

Internal Audit Report

Procurement Review

Report status	Final
Report date	May 2013
Financial Period	2012/13
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Executive Summary

Objective of the audit

The overall objective of the audit is to ensure that adequate processes are in place that support and facilitate effective and efficient procurement of goods and services.

The specific objectives will be to ensure that:

- Tendering procedures are in accordance with the Fire Service's Constitution;
- Staff involved in procurement activity comply fully with the Authority's procurement regulations contained within the Constitution;
- Supervisory and management checks are carried out as part of the procurement process; and
- Contracts can be identified as business critical to the Fire Service.

Key background information

The Fire Service does not have a full time Procurement officer. The responsibility for procurement rests with the Senior Finance Officer (SFO) who reports directly to the Finance Manager on all procurement issues. The SFO provides advice and guidance on procurement, notably on tendering exercises.

The Fire Service has signed up to 'Delta e-Sourcing' for five years from April 2012, which will provide a web-based procurement service all under 'one roof'. It is anticipated that the web-based site will reduce the cost and time involved when obtaining quotes and undertaking tender exercises in the future. The cost of the contract is £26,000 over the five years.

Our Opinion

Based upon the work undertaken, we can give ADEQUATE assurance on the level of control in place to manage the risks associated with the procurement process.

Our opinion has been informed by the following key findings:

Weaknesses in controls:




- The Fire Service does not have a definition in place as to what is deemed as a 'Business Critical' contract;
- The Corporate risk register does not make reference to Business Critical contracts and the impact they may have on the Service;
- There is no 'forward planner' in place to trigger the procurement planning cycle as key contracts expire; and
- Timeframes have not been met for implementing the new web base portal.




Areas of good practice/controls operating effectively:



- Review and testing of the Pension tender, which took place during 2012/13, identified that all appropriate steps had been adhered to during the tender exercise;
- The web base portal contains the Fire Service contract database, procurement rules/guidance, and tender documents; and
- The Fire Service has 'Contract Procedure Rules' in place that outline clearly and concisely the procurement process for acquiring goods and services.


Action Plan

Explanation of priority ratings:

Priority	Explanation
	<p>High: Action that is considered imperative to ensure that the Fire Service is not exposed to high risks. Major adverse impact on achievement of the Fire Service's objectives if not adequately addressed.</p>
	<p>Medium: Action that is considered necessary to avoid exposing the Fire Service to significant risks.</p>
	<p>Low: Action that is considered desirable and should result in enhanced control or better value for money. Minimal adverse impact on achievement of the Fire Service's objectives if not adequately addressed.</p>

	Finding	Risk	Recommended Action	Priority	Management Action
1.	<p>A review of the Fire Service's contract database does not identify which contracts fall into this category.</p> <p><i>(An issue noted in 2011/12 review)</i></p>	<p>The inability to identify business critical or significant contracts may mean that the Fire Authority is unable to properly recognise risks relating to the financial resilience and robustness of key contractors.</p>	<p>The contract database should contain relevant information to identify business critical contracts.</p>		<p>Agreed</p> <p>Responsibility: Snr Finance Officer</p> <p>Target date: 30 June 2013</p>
2.	<p>Following on from (2) the above, it was also noted that business critical contracts are not captured in the corporate risk register and the impact that these may have for the Fire Service.</p>	<p>Failure to maintain a concise risk assessment which captures all critical events facing the Fire Service may compromise the efficiency of resolving issues that may arise.</p>	<p>The Fire Service's corporate risk register should include an assessment on business critical contract(s).</p>		<p>Agreed</p> <p><i>Key Suppliers are identified as part of the Service's Business Interruption Plans, where the mitigation of risk is insufficient they will be recorded on Risk Registers at the appropriate levels</i></p> <p>Responsibility: Individual contract Managers</p> <p>Target date: 30 Sept 2013</p>
3.	<p>Discussions held with the Senior Finance Officer revealed that there is no 'Forward Planner' in place. To trigger the procurement planning cycle as a key contract is nearing cessation/ expiry.</p>	<p>Key contracts will not be procured in a timely manner thereby potentially impacting on service delivery.</p>	<p>A forward planner should be compiled/ developed which will ensure that key contracts are procured in a timely manner.</p>		<p>Agreed - <i>The Delta Suite allows for reminders to be programmed into the system on all contracts which will allow emails to be circulated to responsible officers – this functionality is currently being updated as part of the contract register review.</i></p> <p>Responsibility: Snr Finance Officer</p>

	Finding	Risk	Recommended Action	Priority	Management Action
					Target date: 30 June 2013
4.	<p>The Fire Service has signed up to a web based procurement portal called 'Delta e-Sourcing', which is operated by Bip Solutions, for 5 years from April 2012.</p> <p>Initial discussions held with the Senior Finance Officer suggested that the portal would be up and running with all the relevant information by January 2013. This date has now been revised to mid April 2013 due to other work commitments taking priority.</p>	<p>There is a risk that the Delta e-Sourcing portal will not be adopted as a management tool and therefore, the portal will not be utilised by staff to its full potential.</p>	<p>It should be ensured that the new implementation timeframe is adhered to.</p>		<p>Agreed - Key staff have been identified and training and advice is currently being provided when procurement exercises are undertaken. Overall control of system being carried out by Snr Finance Officer Contracts and Procurement.</p> <p>Responsibility: Snr Finance Officer Target date: August 2013</p>
5.	<p>Whilst all tender documentation is uniquely referenced it was noted that contract documentation does not include this reference.</p> <p>(An issue noted in 2011/12 review)</p>	<p>Incomplete audit trail potentially resulting in additional staff time being expended in tracking contract information.</p>	<p>As part of the development of the procurement process; consideration should be given to the standard referencing of all key documentation.</p>		<p>Agreed - On finalisation of contract register all contracts will be referenced which will be utilised throughout the procurement process.</p> <p>Responsibility: Snr Finance Officer Target date: June 2013</p>

	Finding	Risk	Recommended Action	Priority	Management Action
6.	<p>The Contract Procedure Rules form part of the Fire Service's Constitution.</p> <p>We were provided with a copy of the Constitution and noted that it was in draft. Upon further investigation it was noted that the Constitution had been approved by the Fire Authority on 17th April 2012. The approved version has not yet been uploaded onto the intranet and internet.</p>	<p>Failure to issue and make available the finalised Constitution, to and accessible by staff, may lead to erroneous and inconsistent working practices developing. This in turn could lead to breaches of defined policies and eligibility criteria.</p>	<p>The approved and finalised version of the Constitution should be uploaded onto the intranet and internet.</p>		<p>Agreed.</p> <p>Responsibility: <i>Snr Finance Officer</i></p> <p>Target date: <i>with immediate effect</i></p>

Appendix A – Definition of assurance opinions

Level of Assurance	Definition
Substantial	There is a sound system of internal control designed to achieve the system objectives.
Adequate	While there is a basically sound system of internal control designed, there are weaknesses, which put some of the system objectives at risk.
Limited	Weaknesses in the design of the system of internal controls are such as to put the system objectives at risk.
None	Control design is generally weak leaving the system open to significant error or abuse.

The matters raised in this report are only those that came to our attention during the course of the audit work and are not necessarily a comprehensive statement of all the weaknesses that exist or of all the improvements that may be required.

Whilst every care has been taken to ensure that the information in this report is as accurate as possible, it is based on the information provided and documents reviewed. No complete guarantee or warranty can be given with regard to the advice and information contained within the report. We emphasise that the responsibility to implement a sound system of internal controls rests with management and that our work should not be taken as a substitute for this responsibility. Our work has been considered to identify material irregularity which has a reasonable possibility of discovery, however, this does not provide absolute assurance that material error, loss or fraud do not exist.

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