

BARROW BOROUGH COUNCIL
INTERNAL AUDIT FINAL REPORT 21-17
PROCUREMENT

(including Substantive Expenditure Testing 21-26)

Executive Summary

Introduction

The Council's Contract Standing Orders and Purchasing Procedure govern procurements valued above and below £100,000 respectively. The Procedure states that the Council has adopted the principle that it "aims to deliver value for money when procuring goods, services and supplies. This is balanced with consideration to sustainability, the local economy and fair competition to all providers."

This review examined procurement arrangements which would be covered by the Purchasing Procedure, i.e. those below £100,000. The Council uses framework agreements mainly obtained through competitive tendering where possible, while other supplies require differing numbers of quotations to be obtained, depending on their value.

The Finance Department manages the ordering processes using the Oracle Financials system and the Council's Purchasing Procedure was last updated in September 2017.

In addition, Internal Audit carried out substantive testing of expenditure during the Covid-19 lockdown periods between April and November 2020. The findings of both reviews are included in this report.

Audit Objectives

An audit of this system forms part of the agreed 2021/22 programme. The audit objectives were to evaluate and test controls relating to the Purchasing Procedure and ordering systems, particularly compliance with relevant competition requirements. The scope and objectives of the audit were discussed in advance with Corporate Services and Financial Services.

Details of the audit methodology are provided in Appendix 1.

Audit Conclusion – No Assurance

As a result of the audits we have identified significant non-compliance with controls leaving the system vulnerable to error and abuse. It should be noted a number of significant issues have been raised previously but not addressed.

Key Points
No Assurance
Three major issues
Three important issues
Five previous recommendations (of which four are major issues)

We have made three Priority 1 recommendations that concern:

- Management Board explaining the reasons for significant non-compliance with the Council's financial regulations with regard to expenditure incurred with individual suppliers in excess of £100,000; and ensuring that all future procurements exceeding £100,000 are conducted in accordance with Contract Standing Orders;
- the Council ensuring that the provisions in place for the engagement of "specialist" suppliers are not abused and are used only for the engagement of specialists rather than just preferred suppliers; and where specialised suppliers are identified, approval is obtained and clearly documented by authorised managers prior to purchase; and
- the Council reviewing and updating its Purchasing Procedure regularly and ensuring the latest version is available online

In addition, we have made three Priority 2 recommendations which relate to the Council:

- clarifying its policy in regard to procurement made by third parties to ensure that the Council's Financial Regulations are being complied with;
- ensuring that, where services or supplies are regularly required, market testing is undertaken regularly and fully documented; and
- making the requirement to use frameworks, where they exist, more explicit in the Purchasing Procedure.

Internal Audit reviewed the two agreed recommendations made in Audit Report 18-17, dated June 2019. One recommendation had been implemented and the other remains outstanding and concerns:

- explaining why a contract is not in place for a supplier who has received £336,000 over the previous five years (Priority 1).

Internal Audit reviewed the agreed recommendation made in Audit Report 16-17, dated June 2017. The recommendation remains outstanding and concerns:

- officers ensuring that all relevant supporting documentation relating to procurements are retained and are readily available for inspection to confirm compliance with the Council's purchasing procedures (Priority 1).

In addition, Internal Audit reviewed the three agreed recommendations made in Audit Report 15-17, dated September 2016. The recommendations remain outstanding, which relate to:

- ensuring that procurements/purchases are consistently made in accordance with the competition requirements of its Purchasing Procedure (Priority 1);
- ensuring that correctly authorised official purchase orders are issued for all relevant supplies (Priority 1); and

- giving consideration to performing a regular review of total annual payments to suppliers in order to identify whether Contract Standing Orders should have been followed in specific instances (Priority 2).

Management Response

A management response has been received, outlining proposed measures to address weaknesses; with emphasis being placed on revised procedures.

Acknowledgement

Internal Audit would like to thank staff for their co-operation and assistance during the review.