



## INTERNAL AUDIT REPORT – TENDERS AND CONTRACTS

Auditor:	Sharon Bradley
Distribution:	Audit Committee Chief Executive Director of Corporate Services Director of Environmental Services Director of Leisure & Development Chief Finance Officer Head of Estates Projects Director Senior Project Accountant
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All matters contained in this report came to our attention while conducting normal internal audit work. Whilst we are able to provide an overall level of assurance based on our audit work, unlike a special investigation, this work will not necessarily reveal every issue that may exist in the Council's internal control system.

## Table of Contents

Executive Summary.....	3
1 Objective .....	4
2 Background .....	4
3 Risks .....	4
4 Audit Approach.....	5
5 Findings and Recommendations .....	5-6
Appendix I: Definition of Assurance Ratings and Hierarchy of Findings .....	7
Appendix II: Summary of Key Controls Reviewed.....	8

## Executive Summary

This internal audit was completed in accordance with the approved annual Internal Audit Plan for 2017/18. This report summarises the findings arising from a review of Tenders and Contracts which was allocated 10 days.

Through the audit I found the following examples of good practice:

- The procurement policy and thresholds are in line with general practice (across other Councils) and tender opportunities are advertised widely.
- Panel members notify if there are any conflicts of interest in relation to the tenders prior to completing assessment, these are recorded, and appropriate actions are taken
- Award criteria are drawn up for each tender process
- Potential tenderers are made aware of the award criteria against which they will be assessed and informed of any changes that are made to the invitation to tender or the award criteria
- The assessments and scoring of each tender by each panel member are documented together with the final decisions of the tender panel
- Contract values specified in any contracts awarded following a tender process match the prices or fees quoted in the tender.

Two areas (Priority 2) where controls could be enhanced were noted during this review.

The following table summarises the total number of recommendations from our audit (all recommendations being accepted by management):

Risk	Number of recommendations & Priority rating		
	1	2	3
Procurement procedures regarding the tendering process may not be documented leading to inconsistencies as to how tenders are processed and awarded with the relevant number of tenders not sought in line with the expenditure threshold limits.	-	1	-
Tendering processes may not be efficient or effective, leading to increased costs of goods and services to Council	-	1	-
<b>Total recommendations made</b>	<b>-</b>	<b>2</b>	<b>-</b>

Based on our audit testing we are able to provide the following overall level of assurance:

### Satisfactory

Overall there is a satisfactory system of governance, risk management and control. While there may be some residual risk identified this should not significantly impact on the achievement of system objectives.

## Objective

The overall objective of this audit is to consider the main risks in relation to procurement, contracts and tenders and to review the key systems and controls in place to address these.

## Background

Causeway Coast and Glens Borough Council is committed to the efficient and effective management of its procurement activities in order to ensure that:

- The best use is made by the Council of available resources
- The best services, supplies and construction works are obtained by the Council at the best price
- There is openness and accountability in relation to procurement activities
- Sustainable development and environmental issues are actively considered as part of the Council's procurement activities
- The process contributes to good corporate governance and risk management.

The Council has a procurement policy which was last updated in August 2014. The policy sets out the procedures to be followed when procuring goods and services. Council officers are expected to actively and demonstrably apply this policy and procedures in all aspects of their procurement work on behalf of the Council.

Council have a large suite of "annual tenders" which were set up in 2015 and extended until March 2018 as per contract terms and conditions. All tenders are now received in electronic format via eSourcing NI and Council has a Procurement Officer in place.

## Risks

The risks identified relating to Tenders and Contracts and agreed with management are as follows:

1. Procurement procedures regarding the tendering process may not be documented leading to inconsistencies as to how tenders are processed and awarded with the relevant number of tenders not sought in line with the expenditure threshold limits
2. Tendering processes may not be efficient or effective, leading to increased costs of goods and services to Council
3. There may be a lack of clear audit trail in relation to the decision-making process for awarding tenders and contracts, leading to potential challenge by unsuccessful tenderers and delay in the awarding of tenders.
4. Tenders and contracts may not be reviewed on a regular basis leading to poor value for money and lack of opportunity for other suppliers

## Audit Approach

The audit fieldwork comprised:

- Documenting the systems via discussions with key staff
- Consideration of the key risks within each audit area
- Examining relevant documentation
- Carrying out a preliminary evaluation of the arrangements and controls in operation generally within the Council
- Testing the key arrangements and controls
- Testing the completeness and accuracy of records.

The table below shows the staff consulted with and we would like to thank them for their assistance and co-operation.

Job title
Chief Finance Officer
Senior Project Accountant
Procurement Officer

## Findings and Recommendations

This section of the report sets out our findings in relation to control issues identified and recommendations. A summary of all the key controls that we considered is included in Appendix II to this report.

### 6.1 Risk 1 – Documented Procurement Procedures

Procurement Procedures/Staff Training
<b>a) Observation-</b>  Council has Procurement Policy and Procedures in place since 2014. However, the thresholds in place have since been updated and the policy does not reflect these changes.
<b>b) Implication-</b> The relevant number of tenders or quotations are not sought where value of expenditure exceeds procurement thresholds.
<b>c) Priority Rating-</b> <b>2</b>
<b>d) Recommendation-</b> The Council should update the Procurement Policy and Procedures to reflect changes made to the procurement thresholds.
<b>e) Management Response-</b> Procurement policy currently being reviewed
<b>Responsible Officer &amp; Implementation Date- Apr/May 2018 – Chief Finance Officer</b>

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## 6.2 Risk 2 – Tendering Process

Tendering Process Procedures
a) <b>Observation-</b> The tendering and contracting process is managed and overseen to ensure that it is followed correctly, however, since the policy was approved in 2014 there have been changes to the process. Since 2015 all tenders are received electronically via eSourcing NI which removes any need for tender return dates/time to be recorded.
b) <b>Implication-</b> Tendering processes may not be efficient or effective.
c) <b>Priority Rating-</b> 2
d) <b>Recommendation-</b> Procedures in relation to the tendering process should be updated to reflect changes since the procurement policy was approved in 2014.
e) <b>Management Response-</b> Procurement policy currently being reviewed
<b>Responsible Officer &amp; Implementation Date- Apr/May 2018 – Chief Finance Officer</b>

## 6.3 Risk 3 – Clear audit trail for awarding tenders and contracts

Audit has no findings or recommendations to make in relation to this risk area.

## 6.4 Risk 4 – Review of Council Tenders & Contracts

Audit has no findings or recommendations to make in relation to this risk area.

## **Appendix I: Definition of Assurance Ratings and Hierarchy of Findings**

### **Satisfactory Assurance**

Evaluation opinion: Overall there is a satisfactory system of governance, risk management and control. While there may be some residual risk identified this should not significantly impact on the achievement of system objectives.

### **Limited Assurance**

Evaluation opinion: There are significant weaknesses within the governance, risk management and control framework which, if not addressed, could lead to the system objectives not being achieved.

### **Unacceptable Assurance**

Evaluation opinion: The system of governance, risk management and control has failed or there is a real and substantial risk that the system will fail to meet its objectives.

## **Hierarchy of Findings**

This audit report records only the main findings. As a guide to management and to reflect current thinking on risk management we have categorised our recommendations according to the perceived level of risk. The categories are as follows:

**Priority 1:** Failure to implement the recommendation is likely to result in a major failure of a key organisational objective, significant damage to the reputation of the organisation or the misuse of public funds.

**Priority 2:** Failure to implement the recommendation could result in the failure of an important organisational objective or could have some impact on a key organisational objective.

**Priority 3:** Failure to implement the recommendation could lead to an increased risk exposure.

## Appendix II: Summary of Key Controls Reviewed

Risk	Control issues
<p>Procurement procedures regarding the tendering process may not be documented leading to inconsistencies as to how tenders are processed and awarded with the relevant number of tenders not sought in line with the expenditure threshold limits</p>	<ul style="list-style-type: none"> <li>• Council policy is clear on when purchases of goods or supplies should be tendered; various procurement thresholds and the procedures for completing the tendering and contract award process</li> <li>• The procurement policy and thresholds are in line with general practice (across other Councils)</li> <li>• The tendering and contracting process is managed and overseen to ensure that it is followed correctly</li> <li>• The policy is communicated to staff</li> <li>• Staff have received training on the procurement policy</li> </ul>
<p>Tendering processes may not be efficient or effective, leading to increased costs of goods and services to Council</p>	<ul style="list-style-type: none"> <li>• Consideration is given to ensuring that quotes obtained through tender are best value by: <ul style="list-style-type: none"> <li>○ Issuing detailed specifications for suppliers to quote against</li> <li>○ Encouraging a broad range of organisations to tender</li> <li>○ Taking opportunities to consider purchase in bulk through a tender approach where similar goods (which may fall below the tender threshold) are purchased frequently during the year</li> <li>○ Other factors, in addition to price, are considered in relation to tender assessment criteria (e.g. technical and professional ability of the tenderer, ability to respond to contingencies, performance standards)</li> <li>○ Specialist procurement advice is sought to advise on high value procurement of goods and services, ensuring that the Council follows all required legal processes (and avoids the risk of challenge by those submitting tenders or quotes) and completes the process in the most efficient way</li> </ul> </li> <li>• If procurement frameworks are used, Council ensures that invitations to quote or tender are issued only to the organisations on the framework agreement</li> </ul>
<p>There may be a lack of clear audit trail in relation to the decision-making process for awarding</p>	<ul style="list-style-type: none"> <li>• Tender opportunities are advertised widely (e.g. on the Council website and in local press)</li> </ul>



Risk	Control issues
<p>tenders and contracts, leading to potential challenge by unsuccessful tenderers and delay in the awarding of tenders.</p>	<ul style="list-style-type: none"> <li>• Tenders received are marked with the time and date of receipt and stored in a safe location until opening (late tenders are not accepted)</li> <li>• Tender opening is recorded and completed by panels established specifically to evaluate tenders received</li> <li>• Panel members notify if there are any conflicts of interest in relation to the tenders prior to completing assessment, these are recorded, and appropriate actions are taken</li> <li>• Award criteria are drawn up for each tender process</li> <li>• Potential tenderers are made aware of the award criteria against which they will be assessed and informed of any changes that are made to the invitation to tender or the award criteria</li> <li>• The assessments and scoring of each tender by each panel member are documented together with the final decisions of the tender panel</li> </ul>
<p>Tenders and contracts may not be reviewed on a regular basis leading to poor value for money and lack of opportunity for other suppliers</p>	<ul style="list-style-type: none"> <li>• Contract values specified in any contracts awarded following a tender process match the prices or fees quoted in the tender</li> <li>• Contracts set out performance indicators or quality criteria to enable Council contract monitoring</li> <li>• The quality of goods / services procured and the performance of the supplier are monitored after awarding of the contract</li> <li>• Where applicable, contracts provide a mechanism for Council to cease payment or reclaim monies paid should the service or quality of goods be judged to have been poorly executed</li> <li>• A central register of tenders and contracts is held and reviewed regularly (e.g. every two to three years)</li> <li>• Preferred supplier lists are compiled through a competitive tendering process</li> <li>• All Council departments are advised of the Council's preferred suppliers</li> </ul>