Information Commissioner's Office

Internal Audit Report: Procurement and Contract Management
March 2023

FINAL REPORT

Contents

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01 Introduction

As part of the agreed Internal Audit Plan for 2022/23, we have undertaken a review of the Information Commissioner's Office's (ICO) key controls in relation to procurement and contract management. Full details of the risks covered are included in **Appendix A1**.

Internal audit last reviewed this area in 2018/19 and provided a 'Limited Assurance' rating, raising ten 'Significant' recommendations. There is one area raised in this review that is similar or relates to recommendations raised in our 2018/19 review. Where this has occurred, we have reflected this within the recommendation.

This audit was originally planned to take place in 2021/22, however, was postponed as management had identified that the approach to procurement at the ICO required improvements. An internal Procurement Review was conducted with the results presented to the Audit and Risk Committee in April 2022. Actions identified included implementing:

- A new Procurement Policy;
- A Finance Directorate target operating model;
- Interim improvements to controls before the new finance system, Workday, is implemented and working with the project team to ensure that the end-to-end procurement process and compliance reporting is in the new system.

As a result, the internal audit has focused on procurement activity since April 2022.

We are grateful to the Director of Finance, Head of Procurement and other staff for their assistance during the audit.

This report summarises the results of the internal audit work and, therefore, does not include all matters that came to our attention during the audit. Any such matters have been discussed with the relevant staff.

02   Background

Procurement is the process of obtaining goods, services and works, and ensuring that these provide value for money for the organisation. That is, they are obtained in the most cost-effective way but without compromising on quality. As a public sector body, the ICO needs to comply with public procurement rules and in the future will need to comply with the Procurement Bill which is now going through Parliament.

The ICO currently uses the finance system, M-hance, and work is ongoing to implement a new finance system, ERP Workday in time for the 2023/24 financial year. In 2021/22, expenditure was £66m of which approximately £17m (26%) is non-staff costs. Forecasted spend for 2022/23 is £77.7m, £20m of which is non-staff.

The ICO has a Procurement Policy in place which sets out the method of procurement based on spend amount, including the use of procurement frameworks such as Crown Commercial Service (CCS), Yorkshire Purchasing Organisation (YPO) and Eastern Shires Purchasing Organisation (ESPO). The ICO's procurement thresholds are:

Procurement Route	Threshold (inclusive of VAT)
1-3 quotes (no Procurement Team involvement)	£9,999 or less
Framework used where possible, or, three Competitive quotes	£10,000 - £24,999
Formal tender process (short)	£25,000 - £99,999
Formal tender process (full)	£100,000 and over

The Procurement Policy states that procurements with an estimated contract value (inclusive of VAT) of between £10,000 and £25,000 require Procurement Team sign off of process, and over £25k should be led by a member of the Procurement Team.

The ICO strive to no longer use single tender awards (STA). The use of a single tender is only acceptable if there is no other reasonable alternative supplier. This needs to be justified and documented prior to the procurement activity commencing. If an STA is required, there is a DCMS delegated approval limit of £50k in place. All single award contracts over the value of £25k (inclusive of VAT) should be reported to the Audit and Risk Committee on an ongoing basis for transparency. Direct Awards are permissible providing they are under an existing framework contract such as Crown Commercial Service, YPO and ESPO.

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A procurement method/value for money exercise is dictated within the Policy, dependent on the contract value. Spend limits are enforced within the finance system- M-hance.

Since April 2022, the Procurement Team have engaged with the Legal team to review each contract. A standard set of Terms & Conditions, written by legal, were introduced in January 2023 which will be used in future for low value contracts. Currently, any contracts above £25k continue to require Legal team review, but we understand that Procurement are currently reviewing the wider process with the Commercial Legal team to ensure legal are engaged on a risk-based approach.

Effective contract management is key to ensure that services are delivered effectively and in line with the terms of the agreement throughout the contracted period. Contract management covers all actions relating to the contract, including renewal or termination of the agreement. By ensuring that contracts are effectively delivered, organisations seek to ensure the contract provides value for money, and that the likelihood and impact of adverse events (such as service failure or contractor insolvency) are minimised.

Responsibility for the management of contracts lies with the relevant directorate. The ICO is in the process of developing a complete contract register which exists as a list of all goods and services, including all purchase orders over £10k. This is held and maintained by the Head of Procurement, with Procurement Officers providing information to be added or updated. At the time of the audit in January 2023, there were 63 contracted suppliers listed on the Contracts Register, with the total contract values listed as £7.1m.

Where possible, procuring departments should consider including the use of performance indicators within supplier contracts. Regular contract management performance reviews should be scheduled by the procuring department to ensure that contracts are delivering the expected value and service.

We note that our work has focused on procurement activity since April 2022.

03   Key Findings

Assurance on effectiveness of internal controls

Adequate Assurance

Rationale

The internal audit work carried out has provided **Adequate Assurance**, Please see Appendix A1 for the detailed scope and definitions of the assurance ratings. Our audit has identified eight key improvement areas in relation to:

- Developing procedural guidance;
- Ensuring contracts are signed in line with the Scheme of Delegation;
- Maintaining oversight of contract extensions and ensuring value for money achieved;
- Conducting supplier spend analysis to ensure spend is in line with contract amounts;
- Providing training and guidance to contract managers;
- Ensuring performance measures are included in contracts; and
- Publishing contract awards on Contracts Finder in line with requirements.

Please see Section 04 for further detail in respect of the recommendations raised.

Number of recommendations			
High	Medium	Low	Total
-	6	4	10

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3.1 Examples of areas where controls are operating reliably

- We selected a sample of four procurements between £10k and £25k since April 2022 and confirmed these had received three written quotes in line with requirements set out in the Procurement Policy.

- In line with the Procurement Policy, all procurement activity over £25k should go through the Procurement Team, who ensure that any requirement is aligned to the organisation's need. Our review of the eleven contracts since April 2022 confirmed there was supporting evidence to demonstrate that the Procurement Team were involved in the activity. The description of the contracts appeared appropriate based on the ICOs activities. For example, regulatory research, legal services and a digital mailroom provision.

- We were provided with a list of 11 contracts let since April 2022 (following the internal Procurement Review). We confirmed all eleven contracts had been procured using the method dictated in the Procurement Policy (N.B At the commencement of fieldwork, we initially selected a sample from the Contracts Register. The register has no recorded start dates and some of the sample selected pre-dated the control improvements made and implemented since April 2022. We discussed with the Director of Finance and agreed to review the list of contracts let since April 2022 to reflect these changes. We have raised a recommendation in relation to the Contracts Register in Section 04, recommendation 4.5).

- All procurement is subject to a formal tender evaluation exercise in which there is scoring on price and quality. We confirmed that supplier evaluations had been completed for the ten of the eleven contracts tested and the supplier was the highest scoring bidder On the one remaining occasion, this contract was subject to a direct award via a CCS framework of which they were the only supplier (Omnigov).

- The Procurement Policy states that the ICO strive to no longer use single tender awards (STA), although there are some occasions where it may be required. All STAs require approval from the Procurement Team and must be justified and documented. Those over £25k are required to be reported to the Audit and Risk Committee. We reviewed STAs over £25k reported to the Audit and Risk Committee since June

2022 and confirmed all the STAs were approved and included an explanation as to why they were required. All the STAs were also over £50k and had received DCMS approval.

- In line with the Procurement Policy, the Commercial Legal team have completed a review of all contracts entered into since April 2022. (N.B., We have raised a recommendation in relation to the signing of contracts in Section 04 below).

3.2 Risk Management

A review of the ICO's Corporate Risk and Opportunity Register (January 2023) highlighted there is no specific risk related to procurement or contract management. However, risk 73 '*Risk that the ICO does not have sufficient compliance infrastructure and accountability culture to ensure that the ICO is aware of, and complies with, legal and other obligations expected of a modern regulator*' links to procurement activity.

In conducting our review, we focused on the risks and areas outlined in Appendix A1. We have identified a number of weaknesses in the control environment which impacts on the ICO's mitigation of risk in this area. We have outlined these in Section 04.

3.3 Value for Money

Effective procurement can lead to economic and efficiency savings. Achievement of VfM through procurement processes includes the effectiveness of how VfM is considered and documented when scoring and ultimately agreeing which contractor or supplier is successful. It is important to ensure that the established procurement methods are adhered to, for example, ensuring a sufficient number of quotations are obtained, or that a full tender process is executed.

The ICO's Scheme of Delegation sets out the procurement method and level of approval required for spend. A minimum of three written quotations is required for spend between £10k and £25k. A short tender process is required between £25k and £100k and a full tender process over £100k. Our testing did not identify any occasions over £10k where the incorrect procurement method had been followed in line with the Procurement Policy. However, we have raised a recommendation in Section 04 in relation to procurement under £10k.

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VfM is also important when considering contract extensions. If a formal process is not followed for contract extensions, the organisation may miss opportunities to improve VfM. In April 2022, the Director of Finance presented a report to the Audit and Risk Committee in which expenditure exceeding £50k in 2021/22 was reviewed. In this report, three contracts totalling £400k were highlighted as renewing outside of procurement requirements.

Ensuring that contracts are managed effectively is key to delivering value for money. We noted that the ICO's Excel-based contract register is inaccurate and not yet complete. Currently, the Procurement Team do not maintain oversight of contracts coming to an end within the Contracts Register as this is the role of the contract manager. This could result in the ICO continuing to pay for services that it no longer requires. We have raised recommendations in relation to the Contracts Register and contract extensions in Section 04. Since April 2022, the Procurement Team has engaged with the Commercial Legal team for individual review on all contracts. To demonstrate value and improve efficiencies, a standard set of terms and conditions, written by the Commercial Legal team, have now been introduced which will be used in the future for low value contracts which are procured outside of a framework.

The ICO are working to implement a new finance system, Workday ERP in April 2023. Planned improvements include strengthening of the open contract value reporting and new compliance assurance reporting.

3.4 Sector Comparison

We typically see organisations monitoring compliance with procurement policies through undertaking spend analysis. Due to system limitations, the ICO does not currently perform regular spend analysis of current contracts and we have therefore raised a recommendation in relation to this in Section 04.

Furthermore, at some peers, we have seen that the Procurement Team reports on procurement activity throughout the year. These reports are shared with the Executive Management Team on a regular basis for decision making purposes. Reports often include summaries of all tenders carried out in the year, the next year's procurement plan, cost savings achieved in the year, information on the work undertaken to rationalise the supplier database and any other relevant updates. We identified that this

currently does not exist at the ICO, however, management advised there are plans to implement this as part of the High-Performance Strategy.

We commonly see devolved procurement under a set threshold at peers. This is similar to the ICO whereby procurements with an estimated contract value (inclusive of VAT) of between £10k and £25k require Procurement Team sign off of process, and over £25k should be led by a member of the Procurement Team. At other organisations, staff who procure goods or services are offered training and provided with resources such as toolkits, standard templates and guides. We understand that a suite of standard resources are not available at the ICO, although departments are encouraged to contact the Procurement Team if they require assistance.

A formalised contract management methodology is not in place at the ICO, with contract managers responsible for setting KPIs and determining contract management meeting frequencies. At peers, we see the Contracts Register used as a tool for tracking periodic reviews of contracts. For low-risk contracts, the review date may be annual. For higher risk contracts, the review date may be biannually or quarterly.

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04 Areas for Further Improvement and Action Plan

Definitions for the levels of assurance and recommendations used within our reports are included in **Appendix A1**.

We identified areas where there is scope for improvement in the control environment. The matters arising have been discussed with management, to whom we have made recommendations. The recommendations are detailed in the management action plan below.

Ref	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
4.1	**Procurement Policy and Guidance** Whilst there is a Procurement Policy in place, there are currently no up-to-date procedural documents available to guide procurement activity. The Procurement Policy does not detail: • The types of procurement method available such as, frameworks, mini-competitions and request for quotes, and when these are appropriate. • The process for contract award notices and requirements for these. • Expectations around the minimum number of scorers for in tendering exercises. For procurement-led exercises, we understand the requirement is a minimum of three scorers, however, for less than £25k, no guidance is given to procuring departments. A Procurement Request Form is in place which should be completed when requesting assistance from the Procurement Team, however, this is currently not mandatory. From our testing of contracts since April 2022, we found this form was not used in seven out of eleven cases, however, evidence was available that the Procurement Team had provided support. We were informed by the Head of Procurement that this form will be	The ICO should update the Procurement Policy and develop procedural guidance which reflects key procurement requirements and activities. This should include procurement methods available and which method is most appropriate, as well as recommended practice for scoring in tendering exercises. Guidance should also cover the use and requirements of contract award notices. The Procurement Team should remind staff to complete a Procurement Request Form for activity over £25k.	**Medium**	Agreed. The Head of the Procurement team will review the Procurement Policy and produce additional guidance documents for use within its procurement practice and for sharing across the organisation where appropriate. The additional guidance documents will detail various procurement methods available and the benefits of their use, guidance on expected timeframes and any publications that are required will also be introduced to manage business expectations. The guidance will also advise on the need for the business to complete, and obtain relevant assurance for DPIA, EQIA and Cybersecurity requirements as part of creating the initial procurement requirement. The introduction of the Procurement Enquiry Form (PEF) is underway and communications will be issued to the organisation in April 2023 noting that this form will	Head of Procurement 30 September 23

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Ref	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
	made mandatory to ensure all required information is provided by procuring departments when requesting support. *Risk: There is no consistency in the approach to procurement and tendering due to a lack of clear, up-to-date procedures.*			be mandatory for all procurements above £25k. For procurements between £10k and £25k, a PEF will be required after the quotes have been evaluated and the procurement team will provide approval and justification as part of this record. It is important to note that all new guidance will be produced in accordance to accommodate for any expected legislation changes that may be due in April 2024.	
4.2	**Scheme of Delegation** The Scheme of Delegation (SoD) states that the Head of Finance is required as a signatory on contracts over £25k along with the Head of Department/Director. We found that none of the eleven contracts tested had Head of Finance approval in place, however, they were signed by a Head of Department/Director. The Director of Finance and Head of Finance were unaware of this requirement which was added to the Scheme of Delegation when it was updated in October 2022. The Procurement Team were also unaware that the SoD had been updated and were using the previous version. Although the contract approvals have not been completed in line with the SoD requirements, management advised that they would not expect a	The ICO should establish how the change to the SoD occurred without knowledge of the Finance or Procurement Team. The SoD should be reviewed and updated and shared with staff.	Medium	Agreed. The ICO Scheme of Delegation has already been reviewed and revised to correct this error relating to contracts requiring Head of Finance sign off. Once this has been approved by the IC, this will be rolled out immediately across the Finance and Procurement teams for all contract and purchase orders. The SoD will be published on the internet and intranet and communicated clearly to the organisation during April 2023 (aligning with other planned communications relating to the implementation of Workday).	Head of Procurement 30 June 2023

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Ref	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
	Head of Finance signatory at this level, and this should be removed. *Risk: Staff are unaware of requirements and procurement is non-compliant with scheme of delegation.*				
4.3	**Contract Extensions** The process for managing contract extensions is not set out in the Procurement Policy, or any supporting guidance. Procurement activity is not monitored and reported on a regular basis by the Procurement Team to understand and enable timely decisions for contracts coming to an end and new procurement activity. The Head of Procurement said that this will be implemented in the near future. We often see peers use the Contracts Register as a tool to track and monitor contracts coming to an end. *Risk: Value for Money is not considered when contracts are renewed, resulting in financial loss. Inappropriate expenditure is incurred as a result of contracts not being terminated when required, or extensions being agreed without appropriate scrutiny.*	The ICO should implement a process to review and approve contracts extensions and reflect this in the Policy. The ICO should also record contract end dates and extensions within the Contracts Register.	Medium	Agreed. The Head of Procurement will review the Procurement Policy, and include in the guidance as per 4.1 above, the process to be undertaken for all contract extensions. The Procurement team continue to work on completing all of the necessary information on the contracts register (ongoing). All new contracts will detail contract end dates on Workday.	Head of Procurement 30 September 2023 Head of Procurement/ Director of Finance 31 March 2024
4.4	**Supplier Analysis** The Procurement Policy states that expenditure will be aggregated over a period of time and reported on. The ICO do not perform a spend analysis on contracts to compare agreed annual contract value with actual spend to date. We understand that this is due to limitations of the current finance system, M-hance.	The ICO should ensure that total contract spend is regularly reviewed and where significant variances have been identified, further investigation and explanation is reported, with actions taken where required.	Medium	Agreed. The implementation of the new ERP system Workday will allow the Procurement team to monitor contract spend against contract values and allow for informed decisions to be made across the	Head of Procurement 30 September 2023

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Ref	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
	Typically for organisations of the ICO's size, supplier spend is monitored on a regular basis against initial contract values, but also against procurement thresholds to prevent spend breaching the initial threshold met. We note however that there was an exercise reported to the Audit and Risk Committee in April 2022 regarding expenditure over £50k. Management advised that when the Workday ERP is implemented in April 2023, the system should be able to track live contracts and values spent against commitments. *Risk: Repeated contractor spend that goes above or is outside of the initial approval and contract agreements is not subject to further procurement action as required.*			organisation with stakeholders when renewing or reprocuring. We will focus on embedding the system in Q1 and implement reporting by end of Q2.	
4.5	**Contracts Register** The Contracts Register is newly developed and does not include the full list of suppliers the ICO is contracted with. Our review of the Contracts Register found inconsistent recording of start/end dates, contract values and owners. For example, we identified one contract (ICS AI), which was not present on the Register, one with an incorrect end date (IFSS research) and two with incorrect contract value (Apex Engage/CDS). Management advised that the current Register was developed from POs and is in the process of being improved. *Risk: The ICO does not have oversight of which parties it has contractual arrangements with.*	As planned, the ICO should establish a complete picture of all the contracts the organisation holds by carrying out analysis on supplier spend and consulting with Heads of Service across the organisation.	**Medium**	Agreed. Current systems do not support the Procurement team with compilation of the data required for contracts register and the current register is reflective of data gathered across a small timeframe (Q3 / Q4 2023/24) and has inaccuracies as a result. The Contracts Register will continue to undergo improvements, and this will be developed alongside the go live of Workday. The current Contracts Register includes 115 suppliers and £29m of total contract value, as of 29 March 2023 and is a work in progress.	Head of Procurement/ Director of Finance Ongoing – through to 31 March 2024

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Ref	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
	Opportunities for improving value for money and risk management are missed.			A full year will be required to gather the most accurate spend data for the organisation as no previous reporting tools have been able to assist with this analysis. This work will commence on the 19ᵗ April 2023 and be reported monthly to the Director of Finance to show progress and improvement over the course of 23/24.	
4.6	**Training and Guidance for Contract Managers** The Procurement Policy states that procuring departments are responsible for managing contract outcomes and are accountable for successful performance. In the April 2022 report to the Audit and Risk Committee, it was highlighted that a process to identify contract managers and key people responsible for purchases would be completed, followed by necessary support and training. Since this report, management advised that the Procurement Team now work with key contract managers of procurements over £25k, holding periodic review meetings to provide support. We understand there has been no training provided to contract managers, nor are any resources available, such as guides, standard templates or toolkits. *Risk: Procuring departments are unclear about their responsibilities in relation to contract management, leading to contracts not being managed effectively or not managed at all.*	The ICO should: • Develop guidance for managers on contract management including commonly used templates, flow charts, diagrams, shared best practice, FAQ's, early warning signs and internal/supplier surveys; and • Provide contract management training to managers of contracts, so expectations are made clear.	Medium	Agreed. Internal guidance documents will be provided to contracts managers including commonly used templates, flow charts, diagrams, shared best practice. These will be rolled out across the organisation to key stakeholders and contracts managers by the procurement team. We will consider any additional benefits following the provision of the tools and guidance of sourcing additional external training, on a needs basis however we expect the internal best practice sharing and guidance to be sufficient.	Head of Procurement 30 September 2023 Head of Procurement/ Director of Finance 30 December 2023 (We will establish need and if necessary source suitable

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Ref	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
					training for rollout in Q4)
4.7	**Contract Publication** The Public Contracts Regulations state that contracts over £12k (£10k prior to December 2022) are required to be published on Contracts Finder. Contract awards should be published within 30 days. We identified that two of the eleven contracts let since April 2022 (DCS Beachcroft in June 2022 and Apex Engage in July 2022) where the award had not been published as required. Management investigated and confirmed that these were an oversight. The awarded contracts have now been posted. *Risk: The ICO are in breach of the Transparent Requirements of the Public Contracts Regulations.*	The ICO should remind staff that contract awards are published on Contracts Finder where required.	**Low**	Agreed. Whilst the two examples were found to be an oversight of what should have been published, the Procurement team are now fully up to date with new thresholds and expectations of publication of awards. All contracts that should be published will be published in accordance with the current legislation.	Complete.
4.8	**Contract Performance Monitoring** The Procurement Policy suggests that contract managers should hold regular contract management performance reviews but does not set out a formal approach, including proportionality or identifying early warning signs of contract failure. Whilst we found that regular meetings were being held with suppliers, of the eleven contracts tested three did not include agreed operational and financial performance measures for contract	The ICO should: • Ensure contract management arrangements are reflected in supplier contracts and managed in line with these. Contracts should include operational and financial metrics; and • Update the Contracts Register to include	**Low**	Agreed. New tenders will include the use of KPI's and measures for contract performance, and contract managers will be advised on how to manage this effectively as part of the supplier onboarding process including what to do in the event of non-performance or poor performance and the need for escalation procedures. This guidance will also form part of the detailed guidance to be	Head of Procurement - 30 September 2023

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Ref	Observation/Risk	Recommendation	Priority	Management response	Timescale/ responsibility
	monitoring. The highest of which was £800k (ICS AI).

It is essential that contract-monitoring clauses are built into contracts so that both parties are clear about what is expected in terms of performance prior to the contract starting.

The Procurement Policy says *'The contracts register includes a periodic review date. For low-risk contracts the review date may be annual. For higher risk contracts, the review date may be biannually or quarterly.'* When we reviewed the Contracts Register, we found that this does not include periodic review dates. At peers, we see that for low-risk contracts, the review date may be annual. For higher risk contracts, the review date may be biannually or quarterly.

Risk: Performance measures are not agreed up front in contracts/agreements and then regularly monitored to identify performance issues. Suppliers are not providing value for money or complying with the Council's quality standards. | periodic review dates, and ensure contracts are managed in line with these. | | provided to Contract Managers (as noted above in 4.6). | |
| 4.9 | **Procurement Reporting**

There is no reporting on procurement activity. At peers, we often see reports to the Executive Management Team which include a summary of all tenders carried out in the year, the next year's procurement plan, cost savings achieved in the year, information on the work undertaken to rationalise the supplier database and any other relevant updates.

Management advised there are plans to implement reporting on the number of | As planned, the ICO should consider implementing regular procurement reporting following the implementation of the Workday system. | Low | Agreed.

The Head of Procurement is developing a new procurement dashboard that will report regularly to Resources Board and managers including:

• The number of Procurement enquiry Forms received,
• Any backlog and waiting time;
• Current procurements underway (with RAG status); | Head of Procurement- 30 June 2023 |

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Ref	Observation/Risk	Recommendation	Priority	Management response	Timescale/responsibility
	procurements, types and outcomes as part of the High-Performance Strategy, which will be made possible following the implementation of the Workday ERP system. *Risk: The ICO do not appropriately report procurement activity to management where applicable, including financial performance, leading to poor decisions being made.*			• The number of procurements completed; • The number of awards published; • The value of contracts awarded; and • The number of FOI's and challenges received. This will allow the Procurement team to analyse the effectiveness of the Procurement team and take action to recruit any temporary resources to meet the business requirements.	
4.10	**Spend Under £10k** As per the Procurement Policy, procurement under £10k requires requisitioners to gain between one and three quotes and does not require procurement oversight. The Procurement Policy does not state whether these quotes are required to be verbal or written, although the Procurement Team advised that these are expected to be written. We selected a sample of ten procurements under £10k and asked to see the quotes or justification for supplier selection. On four occasions, we were unable to see evidence of any quotes. We were informed the quotes may have been verbal. *Risk: Procuring departments are unaware of expectations in relation to obtaining and recording quotes.*	The ICO should update the Procurement Policy to reflect that quotes are expected to be written. *(N.B. This recommendation was raised in the 2018/19 internal audit).*	Low	Agreed. This will be written into the Procurement Policy as part of the exercise to satisfy observation (as noted in 4.1 above)	Head of Procurement - 30 September 2023

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A1   Audit Information

Audit Control Schedule	
Client contacts:	Angela Donaldson, Director of Finance Emma Hinchley, Head of Procurement
Internal Audit Team:	Peter Cudlip, Partner Hannah Parker, Associate Director Jessica Holt, Assistant Manager
Finish on site/ Exit meeting:	16 February 2023
Last information received:	24 February 2023
Draft report issued:	17 March 2023
Management responses received:	29 March 2023
Final report issued:	30 March 2023

Scope and Objectives

Audit objective: To evaluate and assess the adequacy and effectiveness of the ICO's arrangements for procurement and contract management and processes.

- **Methodology-** The ICO does not know which parties it has contractual arrangements with due to lack of a contracts register and unclear policies and procedures, including details of any Procurement Frameworks in place.

- **Procurement Method-** The correct method of procurement is not followed based on the expected level of spend. Inadequate or lack of evidence to demonstrate each procurement is aligned to the organisation's needs.

  The ICO do not appropriately use tender waivers where contracts are entered into without formal tender process.

- **Expenditure and Value for Money-** Value for Money is not considered when contracts are entered into outside procurement frameworks, or extended, resulting in financial loss. Inappropriate expenditure is incurred as a result of contracts not being terminated when required, or contract variations being agreed without appropriate scrutiny.

- **Contract Terms-** Unfavourable contract terms are entered into as a result of a poor review and negotiation process. Legal expertise is not sought where required.

- **Contract Management-** Contracts are not managed and monitored in line with the contractual agreements in place, to ensure that requirements are being met and managed appropriately. Early warning signs of contract or service failure are not identified, and any issues are not acted upon. As a result, contracts are inappropriately renewed or extended.

- **Contract Performance-** Performance measures are not agreed up front in contracts/agreements and then regularly monitored to identify performance issues. Performance measures in place to do not adequately cover both operational and financial performance.

- **Monitoring-** Procurement activity is not monitored and reported on a regular basis to understand and enable timely decisions for contracts coming to an end and new procurement activity.

  Spend analysis is not performed and reported, leading to contracts going above the initial approval or contract agreement. Including contract overspend not being subject to further procurement action as required.

- **Reporting -** The ICO do not appropriately escalate contract issues to management where applicable, including financial performance, leading to poor decisions being made.

The scope for the audit is concerned with assessing whether the ICO has in place adequate and appropriate policies, procedures and controls to manage the above risks. We will review the design of controls in place and, where appropriate, undertake audit testing of these to confirm compliance with controls, with a view to forming an opinion on the design, compliance with and effectiveness of controls. Testing will be performed on a sample basis, and as a result our work does not provide absolute assurance that material error, loss or fraud does not exist.

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Definitions of Assurance Levels

Level	Description
Substantial	The framework of governance, risk management and control is adequate and effective.
Adequate	Some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control.
Limited	There are significant weaknesses in the framework of governance, risk management and control such that it could be or could become inadequate and ineffective.
Unsatisfactory	There are fundamental weaknesses in the framework of governance, risk management and control such that it is inadequate and ineffective or is likely to fail.

Definitions of Recommendations

Priority	Definition	Action required
High	Significant weakness in governance, risk management and control that if unresolved exposes the organisation to an unacceptable level of residual risk.	Remedial action must be taken urgently and within an agreed timescale.
Medium	Weakness in governance, risk management and control that if unresolved exposes the organisation to a high level of residual risk.	Remedial action should be taken at the earliest opportunity and within an agreed timescale.
Low	Scope for improvement in governance, risk management and control.	Remedial action should be prioritised and undertaken within an agreed timescale.

Statement of Responsibility

We take responsibility to the Information Commissioner's Office (ICO) for this report which is prepared based on the limitations set out below.

The responsibility for designing and maintaining a sound system of internal control and the prevention and detection of fraud and other irregularities rests with management, with internal audit providing a service to management to enable them to achieve this objective. Specifically, we assess the adequacy and effectiveness of the system of internal control arrangements implemented by management and perform sample testing on those controls in the period under review with a view to providing an opinion on the extent to which risks in this area are managed.

We plan our work in order to ensure that we have a reasonable expectation of detecting significant control weaknesses. However, our procedures alone should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify any circumstances of fraud or irregularity. Even sound systems of internal control can only provide reasonable and not absolute assurance and may not be proof against collusive fraud.

The matters raised in this report are only those which came to our attention during our work and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. The performance of our work is not and should not be taken as a substitute for management's responsibilities for the application of sound management practices.

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