Committee report

SPT

Regularity audit of procurement outcomes

Committee   Audit and Standards

Date of meeting 30 November 2018   **Date of report** 9 October 2018

Report by Assistant Chief Executive

1. Object of report

To advise the committee on the findings of a regularity audit of procurement outcomes. This engagement is included in the annual Internal Audit plan for 2018/19.

2. Background

Procurement is the process of acquiring goods, services or works. The process spans the whole life cycle of whatever is being purchased from identification of needs, formation of a sourcing strategy; to options and supplier appraisal; through to the end of the contract or the useful life of an asset.

All contract notices for procurement with aggregated values in excess of the EU thresholds must be published throughout the EU via the Official Journal of the European Union (OJEU).

In addition, the Scottish Government administer the Public Contracts Scotland portal. All Scottish public sector organisations are required to use this portal as their main tool for advertising contract notices.

SPT procurement arrangements

Each contract (or Purchase Order placed) in SPT must comply with the Standing Orders Relating to Contacts; Financial Regulations, Scheme of Delegated Functions and Committee Terms of Reference; and relevant legislation.

The objective of this engagement was to undertake data analytics on creditor payments in comparison with the contracts register and review procurement performance outcomes.

This engagement tested elements of the internal controls and mitigation against SPT 22: Governance arrangements, as identified in the Corporate Risk register.

3. Outline of findings

The Partnership spent over £150 million in 2016/2017 and 2017/18 for the supply of goods, services and works in accordance with EU and Scottish Government legislation.

SPT use the Procurement Contract Scotland portal to contact suppliers directly; with requests for quotations (Quick Quotes) for lower value contracts (up to £50,000), that have access to the market place; to hold mini tenders from a framework.

Engagement testing (as at September 2018) found that spend on procured goods, services and works was in accordance with legislation and internal procurement arrangements.

The engagement identified a requirement to review contract planning arrangements for lead times and the recording of contract numbers in the financial ledger.

There are areas for improvement, and these areas have been addressed by four audit recommendations. Finance & HR (Procurement) management have agreed to implement these recommendations, which are currently being actioned.

4. Conclusions

The Audit and Assurance team has undertaken a regularity audit of procurement outcomes. Four recommendations have been agreed from this engagement.

Key controls exist and are applied consistently and effectively in the majority of areas tested in this engagement.

Reasonable assurance can be taken from the areas covered in this engagement.

5. Committee action

The committee is asked to note the contents of this report and agree that the Audit and Assurance Manager submits a follow-up report on the implementation of the recommendations to a meeting in approximately six months.

6. Consequences

Policy consequences	*None.*
Legal consequences	*None.*
Financial consequences	*None.*
Personnel consequences	*None.*
Social Inclusion consequences	*None.*
Risk consequences	*As detailed in the report.*

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Name   Gordon Maclennan

Title   **Assistant Chief Executive**

Title   **Chief Executive**

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Agreed action plan: Procurement outcomes

No.	Recommendation	Priority	Action Proposed	Lead Officer	Due date
1	**Monitoring of expenditure** Procurement management should remind service managers of their responsibility to monitor spend levels against contracts and Standing Orders Relating to Contracts. In particular, where accumulated spend over £5,000 can be reasonably predicted, quotations should be obtained.	Medium	A reminder (email) will be issued to service managers to monitor contract spend against contract values and Standing Orders Relating to Contracts. Moreover, as part business improvement the following is being considered: • key performance indicators (KPI's) to measure compliance; • budget holders to provide comment on areas of any non-compliant spend; and • training to be provided on the revised 'purchase to pay' process.	Procurement Manager	October 2018
2	**Lead time for renewal of contracts** Procurement management should review the current lead time(s) required for retendering contracts prior to their lapse, to allow seamless contract transition.	Medium	Current arrangements provide for the following lead times: • OJEU contract 9 months; • Regulated 4 months; and • Routine 2 months. Procurement lead times will be reviewed.	Procurement Manager	October 2018

No.	Recommendation	Priority	Action Proposed	Lead Officer	Due date
3	Contract referencing Procurement management should liaise with Finance management to consider if contract reference numbers can be recorded in the financial ledger (T1). This arrangement would allow management to obtain enhanced performance information.	Low	Business improvement processes for information in specific user defined fields held in the financial management system (T1) are subject to review, to enhance the quality of management information available for monitoring purposes, including: • Contract numbers; • Variations; • Single source procurement; • Consultancy procurement; • Compliance information.	Procurement Manager/ Chief Accountant	February 2019
4	Performance management Contract management plans should be (further) developed to include the requirement to monitor contract spend against contract value and monitoring of variations.	Low	Contract management reporting is already under review and is subject to on-going development including: • monitoring of contract spend against contract value; and • monitoring of variations.	Procurement Manager	February 2019

High: A fundamental control that should be addressed as soon as possible;
Medium: An important control that should be addressed within three months;
Low: An issue which is not fundamental but should be addressed within six months to improve the overall control environment.