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AUDIT & RISK COMMITTEE

29 May 2024

Internal Audit Assignment – Purchasing & Procurement

1.0 PURPOSE OF PAPER

For decision

- 1.1 The purpose of this paper is to provide the Committee with findings of the internal audit for Purchasing and Procurement.

2.0 EXECUTIVE SUMMARY

- 2.1 The Committee approved the Internal Audit plan for 2023/24 on 11 May 2023. The plan included a review of purchasing and procurement.
- 2.2 The review of Purchasing and Procurement has been undertaken from March to May 2024.
- 2.3 The audit has identified one recommendation and has an overall conclusion as “Strong”. The management response to the recommendations are included in the full report contained in Appendix A.

3.0 RECOMMENDATION

- 3.1 I recommend that the Audit and Risk Committee note the report contained in Appendix A.

4.0 BACKGROUND

- 4.1 The Financial Memorandum with the SFC requires the College to have an effective internal audit function and that the duties of that function conform to the professional standards of the Chartered Institute of Internal Auditors. For incorporated colleges and Regional Boards, the operation and conduct of internal audit must comply with Public Sector Internal Audit Standards and, where relevant, the Scottish Public Finance Manual. Internal Audit is to provide the Regional Board, the Principal and senior management with assurances on the adequacy of the internal control system.
- 4.2 The Internal Audit Service is contracted to Wylie Bisset who provide an annual plan of the areas to be audited. The plan for 2023/24 was approved by the Committee on 11 May 2023. The plan included a review of Purchasing and Procurement.

5.0 PURCHASING & PROCUREMENT AUDIT

5.1 The audit of review of purchasing and procurement was undertaken between 11 March and 1 May 2024.

5.2 There were one recommendation identified, five areas of good practice identified, and the overall conclusion is “strong”. The full report is contained in Appendix A.

“Following our review, we can provide a strong level of assurance surrounding purchasing and procurement. However, we have identified 1 low grade recommendation for improvement and one observation”

6.0 IMPLICATIONS AND CONSIDERATIONS

6.1 Financial Implications

The are no direct financial implications from the contents of this report.

6.2 Learner Implications

There are no direct learner implications from the contents of this report.

6.3 Staff Implications

There are no direct staff implications from the contents of this report.

6.4 Equality and Diversity Implications/Equality Impact Assessment

There are no direct equality and diversity implications from the contents of this report.

6.5 Sustainability/Environmental Implications

There are no direct sustainability or environmental implications from the contents of this report.

7.0 RISK COMMENTARY

7.1 Procedures are in place to ensure the best value is achieved for the supplies and services procured by the college and the college remains within procurement regulations. The audit completed has reviewed these procedures and tested adherence to them. These procedures are a key mitigation to the legislative risk and wider financial sustainability risk. The audit completed has tested these procedures and controls. The overall conclusion of “Strong” demonstrates the College is performing well in this area.

8.0 CONCLUSION

8.1 The audit of Purchasing and Procurement has been completed and resulted in an overall conclusion of “Strong”.

Kirsty Robb, Vice Principal Finance & Corporate Services

Previous Committee Approvals: N/A

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Borders College

Internal Audit 2023-24

Purchasing and Procurement
May 2024

Overall Conclusion

Strong

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The matters raised in this report came to our attention during the course of 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 considered to be of greatest risk and significance.

Overview

Purpose of review

We conducted a review of the controls in place for purchasing. We 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 formed part of our 2023/24 annual internal audit 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.

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

1 EXECUTIVE SUMMARY

Limitation of scope

There was no limitation of scope.

Background

Policies and Procedures

The College`s approach to procurement is detailed within its Procurement Policy and its Financial Regulations. The Procurement Policy sets out the key aspects of procurement including approval routes, thresholds and limits, principles of procurement and the responsibilities within the College. The Procurement Policy is up-to-date having been last reviewed in June 2021 with a review planned in June 2024.

Adding a New Supplier

The thresholds for adding a new supplier are listed within the Procurement Policy and the Financial Procedures and are broken down into the following four routes:

- £5,000 to £25,000.
- £25,000.01 to £50,000.
- £50,000.01 to £100,000 (over 4 years).
- £100,000.01 and above (over 4 years).

Tendering for each of these four categories differs with the first two requiring that 3 suppliers are invited to tender, whilst an invitation via Public Contracts Scotland (PCS) is required for those in the £50,000 to £100,000 bracket and those above £100,000 appearing on the Find a Tender System, a governmental service for advertising high-value public contracts. Following the completion of the tender process and the selection of a supplier, the College will then complete a new supplier form and sign a contractual agreement with the supplier.

Supplier Performance

The College does not monitor the performance of all suppliers against set performance metrics. However, for some of the College`s suppliers performance is monitored generally on the basis of their size i.e. the value of the contract or against the performance metrics within a specific procurement framework where applicable to the supplier. Our review found for a sample of 4 suppliers their performance was assessed with positive results.

Training

The College uses the PECOS (Professional Electronic Commerce Online System) procurement system which is available to all Scottish public sector bodies including central and local government, NHS Boards, universities and colleges under the Scottish Government eCommerce shared service license agreement. There is a requirement that all PECOS users receive individual training from the Procurement Officer prior to accessing the system. Our review found of the College`s 93 staff members that require PECOS training, 2 staff members have yet to complete it and a further 5 have an unknown status on their training record. **Please refer to Section 3 – Detailed Recommendations for information.** The College`s Procurement Officer has completed training provided by APUC (Advanced Procurement for Universities and Colleges), a procurement Centre of Expertise for Scotland`s universities and colleges.

Purchases

When making a purchase, staff within the College are required to use one of the College`s approved suppliers contained on PECOS. For one off purchases below £5,000, a non-approved supplier may be used provided the purchase order goes through the standard approval routes. A Purchase Order is then raised and the order will then be approved on PECOS by an appropriate Budget Holder, with final approval coming from a member of the finance team checking and approving the Invoice. The College divides its delegated authority into two groups: Wider Leadership Team and Senior Leadership with approval limits of up to £5,000 and £5000.01 to £20,000 respectively.

Work Undertaken

Our work undertaken for this review included the following:

Objective 1: An agreed procurement strategy and appropriate policies and procedures are in place to guide staff on making purchasing decisions.

- We reviewed the Procurement Policy, Financial Regulations and Financial Procedures and confirmed that the Procurement Policy is up to date.

Objective 2: Staff have been trained in procurement and receive appropriate procurement support.

- We reviewed current staff procurement training records and confirmed that 2 staff members have not completed the training and a further 5 have an unknown status on their training. **Please refer to Section 3 – Detailed Recommendations for information.**

Objective 3: Agreed procurement procedures are being consistently followed, leading to value being achieved from purchases.

- We reviewed a sample of 10 purchases made in the period August 2023 to February 2024 and found that for 10/10 sampled purchases the invoice was approved by staff members within their agreed approval limits.

Objective 4: There are agreed contracts in place with favourable terms, with key suppliers.

- We reviewed a sample of 10 contractors and found that contracts were in place for all those contracts that the College require contracts for.

Objective 5: Supplier performance is monitored effectively, and use has been made of performance measures and service level agreements.

- We reviewed a sample of 4 suppliers for the period November 2023 to March 2024 and confirmed that performance measures have been agreed and monitored.

Conclusion

Overall conclusion

Overall Conclusion: Strong

Following our review, we can provide a strong level of assurance surrounding purchasing and procurement. However, we have identified 1 low grade recommendation for improvement and one observation. Please see **Section 3: Detailed Recommendations** for information.

Summary of recommendations

Grading of recommendations				
	High	Medium	Low	Total
Purchasing and Procurement	0	0	1	1

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

Areas of good practice

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

1.	For a sample of 4 contractors we confirmed that there was reporting on performance and that the contractors were performing positively.
2.	The College`s Procurement Strategy is up to date having been last reviewed in June 2021 with a new planned review date of June 2024.
3.	The College employs the use of PECOS, an externally provided procurement system available to all Scottish public sector bodies.
4.	The Procurement Officer regularly attends events held by APUC Limited, a centre of expertise for all Scottish universities and colleges.
5.	The use of performance measures to assess suppliers is decided on the specific conditions of the supplier as opposed to having a blanket rule.

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 and Procurement

Benchmarking				
	High	Medium	Low	Total
Average number of recommendations in similar audits	0	1	2	3
Number of recommendations at Borders College	0	0	1	1

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

PECOS Training			
Ref.	Finding and Risk	Grade	Recommendation
1.	<p>Staff should be fully trained on the system used to manage procurement, prior to using the system.</p> <p>Of the College's 93 staff members that require PECOS training we found that 2 staff members have not completed the training and a further 5 have an unknown status on their training.</p> <p>There is a risk that without training staff on PECOS, they may be unable to correctly use the system, leading to errors in the procurement process.</p>	Low	We recommend that those staff members who have not been trained on PECOS are trained promptly, with emails reminders being sent to the Line Managers of staff who have not completed their training.
Management response			Responsibility and implementation date
Any outstanding training will be arranged with and provided to the identified individuals.			<p><i>Responsible Officer: Procurement Officer</i></p> <p><i>Implementation Date: 31 December 2024</i></p>

The following is a list of observations from our review

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|----|--|
| 1. | As part of our Income Control and Credit Collection review which was conducted concurrently with this audit, a finding was raised in relation to approval limits not being set out in the Financial Regulations. Our review found that the College divides approvers into Wider Leadership Team and Senior Leadership Team with approval limits being £5,000.01 and £20,000 respectively. However, the Financial Regulations does not contain a complete list of staff members who can authorise transactions and the value to which they can authorise. |
|----|--|

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	11 March 2024
Closing meeting	15 March 2024 & 28 March 2024*
Draft report issued	19 April 2024
Receipt of management responses	1 May 2024
Final report issued	1 May 2024
Audit Committee	29 May 2024
Number of audit days	3

*A second closing meeting was held as more evidence was provided.

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
Senior Manager	Sue Brook	Senior Internal Audit Manager	susan.brook@wyliebisset.com
Senior	Colin McNeill	Internal Audit Senior	colin.mcneill@wyliebisset.com

Borders College			
Key Contact	Carolyn Chapman	Student Funding Manager	cchap@borderscollege.ac.uk
	Sara Wilson	Director of Finance	swilson@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.

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This review forms part of our 2023/24 annual internal audit plan.

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- Supplier performance is monitored effectively, and use has been made of performance measures and service level agreements.

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.
- Sample test of transactions and processes where applicable.
- Review of staff training arrangement with regard to system and procurement procedures.

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.

B ASSIGNMENT PLAN

- 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.