

AUDIT COMMITTEE REPORT

Subject: Internal Audit Assignment – Purchasing and Procurement	Purpose: For Approval <input checked="" type="checkbox"/> For Discussion <input type="checkbox"/> For Information <input type="checkbox"/>
Prepared by: H Robertson Vice Principal – Finance & Corporate Services	Date: 26 January 2021
Purpose: To present the findings of the Purchasing and Procurement internal audit which was carried out in December 2020.	
Linked to Strategic Goal: We will take a leading role in enabling an inclusive, resilient and sustainable Scotland	
Executive Summary: The attached report details the work carried out by the College's internal audit service in testing the effectiveness of the College's purchasing procedures. The report confirms a strong overall conclusion with two low level recommendations and ten areas of good practice.	
Recommendation: Committee consider the findings of the report along with Management responses.	
Previous Committee Approvals: n/a	
For publication <input checked="" type="checkbox"/>	For publication with redactions <input type="checkbox"/>
Not for publication <input type="checkbox"/>	

Borders College

Internal Audit 2020-21

Purchasing & Procurement
January 2021

Overall Conclusion

Strong

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The matters raised in this report came to our attention during our audit and are not necessarily a comprehensive statement of all weaknesses that exist or all improvements that might be made.

This report has been prepared solely for Borders College's individual use and should not be quoted in whole or in part without prior written consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any third party.

We emphasise that the responsibility for a sound system of internal control rests with management and work performed by internal audit should not be relied upon to identify all system weaknesses that may exist. Neither should internal audit be relied upon to identify all circumstances of fraud or irregularity should there be any although our audit procedures are designed so that any material irregularity has a reasonable probability of discovery. Every sound system of control may not be proof against collusive fraud. Internal audit procedures are designed to focus on areas that are of greatest risk and significance.

Overview

Purpose of review

We conducted a review of the controls in place for purchasing within the College. Our review considered the updated purchasing procedures following the COVID-19 lockdown. We also conducted a high-level review of the procurement arrangements in place, from identifying procurement needs, through to appraising options and contracting with suppliers. Our review looked to provide assurance that the College is complying with legislative requirements.

This review forms part of our 2020/21 Internal Audit Annual Plan.

Scope of review

Our objectives for this review were to ensure:

- An agreed procurement strategy and appropriate policies and procedures are in place to guide staff on making purchasing decisions.
- Staff have been trained in procurement and receive appropriate procurement support.
- Agreed procurement procedures are being consistently followed, leading to value being achieved from purchases.
- There are agreed contracts in place with favourable terms, with key suppliers.
- Supplier performance is monitored effectively, and use has been made of performance measures and service level agreements.
- The College has updated their purchasing procedures following the Covid-19 lockdown.

Our approach to this assignment took the form of discussion with relevant staff, review of documentation and where appropriate sample testing.

1 EXECUTIVE SUMMARY

Borders College
Purchasing & Procurement

Limitation of scope

There was no limitation of scope.

Background Information

Financial Regulations

The College has a Financial Regulations document in place that was updated in October 2019; the document was approved by the Finance & General Purposes Committee in November 2019.

The Regional Board (the Board) is responsible for the strategic direction and oversight of the management and administration of the College.

The Vice Principal: Finance & Corporate Services is the College's designated Chief Financial Officer (CFO). The CFO is the financial advisor to the Principal and the Board.

Section 19.3 within the Financial Regulation's explains the procurement requirement members of staff within the College must follow: budget holders, irrespective of the source of funds to obtain supplies and services at the lowest possible cost consistent with quality, sustainability and equalities legislation and in accordance with the College's Procurement Strategy and Policy, buying from frameworks if appropriate.

The Procurement function is the responsibility of the CFO and it will:

- Ensure that Procurement Policy and Procedures are known by all those involved in procurement for the College.
- Provide advice on compliance with procurement policy and best practice.
- Assist authorised purchasing officers on specific purchases, seeking specialist advice from the APUC (Advanced Procurement for Universities and Colleges) as required.
- Draft specifications negotiate and draft contract agreements for all large-scale purchases, in collaboration with the authorised purchasing officer.
- Maximise compliance with applicable regulations on public procurement.

In matters of procurement, the CFO is assisted by the College's dedicated Procurement Officer and the Finance Business Partner.

The College is a member of Advanced Procurement for Universities and Colleges (APUC) Ltd, which is the Procurement Centre of Expertise for Universities and Colleges in Scotland.

Policies

The College has a Procurement Policy in place that was last reviewed in January 2018. The Policy was designed to ensure legislative compliance with the Procurement Reform (Scotland) Act 2014 and other relevant legislation. The Policy is aligned with the College's and the Scottish Funding Council's key strategic outcomes. Alongside the Procurement Policy, the College has a Procurement Strategy in place. This document was reviewed in January 2018.

The College also has an Anti-Fraud & Corruption Policy and Anti-Bribery Policy in place.

The Anti-Fraud & Corruption Policy forms part of the College's internal controls and corporate governance arrangements. The Policy applies to all activities undertaken on behalf of the College by members of the Board of Management, Senior Management Team and all staff of the College and its subsidiaries.

The Anti-Bribery Policy forms part of the College's internal controls and corporate governance arrangements. The policy applies to all of the College's activities and it covers all personnel, including all levels and grades, those permanently employed, temporary agency staff, contractors, non-executives, agents, Board members (including independent members) volunteers and consultants.

Procurement Thresholds & Process

The Procurement Policy outlines the College's procurement thresholds. They are as follows:

1. Over £25,000:

Invite a minimum of 3 quotes on Quick Quotes or by email (if less than £25,000) giving at least 1 week for closing date & time for the supplier to submit a quote.

1 EXECUTIVE SUMMARY

2. Over £50,000 over 4 years:

Contact Procurement Officer/Finance Business Partner for advice. If a framework is applicable, then this would be the preferred methodology.

3. Over EU thresholds:

- a. Supplies and services £181,302,
- b. Works £4,551,413

Seek advice from Vice Principal: Finance & Corporate Services and Advance Procurement for Universities and Colleges (APUC) Account Manager. Establish a panel to manage contract award and implementation. For procurements over £100,000 notify Finance & General Purposes Committee of commencement of procurement activity.

Along with the processes mentioned above, the College can secure goods and services via a Single/Sole Source Justification (SSJ). As per Public Sector legislation (in Scotland) goods and services should be acquired via a competitive tendering process or via a framework. However, due to exceptional circumstances, the urgency to engage goods/services of a specialist nature, the College can follow the SSJ route.

The total spend on all contracts for 2019/20 was £4,121,236.82. The total non-contract spend for the same period was £932,162.62.

Board Reports

The Audit Committee is updated by the Vice Principal: Finance & Corporate Services on a quarterly basis. The purpose of the report is to update the committees with regards to activities in ensuring best practice and value for money in the College's Procurement function. The Finance and General Purposes Committee and the Board approve high value procurements in line with the Scheme of Delegation.

The information reported to the relevant Committees is passed onto the Board.

The Audit Committee reports set out the subject and its purpose. The reports also highlight if the Audit Committee should "approve, discuss or note the contents as information". The reports are detailed and contain an executive summary that explains the nature and content of the

report. The reports also contain the percentages of the College's annual expenditure which is subject to the formally agreed contracts and framework agreements and the proportion of the orders processed through the PECOS (online purchase and payment system). The report also sets out the proportion of orders processed manually/online (via the College's Sun system).

Training

The Procurement Officer within the College provides training to new employees and or employees who are required to use PECOS (the online purchase to pay system) in line with their job requirements. The trainees are provided with an introduction to procurement, how they should place orders within the College and a training document on PECOS. The training is provided on a 1-2-1 basis and recorded on a procurement training document.

Supplier Performance

Contract Manager's within the College monitor the performance of suppliers. The Contract Managers will hold quarterly meetings with suppliers, their performance is discussed at these meetings. No issues regarding supplier performance were highlighted.

The Procurement Advisory Group within the College meets monthly. The composition of this group is as follows - Vice Principal: Finance & Corporate Services, Procurement Officer, Finance Business Partner and a member of APUC (Advance Procurement for Universities and Colleges). The group discusses various aspects of procurement including supplier performance.

Purchases

Purchasing limits within the College are set as follows:

- Budget Holders – Up to £200;
- Wider Leadership Team – Up to £5,000;
- Senior Leadership Team – Up to £25,000; and
- Executive Team – Over £25,000.

The College uses PECOS (online purchase and payment system) when ordering goods and services from approved suppliers.

For less frequently used suppliers and ad-hoc purchases, the College use Sun Accounts (payment system). Relevant members of staff within the College raise "Purchase Order Requisition Form". This is/was commonly known within the College as "green orders" simply because the order forms are printed on green paper.

A purchase order is raised by the requisitioner, it is added to Sun Accounts. Once the invoice is received, it is matched against the purchase order, checked, approved by the budget holder and then paid.

In light of the COVID-19 pandemic, green orders are processed via email. The purchase orders are manually completed by the requisitioner, scanned by the Finance Department and then processed, checked etc.

Website

The College's public facing website has a section dedicated to Procurement. This section contains the Procurement Strategy, Procurement Policy and the Procurement Terms and Conditions.

Link: <http://www.borderscollege.ac.uk/resources/procurement/>

Work Undertaken

As part of our review, the following work was undertaken:

- Discussions with the relevant staff to establish the current procurement arrangements in place at the College.
- An evaluation of these arrangements to assess their adequacy and whether they comply with current guidance and good practice.
- A review of the procurement system objectives.
- An evaluation of procurement system capabilities to assess whether the system is being fully utilised.

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- A review of the College's updated systems and processes for purchasing following the COVID-19 lockdown to ensure these are adequate.
- Sample test of transactions and processes where applicable.
 - Selected 5 suppliers from Contracts Register to determine if the tendering process was followed.
 - Selected 15 invoices from 5 suppliers to determine if the invoices fell into the scope of the contract.
 - Selected 12 green orders to determine if purchase orders were raised prior to receipt of invoice.
- A review of staff training arrangements regarding purchasing and procurement procedures
- A review of the system access controls in place.

Conclusion

Overall conclusion

Overall Conclusion: Strong

We are able to provide a strong level of assurance over the College's purchase and procurement processes. However, we have raised 2 low grade recommendations for improvement. Please see section 3 for further information.

Summary of recommendations

Grading of recommendations

	High	Medium	Low	Total
Purchasing & Procurement	0	0	2	2

As can be seen from the above table there were no recommendations made which we have given a grading of high or medium.

Areas of good practice

The following is a list of areas where the College is operating effectively and following good practice.

1.	<p>The Vice Principal: Finance & Corporate Services updates the Audit Committee on the College's procurement function ensuring best practice is followed and value for money gained.</p> <p>The information fed into the Committee is passed onto the Board.</p>
2.	<p>The College has a Procurement Advisory Group. This Group consists of the following personnel - Vice Principal: Finance & Corporate Services, Procurement Officer, Finance Business Partner and a member of APUC (Advance Procurement for Universities and Colleges). The Group discusses various aspects of procurement including supplier performance.</p> <p>Along with the above, Contract Manager's monitor supplier performance.</p> <p>The Procurement Officer reviews the contract register and also maintains a Forward Contract Plan. This plan contains information about contracts – how they were procured and when they are due to expire.</p>
3.	<p>The College follow a robust procurement procedure. We undertook sample testing to ensure this was adhered to and found that contracts were awarded in line with the procedure and the process outlined within the Procurement Policy.</p>
4.	<p>Our sample testing of invoices found that all invoices tested were within the scope of their corresponding supplier contract. Furthermore, the invoices had been signed off by an appropriate person.</p>

1 EXECUTIVE SUMMARY

The following is a list of areas where the College is operating effectively and following good practice.

5.	<p>Roles and responsibilities for staff relating to the procurement and purchase process are clearly set out in the Financial Regulations. In the main, they are as follows:</p> <ul style="list-style-type: none">➤ The Vice Principal: Finance & Corporate Services is the College's designated Chief Financial Officer (CFO). The procurement function is the responsibility of the CFO.➤ The Procurement Officer assists the Vice Principal: Finance & Corporate Services.➤ Budget Holders must obtain goods/services at the lowest possible cost and in accordance with the College's Financial Regulations, Procurement Policy and Strategy.
6.	<p>Procurement training within the College is provided by the Procurement Officer. The training is provided on a 1-2-1 basis. The trainees are provided with an introduction to procurement, how they should place orders within the College and a training document on PECOS (the online purchase to pay system utilised by the College).</p>
7.	<p>In light of the COVID-19 pandemic, the College has moved the manual purchase order process from hard/paper copies to soft/online copies.</p>
8.	<p>The College's public facing website has a section dedicated to Procurement. This section contains the Procurement Strategy, Procurement Policy and the Procurement Terms and Conditions.</p> <p>Link: http://www.borderscollege.ac.uk/resources/procurement/</p>
9.	<p>The College has a robust Anti-Bribery Policy in place. It was recently reviewed and updated in January 2019. The policy will be reviewed in January 2022.</p>

1 EXECUTIVE SUMMARY

The following is a list of areas where the College is operating effectively and following good practice.

- | | |
|-----|---|
| 10. | The College has a robust Anti-Fraud & Corruption Policy in place. It was reviewed and updated in January 2019. The Policy will be reviewed in January 2022. |
|-----|---|

2 BENCHMARKING

We include for your reference comparative benchmarking data of the number and ranking of recommendations made for audits of a similar nature in the most recently finished internal audit year.

Purchasing & Procurement

Benchmarking				
	High	Medium	Low	Total
Average number of recommendations in similar audits	1	2	1	4
Number of recommendations at Borders College	0	0	2	2

From the table above it can be seen that the College has a lower number of recommendations compared to those colleges it has been benchmarked against.

3 DETAILED RECOMMENDATIONS

Green Order - Purchase Order Process			
Ref.	Finding and Risk	Grade	Recommendation
1.	<p>The purpose of a single use purchase order is to keep track of a single order from a supplier until all items have been received from that order.</p> <p>During our review, it was highlighted the correct process was not being followed by members of staff. Through our sample test of green orders, we noted one purchase order was raised on the day the invoice had been received.</p> <p>There is the risk that the invoices are received unexpectedly by the College.</p>	Low	We recommend that the College ensures the correct process is followed when processing purchase orders for its green orders.
Management response			Responsibility and implementation date
<p>We will reiterate to all purchasers our procedures and specifically of this audit recommendation, all procurement requires an order following acceptance of our response. Our invoice processes require all invoices to have an appropriate order before booking into the SUN finance system. We will review our PC5 procedure for dealing with invoices with no order, and how to address exceptional situations, alongside our overall review of our Purchase Cycle within our Financial Procedures Manual.</p>			<p><i>Responsible Officer:</i></p> <p>Andrew Kirkness</p> <p><i>Implementation Date:</i></p> <p>30 Jun 2021</p>

3 DETAILED RECOMMENDATIONS

Single Source Justification - Financial Regulations			
Ref.	Finding and Risk	Grade	Recommendation
2.	<p>A strong procurement process is key to the financial efficiency of any business.</p> <p>During our review, we noted that along with acquiring goods and services via a competitive tendering process, the College can follow the Single/Sole Source Justification (SSJ) process. This process can be followed in exceptional circumstances, such as the urgency to engage for good and services and/or of a specialist nature. This route allows the College to save time and engage with the supplier as soon as possible. However, this process is not highlighted within the College's Financial Regulations.</p> <p>There is the risk that if the Financial Regulation's do not contain all relevant information, then full compliance will not be achieved, and effective procurement could be compromised.</p>	Low	<p>We recommend that the College update the Financial Regulation's to include the Single Source Justification process.</p>

3 DETAILED RECOMMENDATIONS

Management response	Responsibility and implementation date
We will ensure the Single/Sole Source Justification (SSJ) process is included within our overall procurement process documentation and referenced within our Financial Regulations.	<i>Responsible Officer:</i> Andrew Kirkness <i>Implementation Date:</i> 30 Jun 2021

4 OBSERVATIONS

The following is a list of observations from our review

- | | |
|----|---|
| 1. | During our review, the Vice Principal: Finance & Corporate Services confirmed the Procurement Strategy and Policy for the College was scheduled to be updated in January 2021, however, this will be delayed and completed following the update to the Corporate Strategy. The Strategy and Policy will be combined into a single policy document (ie the College will not retain a separate strategy). |
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5 AUDIT ARRANGEMENTS

The table below details the actual dates for our fieldwork and the reporting on the audit area under review. The timescales set out below will enable us to present our final report at the next Audit Committee meeting.

Audit stage	Date
Fieldwork start	14 December 2020
Closing meeting	18 December 2020
Draft report issued	12 January 2021
Receipt of management responses	25 January 2021
Final report issued	25 January 2021
Audit Committee	4 February 2021
Number of audit days	3

6 KEY PERSONNEL

We detail below our staff who undertook the review together with the College staff we spoke to during our review.

Wylie & Bisset LLP

Partner	Graham Gillespie	Partner	graham.gillespie@wyliebisset.com
Manager	Scott McCready	Internal Audit Manager	scott.mccready@wyliebisset.com
Senior	Faisal Kayani	Internal Audit Senior	faisal.kayani@wyliebisset.com

Borders College

Key Contacts:	Hazel Robertson	Vice Principal (Finance and Corporate Services)	hrobertson@borderscollege.ac.uk
	Lynn Gardham	Procurement Officer	lgardham@borderscollege.ac.uk

Wylie & Bisset appreciates the time provided by all the individuals involved in this review and would like to thank them for their assistance and co-operation.

APPENDICES

A GRADING STRUCTURE

For each area of review, we assign a level of assurance in accordance with the following classification:

Assurance	Classification
Strong	Controls satisfactory, no major weaknesses found, no or only minor recommendations identified.
Substantial	Controls largely satisfactory although some weaknesses identified, recommendations for improvement made.
Weak	Controls unsatisfactory and major systems weaknesses identified that require to be addressed immediately.
No	No or very limited controls in place leaving the system open to significant error or abuse, recommendations made require to be implemented immediately.

A GRADING STRUCTURE

For each recommendation, we assign a grading either as High, Medium or Low priority depending on the degree of risk assessed as outlined below:

Grading	Classification
High	Major weakness that we consider needs to be brought to the attention of the Audit Committee and addressed by senior management of the College as a matter of urgency.
Medium	Significant issue or weakness which should be addressed by the College as soon as possible.
Low	Minor issue or weakness reported where management may wish to consider our recommendation.

Purpose of review

We will conduct a review of the controls in place for purchasing. Our review will consider the updated purchasing procedures following the Covid-19 lockdown. We will also conduct a high-level review of the procurement arrangements in place, from identifying procurement needs, through to appraising options and contracting with suppliers. Our review will look to provide assurance that the College is complying with legislative requirements.

This review forms part of our 2020/21 Internal Audit Annual Plan

Scope of review

Our objectives for this review are to ensure:

- An agreed procurement strategy and appropriate policies and procedures are in place to guide staff on making purchasing decisions.
- Staff have been trained in procurement and receive appropriate procurement support.
- Agreed procurement procedures are being consistently followed, leading to value being achieved from purchases.
- There are agreed contracts in place with favourable terms, with key suppliers.
- Supplier performance is monitored effectively, and use has been made of performance measures and service level agreements.
- The College has updated their purchasing procedures following the Covid-19 lockdown.

Our approach to this assignment took the form of discussion with relevant staff, review of documentation and where appropriate sample testing.

Limitation of scope

There is no limitation of scope.

Audit approach

Our approach to the review will be:

- Discussions with the relevant staff to establish the current procurement arrangements in place at the College.
- Evaluation of these arrangements to assess their adequacy and whether they comply with current guidance and good practice.
- Review of the procurement system objectives.
- Evaluation of procurement system capabilities to assess whether the system is being fully utilised.
- Reviewing the College's updated systems and processes for purchasing following the Covid-19 lockdown to ensure these are adequate.
- Sample test of transactions and processes where applicable.
- Review of staff training arrangements regarding purchasing and procurement procedures
- Review of the system access controls in place.

Potential key risks

The potential key risks associated with the area under review are:

- An agreed procurement strategy and appropriate policies and procedures may not be in place to guide staff on making purchasing decisions.
- Staff may not have been trained in procurement or may not receive appropriate procurement support.

- Agreed procurement procedures may not be consistently followed, leading to poor value being achieved from purchases.
- There may be no agreed contracts, or there are contracts in place with unfavourable terms, with key suppliers.
- Supplier performance may not be monitored effectively, and no use has been made of performance measures and service level agreements.
- The College has not updated their purchasing procedures following the Covid-19 lockdown.