

Summary of Internal Audit High Importance Recommendations

| Committee | Audit Title | Summary of Finding and Recommendation | Management Response | Action Date | Confirmed Implemented |
|-----------|---------------------|---|---------------------|-------------|---|
| June 2013 | Business Continuity | <p>The consultant's perception of what was deemed a 'critical service' and key functions has not been ratified by ESPO management team.</p> <p>Recommended a definition should be established, agreed and recorded, then used to identify all services/processes considered to be 'Critical.'</p> | A | May 13 | Pending agreement at Senior Management Team on 28 May. |
| Aug 2012 | Rebates | <p>Inconsistent systems were operated to capture relevant data which created inefficiencies in the invoicing and sales ledger processes and a risk that all rebates actually due are not promptly and accurately collected and received.</p> <p>Recommended business processes to be established and subsequently documented to identify which area of the business should carry out various processes.</p> | A | July 12 | <p>Partly – processes have been documented</p> <p>IAS will further f/u compliance against processes</p> |
| Aug 2012 | Rebates | <p>There was limited accountability for significant differences between rebates estimated and subsequently received, with too much emphasis placed solely on buyer intervention. For 'Dealing Directs' items, there was reliance on the honesty of suppliers to provide accurate information with regard to levels of turnover. This had been highlighted as a concern by ESPO Management with an indication that further audit work is</p> | A | August 12 | Yes Further supplier verification work conducted in q4. Report is pending. |

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| | | <p>required in this area.</p> <p>Recommended that evidence should be requested substantiating how the rebate has been calculated (processes) and test checks undertaken against key suppliers (supplier verification).</p> | | | |
| | | <p>For 'Dealing Direct' items, there is major reliance on the honesty of the supplier to provide accurate information about levels of turnover.</p> <p>There is also a higher risk of non-receipt of rebates, especially in the current economic climate, due to only collecting on an annual basis regardless of the perceived risk of supplier.</p> <p>Recommend: -</p> <ul style="list-style-type: none"> • Supporting evidence substantiating rebates paid should form part of new contractual obligations for all suppliers. Current suppliers should be retrospectively requested to comply. • Consideration should be given to more regular rebate settlements for selected suppliers based on factors such as materiality of business and the degree of financial stability of the supplier. | A | August 12 | <p>Partly – contracts are more robust but changes have not been embedded long enough to confirm compliance</p> <p>Further audit work planned</p> |
| Aug 2012 | Rebates | <p>ESPO staff identified a lack of any rebate budget information being produced during the year.</p> <p>Recommended the development of robust management information and performance indicators in order to provide regular reporting to management team, which would also aid management decision making regarding the benefit or otherwise of each individual contract</p> | A | October 12 | <p>Yes</p> <p>However IAS to f/u whether further development is required</p> |

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Key to management response

A=Recommendation agreed; M=modified recommendation agreed; D=Assumed agreed; X=Not agreed

Audit/ESPO/F&ASC/13-14/June/Appendix 3/Hi Progress Report

Last Revised 20/05/2013

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