and reputational damage arising from non-compliance with procurement regulations.
- Financial liabilities arising from inadequate contractor insurance cover.

Agreed management action:

**Recommendation 9**

- The Head of Procurement will reinforce the requirement to obtain copies of insurance certificates with members of the Procurement Team.
- Also to be included in procurement cycle checklist (recommendation 8).

**Recommendation 10**

- The level of insurance required is included in each ITT issued and is set, as a minimum of £250,000, but is set on an individual tender basis subject to the risk incurred.
- The Joint Procurement Regulations will be reviewed to consider whether minimum levels of insurances required should be included.

Responsible manager for implementing:

**Head of Procurement**

Date to be implemented:

**Recommendation 9 by end October 2016.**

**Recommendation 10 by mid-September 2016.**

### 5.3 Information - reliability and integrity of financial and operational information.

- Medium priority (Recs 11 & 12)
- Advisory Issue (Rec 13)

Audit finding	Management response
<p><b>a) Planning &amp; approval for procurement activity</b></p> <p>The Procurement Team are not involved in the early stages of procurement activity when Business Cases are under development and approval is being sought but they endeavour to liaise with departments to keep informed of up and coming procurement activity. The Procurement Team is heavily reliant on departments to provide this information on a timely basis and this impacts upon the quality of forward planning for the procurement team.</p> <p>The Contract Signature Request Form that applies to procurements over £20k requires the signature of the relevant Head of Department to certify that budgetary provision exists before being passed to the Head of Procurement and Finance for approval. The form does not capture details of the amount or source of approval to inform this process and clearly demonstrate that contracts are only awarded where sufficient budgetary provision has been properly agreed in advance.</p> <p>The Joint Procurement Regulations state that where mini competitions are undertaken to select framework suppliers there may be a need for additional checks to be carried out on financial standing. This situation would arise where PQQ responses are more than two years old and should happen following advice from the Chief Finance Officer. In practice the Procurement Team perform initial checks utilising a credit checking company and then determine if further advice should be sought from finance regarding additional checking. The checks and the outcome are not evidenced on the Contract Signature Request Form to fully inform those involved in the decision making and approval process.</p>	<p>Agreed management action:</p> <p><b><u>Recommendation 11</u></b></p> <ul style="list-style-type: none"> <li>● The Head of Procurement and the Procurement Business Partners have regular engagement meetings with the relevant Heads of Service and OPCC with regards to current and pipeline procurement activities, thus ensuring good visibility is maintained.</li> <li>● The Constabulary feels that appropriate arrangements to address recommendation 11 are already in place.</li> </ul> <p><b><u>Recommendation 12</u></b></p> <ul style="list-style-type: none"> <li>● As part of the Contract Signature Request control process, the Constabulary CFO verifies that budgetary provision is available.</li> <li>● It is accepted that this step would be better facilitated with further information being included on the form which has now been amended.</li> </ul>
<p><b>Recommendation 11:</b></p> <p>Arrangements should be in place to keep the Procurement Team fully informed of future procurement activity, at the earliest opportunity for effective forward planning.</p>	<p><b><u>Recommendation 13</u></b></p> <ul style="list-style-type: none"> <li>● The Constabulary feels the selection criteria for the award and maintenance of the original</li> </ul>

<p><b>Recommendation 12:</b> A mechanism should be in place to clearly highlight the amount and source of budget approval for those tasked with approving contracts.</p> <p><b>Recommendation 13:</b> Checks on the financial standing of framework suppliers subject to mini competition should be evidenced on Contract Signature Request Forms.</p>	<p>framework/contract already addresses this requirement.</p>
<p><b>Risk exposure if not addressed:</b></p> <ul style="list-style-type: none"> <li>• Inefficient and ineffective procurement activity due to poor planning and stretched resources.</li> <li>• Financial loss, legal challenge and reputational damage because the organisation cannot afford the contract.</li> <li>• Contract failure because the supplier does not meet financial standing requirements and cannot deliver.</li> </ul>	<p><b>Responsible manager for implementing:</b> <b>Head of Procurement</b></p> <p><b>Date to be implemented:</b> <b>Recommendation 11 is in place.</b> <b>Recommendation 12 has been completed.</b> <b>Recommendation 13 is the responsibility of the contracting authority.</b></p>

● **Medium priority**

Audit finding	Management response
<p><b>b) Records</b> The Joint Procurement Regulations state that the Head of Procurement is responsible for securely storing all contracts (including those under seal) and maintaining records of contract exemptions. In practice information is retained by both the Legal Team and the Procurement Team and</p>	<p>Agreed management action: <b><u>Recommendation 14</u></b></p>

<p>arrangements have not been defined and communicated.</p> <p>Without this clarity, management cannot be assured that procurement documentation is held in accordance with the Constabulary's Records Management Policy, Data Protection Legislation and Procurement Regulations. It also raises issues around record duplication, consistency and access to information.</p>	<ul style="list-style-type: none"> <li>The arrangements for the storage and management of contract documentation will be reviewed jointly with the Head of Procurement and the Senior Legal Advisor with the Joint Regulations to be updated as required.</li> <li>A central register of all contract exemptions is held by the Head of Procurement.</li> </ul>
<p><b>Recommendation 14:</b></p> <p>Procurement record storage arrangements should be defined and communicated.</p>	
<p><b>Risk exposure if not addressed:</b></p> <ul style="list-style-type: none"> <li>Sanctions and reputational damage arising from non-compliance with legislation, policies and regulations.</li> <li>Wasted resources accessing information.</li> </ul>	<p><b>Responsible manager for implementing:</b>  <b>Head of Procurement and Senior Legal Advisor.</b></p> <p><b>Date to be implemented:</b>  <b>End September 2016.</b></p>

**5.4 Value** - effectiveness and efficiency of operations and programmes.

● **Medium priority**

Audit finding	Management response
<p>a) <b>Lessons Learned</b></p> <p>Post completion reviews are not undertaken to identify good practice and areas for improvement in procurement activity that can be taken forward to strengthen future procurement exercises and inform training plans for the procurement team.</p>	<p>Agreed management action:</p> <p><b>Recommendation 15</b></p> <ul style="list-style-type: none"> <li>Post completion reviews (considering number of responses, evaluation criteria success,</li> </ul>

<p><b>Recommendation 15:</b></p> <p>Post completion reviews should be undertaken in respect of key procurement exercises in order to identify any learning that can be taken forward as part of a commitment to continuous improvement.</p>	<p>quality of the tender documents and procurement timings) are currently undertaken on an informal basis.</p> <ul style="list-style-type: none"> <li>• A formal review template to capture the above, together with lessons learnt, is being developed for use.</li> </ul>
<p><b>Risk exposure if not addressed:</b></p> <ul style="list-style-type: none"> <li>• Opportunities not taken to learn lessons and improve.</li> <li>• Failure to train and develop staff to provide a more efficient and effective procurement function.</li> </ul>	<p><b>Responsible manager for implementing:</b> <b>Head of Procurement</b></p> <p><b>Date to be implemented:</b> <b>End August 2016</b></p>

● **Advisory Issue**

<b>Audit finding</b>	<b>Management response</b>
<p><b>b) Approved Lists</b></p> <p>The Head of Procurement is responsible for maintaining approved lists of suppliers. The current approved lists have not been reviewed and re-advertised for a number of years and do not therefore comply with the Joint Procurement Regulations. Approved lists should be reviewed and re-advertised on a regular basis to demonstrate the constabulary's commitment to genuine competition as an integral part of ethical procurement activity.</p> <p>The Head of Procurement is planning a project to address this issue. We suggest that a project plan is developed to include all actions required, people responsible, clear time targets and the necessary approval.</p>	<p>Agreed management action:</p> <p><b><u>Recommendation 16</u></b></p> <ul style="list-style-type: none"> <li>• The Procurement Team are working closely with Estates and have awarded frameworks (YPO) to reduce the dependencies on approved lists but the Constabulary accepts that there is still work to do.</li> <li>• The potential for joining a managed service, subject to impact on local agenda and a new spend analysis being undertaken, is being considered.</li> </ul>
<p><b>Recommendation 16:</b></p> <p>A plan should be developed to update approved lists of suppliers in accordance with the Joint</p>	

Procurement Regulations.	
<p>Risk exposure if not addressed:</p> <ul style="list-style-type: none"><li>• Poor value for money arising from the use of out of date approved lists.</li><li>• Reputational damage arising from a failure to demonstrate the exercise of genuine competition.</li></ul>	<p>Responsible manager for implementing: <b>Head of Procurement and Head of Estates &amp; Fleet</b></p> <p>Date to be implemented: <b>End March 2017.</b></p>

## Appendix A

## Audit Assurance Opinions

There are four levels of assurance used; these are defined as follows:

	Definition:	Rating Reason
<b>Substantial</b>	There is a sound system of internal control designed to achieve the system objectives and this minimises risk.	<p>The controls tested are being consistently applied and no weaknesses were identified.</p> <p>Recommendations, if any, are of an advisory nature in context of the systems and operating controls &amp; management of risks.</p>
<b>Reasonable</b>	There is a reasonable system of internal control in place which should ensure that system objectives are generally achieved, but some issues have been raised which may result in a degree of risk exposure beyond that which is considered acceptable.	<p>Generally good systems of internal control are found to be in place but there are some areas where controls are not effectively applied and/or not sufficiently developed.</p> <p>Recommendations are no greater than medium priority.</p>
<b>Partial</b>	The system of internal control designed to achieve the system objectives is not sufficient. Some areas are satisfactory but there are an unacceptable number of weaknesses which have been identified and the level of non-compliance and / or weaknesses in the system of internal control puts the system objectives at risk.	<p>There is an unsatisfactory level of internal control in place as controls are not being operated effectively and consistently; this is likely to be evidenced by a significant level of error being identified.</p> <p>Recommendations may include high and medium priority matters for address.</p>
<b>Limited / None</b>	Fundamental weaknesses have been identified in the system of internal control resulting in the control environment being unacceptably weak and this exposes the system objectives to an unacceptable level of risk.	<p>Significant non-compliance with basic controls which leaves the system open to error and/or abuse.</p> <p>Control is generally weak/does not exist. Recommendations will include high priority matters for address. Some medium priority matters may also be present.</p>

## Grading of Audit Recommendations

Audit recommendations are graded in terms of their priority and risk exposure if the issue identified was to remain unaddressed. There are three levels of audit recommendations used; high, medium and advisory, the definitions of which are explained below.

Definition:		
<b>High</b>	●	Significant risk exposure identified arising from a fundamental weakness in the system of internal control
<b>Medium</b>	●	Some risk exposure identified from a weakness in the system of internal control
<b>Advisory</b>	●	Minor risk exposure / suggested improvement to enhance the system of control

### Recommendation Follow Up Arrangements:

- High priority recommendations will be formally followed up by Internal Audit and reported within the defined follow up timescales. This follow up work may include additional audit verification and testing to ensure the agreed actions have been effectively implemented.
- Medium priority recommendations will be followed with the responsible officer within the defined timescales.
- Advisory issues are for management consideration.