



GEDLING
BOROUGH COUNCIL



INTERNAL AUDIT

Report

2005-2006

Capital Projects (IT & Direct Services)

Bentley Jennison

Internal Audit and Risk Management

February 2006

GEDLING BOROUGH COUNCIL

INTERNAL AUDIT REPORT

RISK BASED AUDIT

COUNCIL TAX

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Debrief meeting:	10 Feb 2006	Auditors:	Chris Williams, Partner
Draft report issued:	21 Feb 2006		Mike Riley, Client Manager
Responses received:			Saeefar Rehman, Auditor
			Kelly Wallace, Auditor
Final report issued:	9 June 2006	Client sponsor:	Mark Kimberley, Head of Finance

1. INTRODUCTION

- 1.1 An audit of Capital Projects (IT and Direct Services) was undertaken as part of the approved internal audit periodic plan for 2005/06.
- 1.2 The objective of our audit was to evaluate the auditable area with a view to delivering reasonable assurance as to the adequacy of the design of the internal control system and its application in practice. The control system is put in place to ensure that risks to the achievement of the organisation's objectives are managed effectively. The following limitations to the scope of the audit were agreed when planning the audit:
- The adequacy of the tendering procedure will not be covered in any depth.
 - We will not actively seek to identify fraud.
 - Testing will be undertaken on a sample basis
 - We will not form an opinion on the quality of the work performed by contracted parties or assess the adequacy of any assets purchased, or acquired otherwise, to meet the Council's requirements.
 - We will not form an opinion on the appropriateness of any allocation of capital budgets to various departments

2. CONDUCT OF AUDIT

- 2.1 The audit considered the organisation's objectives for the area under review and the risks to the achievement of those objectives.
- 2.2 In determining the audit approach, we took into account;
- the assessed risk of the auditable area;
 - any material changes in systems or the control environment;
 - the outcome of any other form of assurance review, either internal or external.
- 2.3 A systematic audit was carried out so that every aspect and stage of the audited subject is considered, within the agreed scope of the audit. It includes review of both the design and operation of controls.
- 2.4 The conduct of this audit complied with the standards set out in GIAS.
- 2.5 The assistance and co-operation of all staff involved in this audit assignment is acknowledged and appreciated.

3. EXECUTIVE SUMMARY

3.1 Based on the evidence obtained, we have concluded that the design of the system of control, if complied with, is not sufficiently robust to provide assurance that the activities and procedures in place will achieve the objectives for the system.

We have made three recommendations classified as medium risk. These relate to:

- The absence of a procedure requiring the documentation of specifications for specialist vehicles;
- The inadequacy of the process regarding the receipt and logging of tenders; and,
- The absence of a formal, standardised process for vetting contractors prior to appointment.

3.2 Based on the evidence obtained from our testing, we have concluded that the application of established controls is not adequate.

We have made two recommendations classified as medium risk. These conclusions are based on testing carried out in the Direct Services department. These relate to:

- Failure to obtain quotes for goods or services acquired as required by the Financial Regulations and Standing Orders; and,
- Non compliance with Financial Regulations and Standing Orders as regards documentation and reporting of justifications for not tendering.

We have made three recommendations, classified as low risk. These are detailed in the accompanied implementation plan.

AUDIT ASSURANCE

Taking into account the issues identified in this report, in our opinion the control framework for the area under review, as currently laid down and operated, provides **limited assurance** that risks material to the achievement of the organisation's objectives for this area are adequately managed and controlled.

IMPLEMENTATION PLAN

REC (Risk)	RECOMMENDATION	RESPONSIBLE OFFICER	MANAGEMENT COMMENT	IMPLEMENTATION DATE
4.2.1 Medium	In adherence with the Council's Standing Orders, management should ensure that at least three quotations are obtained for all contracts between the values of £10,000 and £50,000. Where this is not possible the reasons should be reported to the Chairman of the relevant Scrutiny Committee and this be then documented.	Head of Direct Services	In future, reasons outlining where it has not been possible to comply with Standing Orders will be reported to the Services Scrutiny Committee.	IMMEDIATE
4.2.2 Medium	Management should ensure that tenders are obtained for all capital contracts over £50,000 as required by the Council's Standing Orders. Any reasons for not obtaining four tenders should be documented and reported to the Chairman of the relevant Scrutiny Committee.	Head of Direct Services	In future, reasons outlining where it has not been possible to comply with Standing Orders will be reported to the Services Scrutiny Committee.	IMMEDIATE
4.2.3 Medium	<p>Gedling Borough Council should ensure that all tender documentation is logged centrally and sequentially numbered before being forwarded to any relevant staff for opening and review.</p> <p>The following information should be recorded for all tenders:</p> <ul style="list-style-type: none"> • Project Name & Reference • Closing date of Tender • Name of Tenderer • Date tender received. <p>The opening of tenders should be formally documented and the following information should be recorded:</p> <ul style="list-style-type: none"> • Persons present when opening tender; 	Head of Finance in conjunction with respective Heads of Service	Returned tender documents will be logged centrally and sequentially upon receipt, detailing the information requirements outlined in the recommendation.	Aug 06

	<ul style="list-style-type: none"> Name of successful tender; Reason for successful tender; and, Value of successful tender. 			
4.2.5 Medium	<p>Gedling Borough Council should:</p> <ul style="list-style-type: none"> develop a formal process of contractor vetting prior to appointment (to include areas such as, financial standing, suitability for works in mind, references etc); communicate the policy and procedure to all relevant staff; and, monitor compliance. 	Head of Finance	This is undertaken as requested by Finance.	AS REQUESTED
4.2.4 Low	Management should ensure that all contracts exceeding £50,000 in value are recorded in the Contracts Register.	Heads of Service	Agreed	IMMEDIATE
4.2.6 Low	Gedling Borough Council should consider the development of a formal post completion review checklist to ensure that all aspects of contractor quality and performance are reviewed in a consistence manner.	Property Management Group	This is encompassed within the Terms of Reference of the Property Management Group.	IMMEDIATE & ONGOING
4.2.7 Low	Gedling Borough Council should consider a process to continuously access the project management skills of senior staff.	Heads of Service	The PDR process provides the opportunity to identify and access available project management skills.	IMPLEMENTED