

Hot topic series
Public Sector Issues



In our last note dated 8 January 2011 we highlighted the results of a survey on compliance with the Code of Practice for the Governance of State Bodies. In this edition, we are focussing on hot topics in Public Body internal audit.

The Challenge

With the emphasis on value for money in areas such as travel and subsistence and with compliance with procurement and other Government Guidelines being ever increased, Public Sector organisations are placing additional resources in these areas in order to maintain compliance with relevant Guidelines and requirements.

As budgets and headcounts of organisations are slashed, the increased resources required for these areas are difficult to maintain.

The Key Areas Under Scrutiny

Public scrutiny is placing increased emphasis on the following areas:

- Travel and Subsistence
- Compliance with Procurement Guidelines and requirements
- Contract management processes
- Data protection

The areas above have been the areas to come under increased scrutiny within the media over the past two years. Reports of non-compliance by some Public Sector organisations have been highlighted.

How Deloitte can Help

With the additional emphasis on these areas, internal audit needs to be mindful of the risks and give a high level of attention to gain assurance over the processes and controls in place.

Deloitte can offer a range of assistance on these areas. From our expertise in areas such as travel and subsistence and procurement to our software and programmes such as ACL (Audit Command Language) which will deliver a real insight to any financial area under review.

Travel and Subsistence

Travel and subsistence is an area which has been of particular interest to the media in recent times. With the now frequent use of the Freedom of Information Act, more information in relation to an organisation's expenditure under this area is coming into the public domain. In every case, an organisation's reputation is at risk where questionable items in relation to travel and subsistence are identified and published.

There are a range of requirements from Department of Finance Guidelines to Revenue requirements and also general good practice principles which can make this area difficult to manage. Issues reported include:

- Poor route records
- Non-compliance with the lesser rule
- Lack of clarity over use of public transport
- Unclear guidelines or policies

Deloitte can help by providing independent reassurance that the processes and controls which have been put in place by management to govern this area are appropriate. We also provide an additional level of assurance through the use of ACL (Audit Command Language). This programme helps to provide useful insight into expense claims over a period of time.

ACL is a tool which helps to identify potential issues and trends through the analysis of travel and subsistence data. We can analyse such data by claimant, location and client (if applicable) which may provide management a good understanding of any improvements in efficiencies to be made. This may help to reduce the level of expenditure in relation to travel and subsistence.

Procurement Compliance

As budgets are reduced, it is becoming increasingly important that organisations can demonstrate that they are complying with the Procurement Guidelines and are achieving value for money in their purchases.

It has been noted that whilst most organisations are in compliance with the Procurement Guidelines the majority of the time, there may be some purchases which may not comply with the Guidelines and there may be instances where the underlying principles of the Guidelines may not always be followed (i.e. that value for money may not be appropriately achieved). Issues reported include:

- Lack of clarity over contract extensions
- Inappropriate use of panels
- Poor documentation

Deloitte can provide a review in order to ascertain the level of compliance against the Procurement Guidelines, but we will go further than a simple compliance-type review. We will look at the trends in purchases, the types of goods and services being purchased etc. We will add real value to organisations who wish to complete this kind of review.

By using ACL, we can analyse data and identify trends in spending. This will allow management to establish where savings can be made, where value for money could be improved and where the Guidelines are not being fully complied with.

Contract Management

Contract management is an area where appropriate attention is not always given in the Public and Private Sectors. With increasing pressure in relation to budgets and the performance of Public Sector organisations, the management of contracts in place with suppliers should be scrutinised closely.

Deloitte have increased the level of focus on this area in our clients' Internal Audit plans to ensure that the key contracts in place within the organisation are reviewed during the period covered by the Plan.

Deloitte have developed a list of good practice principles to cover contract management that if followed, provide assurance on the process. The key risks which we have identified to be involved in contracts held with service providers are as follows:

- That the service provider is not fulfilling their obligations under the contract
- The services being provided and relevant costs being incurred are not communicated to the Organisation in a transparent manner
- Discounts are not being passed to the Public Sector Organisation
- The Organisation is exposed to excessive risks in relation to the service being provided to the Organisation
- Inadequate contracts are in place for large scale services being provided

Data Protection

Privacy and data protection concerns present a growing challenge. Over the past 12 months, there have been more high profile data protection incidents in Ireland and across Europe. These have related to both paper file breaches and technology held data.

The Data Protection Commissioner has summarised the legislation into eight rules:

1. Obtain and process the information fairly
2. Keep it only for one or more specified and lawful purposes
3. Process it only in ways compatible with the purposes for which it was given to you initially
4. Keep it safe and secure
5. Keep it accurate and up to date
6. Ensure that it is adequate, relevant and not excessive
7. Retain it no longer than is necessary for the specified purpose or purposes
8. Give a copy of his/her personal data to any individual on request

With the increased scrutiny on this area along with resource constraints, organisations are finding it increasingly difficult to comply with this legislation.

Issues reported have often related to items 2, 4 and 7 noted above.

Deloitte have developed compliance testing programmes to deal with the requirements under Data Protection in order to provide assurance as to the level of compliance within an organisation. We also have a dedicated Compliance Team who can provide advice on a range of areas including Data Protection.

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