

## THE HIGHLAND COUNCIL

### Audit and Scrutiny Committee

Date: 20<sup>th</sup> August 2009

Agenda Item	5
Report No	AS/15/09

### Compliance with McClelland Report (Follow-up)

#### Report by Head of Internal Audit and Risk Management

#### Summary

The purpose of this report is to provide an update upon progress in complying with the McClelland report within Highland Council.

#### 1. Introduction

- 1.1 A review of public procurement in Scotland, undertaken by John F. McClelland, culminated in a report issued in March 2006. This report, referred to as "the McClelland report" proposed significant changes to the procurement landscape in Scotland.
- 1.2 The McClelland report made a number of recommendations, including the recommendation that Internal Audit should carry out work on the procurement governance framework for all organisations in the public sector.
- 1.3 To assist in this process, the Scottish Local Authorities Chief Internal Auditors Group (SLACAIG) produced a procurement audit toolkit. This toolkit uses a checklist to obtain assurances in relation to seven objectives deemed to be critical success factors in the procurement process, based upon the McClelland report recommendations and best practice.
- 1.4 SLACAIG used the toolkit to collate benchmark data from twenty five public authorities over the period May to September 2007. Highland Council was one of the authorities who provided the requested data.

#### 2. Internal Audit Review (March 2008)

- 2.1 An internal audit review was undertaken, using the toolkit, to provide an overview on the Highland Council's progress with regard to compliance with the McClelland report and to provide a comparison to the available benchmark data.
- 2.2 This review was reported to the Audit and Scrutiny meeting of 21<sup>st</sup> August 2008. The findings of the audit were that the Council's performance had improved between the benchmark date of June 2007 and the review date of March 2008. Details of the percentage compliance with the assurance checklist objectives are given in the table at section 3.4 below, together with the most recent scoring.
- 2.3 The overall assessment from this audit was that Highland Council had a score of 72%, which was above the 67% target of meeting the basic requirements of the checklist.

- 2.4 The report concluded that the Head of Procurement was committed to work with the Council's Senior Management Team in order to improve the Council's performance against the objectives in the table at 3.4 below.
- 2.5 It was also reported that in accordance with one of the McClelland recommendations, the Internal Audit plan will continue to include procurement reviews each year. This will also include following up progress against the McClelland report to ensure that compliance with the report recommendations are achieved.

### 3. Self Assessment (April 2009)

- 3.1 A self assessment using the SLACAIG toolkit, was undertaken by the Head of Procurement in April 2009. The results of this self assessment were then provided to the Head of Internal Audit and Risk Management.
- 3.2 The scores provided from the assessment were independently reviewed by the Principal Auditor. There were a number of queries which were discussed with the Head of Procurement. This resulted in some amendments being made to the original scores.
- 3.3 The toolkit assesses a number of key controls against the seven objectives. Each of these key controls are scored as follows:  
 0 – non-compliant  
 1 – still preparing  
 2 – meets the basic requirement  
 3 – further improvements underway.
- 3.4 The table below shows the position reported at March 2008 and the revised scoring agreed as at April 2009.

Objective	Description	March 2008	April 2009
1	The organisation can demonstrate its procurement function has the necessary authority, position and resources	79%	79%
2	The organisation can demonstrate that it has an appropriate strategy governing its procurement activities	76%	90%
3	The organisation can demonstrate it has addressed the legal frameworks for procurement	95%	95%
4	The organisation can demonstrate it collaborates on procurement	75%	83%
5	The organisation can demonstrate it has sound business processes throughout the procurement cycle	62%	74%
6	The organisation can demonstrate it has modernised its approach to procurement	83%	92%
7	The organisation can demonstrate robust performance management of procurement and that this adds to organisation efficiency	56%	80%
	<b>Overall Score</b>	<b>72%</b>	<b>83%</b>

#### 4. Conclusion

- 4.1 The overall score has increased from 72% to 83%, showing an ongoing improvement within the Council with regard to compliance with the McClelland report. Progress will continue to be monitored annually and the results of this reported to Committee.

#### **Recommendation**

Members are invited to note the above report.

Signature:

Designation: Head of Internal Audit and Risk Management

Date: 10<sup>th</sup> August 2009

Ref:

Background Papers

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