



Internal Audit Report

Customer Services

Review of *Tendering Procedures*

November 2010

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1 INTRODUCTION

This report has been prepared as a result of the Internal Audit review of Tendering Procedures, Customer Services as part of the 2010/11 Internal Audit programme.

A review of tendering procedures is carried out each year. In the past the practice has been to review major capital contracts. Within the last twelve months the Council Constitution has been updated and Standing Orders Relating to Contracts has been a major element of this update; a new Corporate Procurement Manual has been introduced; and a significant restructuring of the Council has taken place. With the foregoing points in mind it was decided to direct our attention, in the main, to smaller value contracts of a revenue nature.

We have selected Customer Services for review and the audit reviewed IT, Procurement and Cleaning and Janitorial services and involved two Heads of Service areas of responsibility..

2 AUDIT SCOPE AND OBJECTIVES

The general scope of this review is set out in the foregoing introduction and the broad objectives of the review were to ensure that the processes involved in the tendering system will be reviewed for completeness, quality and accuracy of information and compliance with the Council's Standing Orders Relating to Contracts.

- Tests were carried out to evaluate these areas, and identify any problems.
- Reports produced were reviewed to evaluate their timely presentation and effectiveness.
- Checks were made to ensure all relevant authorised documentation is filed in the appropriate manner, and is available for inspection.

Any problem areas were highlighted, and brought to the attention of the Heads of Service prior to the Report stage.

Our approach was to ensure that the Council's Standing Orders are being complied with and that they reflect the required changes for effective control. This was achieved by verifying that:

- where suppliers or contractors' lists are in use, appropriate controls are in place.
- compliant procedures are in place for the selection process at either pre-qualification or actual tender stage..
- tenders are recorded, held securely until opened, and that the procedures for opening tenders are properly controlled.
- European Journal requirements are complied with when necessary and similarly Scottish Government guidance.
- Procedures for evaluating tenders and pre-qualification selection are properly controlled.

- Any alterations to tenders after the opening process are properly authorised.

3 RISK ASSESSMENT

As part of the audit process and in conjunction with our Systems Based Auditing, ICQ approach, the risk register was reviewed to identify any areas that needed to be included within the audit.

The appropriate risk register did not identify any risk not already included in CIPFA's booklet "A Risk Based Approach to the Audit of Procurement" or the Internal Control documentation used to determine the compliance issues considered within the internal audit review.

4 CORPORATE GOVERNANCE

There are no Corporate Governance issues to be reported as a result of this audit.

5 MAIN FINDINGS

Two unauthorised attempts were made to access the tender documents on the Scottish Government Portal publiccontractsscotland.gov.uk. Both were by Council employees and satisfactory explanations of the circumstances have been received. The fact that the portal itself highlighted these attempts shows that the appropriate controls are in place.

No adverse internal control matters were found and the one operational issue was discussed with senior management.

6 RECOMMENDATIONS

No recommendations were identified as a result of the audit. Therefore no recommendations are shown in the action plan attached at Appendix 2.

A system of grading audit findings, which have resulted in an action, is normally adopted in order that the significance of the findings can be ascertained. Each finding is classified as fundamental, material or minor. The definition of each classification is set out below:-

High - major observations on high level controls and other important internal controls. Significant matters relating to factors critical to the success of the objectives of the system. The weakness may therefore give rise to loss or error;

Medium - observations on less important internal controls, improvements to the efficiency and effectiveness of controls which will assist in meeting the

objectives of the system and items which could be significant in the future. The weakness is not necessarily great, but the risk of error would be significantly reduced if it were rectified;

Low - minor recommendations to improve the efficiency and effectiveness of controls, one-off items subsequently corrected. The weakness does not appear to affect the ability of the system to meet its objectives in any significant way.

7 AUDIT OPINION

The auditor is satisfied that both sections have conformed to the Council's Standing Orders in relation to contracts in an appropriate manner and have made use of the Procurement Manual procedures and processes..

Based on the findings we can conclude that the contract procurement process in relation to Tendering has been clearly defined and is being followed.

8 ACKNOWLEDGEMENTS

Thanks are due to Facility Services and Customer support services staff for their co-operation and assistance during the Audit and the preparation of the report and action plan.

Argyll & Bute Council's Internal Audit section has prepared this report. Our work was limited to the objectives in section 2. We cannot be held responsible or liable if information material to our task was withheld or concealed from us, or misrepresented to us.

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