

Scotland Excel

To: Joint Committee

On: 29 June 2018

Report
by
Chief Auditor

Internal Audit Report Summary – Contract Management (Tendering)

1. Summary

- 1.1 In line with the Public Sector Internal Audit Standards, Internal Audit must communicate the results of each engagement to the Board.
- 1.2 Internal Audit undertook a review of the arrangements in place to for tendering. This report provides a summary of the work undertaken, the audit findings and the action being taken by management to address the recommendations made.
- 1.3 Appendix 1 provides a summary of the overall assurance rating for the engagement and the number of recommendation in each category, the Committee summary for the engagement is also attached.

2. Recommendations

- 2.1 Members are invited to note the Internal Audit Summary for the Internal Audit review of Contract Management (Tendering).

Appendix 1

Scotland Excel

Internal Audit Service

Summary of Internal Audit Reports issued

Category	Engagement	Assurance Rating	Recommendation Ratings			
			Critical	Important	Good Practice	Service Improvement
Assurance	Contract Management (Tendering)	Substantial	0	0	2	2

Assurance Level	
Substantial Assurance	<ul style="list-style-type: none"> There is a sound system of internal control designed to achieve the objectives of the area being reviewed. The control processes tested are being consistently applied.
Reasonable Assurance	<ul style="list-style-type: none"> The internal control processes are generally satisfactory with some areas of weakness being identified that could put some objectives of the area being reviewed at risk There is evidence that the level of non-compliance with some of the control processes may put some of the objectives of the area being reviewed at risk.
Limited Assurance	<ul style="list-style-type: none"> Weaknesses in the system of internal controls are such as to put the objectives of the area being reviewed at risk. The level of non-compliance puts the objectives of the area being reviewed at risk.
No Assurance	<ul style="list-style-type: none"> Control processes are generally weak with significant risk to the achievement of the objectives of the area being reviewed. Significant non-compliance with control processes leaves the processes/systems open to error or abuse.

Recommendation Rating	
Service Improvement	Implementation will improve the efficiency / housekeeping of the area under review.
Good Practice	Implementation will contribute to the general effectiveness of control.
Important	Implementation will raise the level of assurance provided by the control system to acceptable levels.
Critical	Addresses a significant risk, impacting on the objectives of the area under review.

Internal Audit Report

Scotland Excel

Contract Management (A0018/2018/001)

Tendering Arrangements Date: June 2018

COMMITTEE SUMMARY

Audit Objectives

The objectives of the audit were to ensure that:

- Contract strategy documents have been prepared and approved and include the method for the tendering of the contract.;
- Contracts are advertised in line with internal procedures and relevant procurement legislation;
- Pre – qualifying questionnaires (PQQ) are assessed on a consistent basis where utilised;
- Invitation to tender documents are authorised, and made available to all tenderers;
- Tender clarifications are dealt with fairly and consistently;
- Tenders are only opened after the tender closing date;
- Tender evaluation criteria and methodology for evaluation is set and evaluation panels are properly established, prior to tenders being opened;
- Tender negotiations are only undertaken when authorised, and outcomes are documented;
- All tender records are maintained in a manner that provides an adequate audit trail.

Audit Scope

1. Interviewed the appropriate staff, evaluated the system in place for procurement/ tendering for 2 contracts and identified any possible improvements to the system. The contracts selected for testing were the Vehicle Parts and Energy Efficiency Contractors contracts.
2. Prepared a series of tests to ensure the tendering process is operating effectively and as described.

Key Audit Assurances

1. Contract strategy documents were prepared and approved and included the tendering method for the two contracts tested.
2. The two contracts were advertised in line with internal procedures and relevant procurement legislation.
3. Invitation to Tenders were authorised, and made available to all tenderers.
4. Tenders were only opened after the tender closing date and were fairly evaluated.
5. Tender clarifications were consistent and there were no tender negotiations.

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Key Risks

There were no key risks identified during the audit.

Overall Audit Opinion

The audit has identified that satisfactory arrangements are in place for procurement/tendering for the contracts tested. Some recommendations have been made including ensuring that relevant evidence is retained of individual panel members' technical scoring. Once implemented these should further enhance controls in this area.

Management Commentary

The procedures in place are adequate, however, it was identified that in relation to some minor areas the procedures had not been fully followed. As such management has undertaken to reinforce the procedures to relevant staff.