Southern Internal Audit Partnership

Assurance through excellence
and innovation

Guilford Borough Council

Internal Audit Report

Procurement 2023/24

31 October 2023

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FINAL REPORT

Confidential

1. Introduction

1.1. As part of the Internal Audit Plan for 2023/24, we have undertaken a review of Procurement.

1.2. The Procurement Procedure Rules sets out the framework within which all the procurement activities of the Council are undertaken. The observance of rules is mandatory to ensure that all procurement activities regardless of value is fair, open, transparent, non-discriminatory, and lawful.

1.3. As of September 2023, the Council had 117 active contracts in place with an estimated value of £28,824,748 with the highest spend value at £3,950,000 and lowest spend of £600.

1.4. This review focused on testing a sample of procurements and recently awarded contracts across departments within the Council, and assessed to ascertain if they followed corporate and statutory procurement requirements such as the Procurement Procedure Rule and the Public Contract Regulations 2015.

1.5. We are grateful to Adrian Swift, Senior Procurement Specialist for their assistance during the course of the audit.

2. Objectives

2.1. This review has sought to assess the effectiveness of controls in place focusing on those designed to mitigate risk in achieving the following key objectives:

- Procurement policies and procedures, including a clear scheme of officer delegation, are clearly defined, documented and readily available to staff.
- Works, goods, and services for which a contract is required, or where an existing contract is due to expire, are identified timely and are progressed in accordance with both Council rules and UK Procurement Regulations.
- Management information is available throughout the procurement stages to enable effective monitoring of progress.

3. Circulation List

3.1. This document has been circulated to the following:

- Ian Doyle, Joint Strategic Director, Transformation & Governance.
- Richard Bates, Executive Head of Finance.
- Jo Knight, Senior Finance Specialist
- Adrian Swift, Senior Procurement Specialist.

	The Southern Internal Audit Partnership conforms to the IIA's professional standards and its work is performed in accordance with the International Professional Practices Framework *(endorsed by the IIA)*.

4. Summary Findings

Assurance Opinion	
Reasonable	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.

Management Actions	
High	**2**
Medium	**0**
Low	**7**
Total	**9**

Key Observations
Areas assessed to be working well/controls are effective.

- The roles and responsibilities for procurement activities are clearly defined and documented within the Council's Constitution and Procurement Procedure Rules (PPR) which are published and available on the Council's webpage. We found that the operational responsibilities of the procurement team have been outlined in their job descriptions.

- The Procurement Service Strategy 2020 - 2023 clearly sets out the Councils strategic objective and policy on procurement of goods, works and services. We found that detailed guidance on procurement is published on the finance and procurement intranet page which is accessible to all staff and services.

- Review of the PPR found that it outlines procurement tendering thresholds and the minimum number of invitations to tender or quote, as well as the designated lead for the procurement activity.

- Our audit testing of a sample of procurement activities found that they were all supported by a completed Procurement Instruction (PI) by the procuring officer, and it clearly sets out the requirement of the procurement. Our testing further confirmed PI were approved by the relevant service budget holders and assessed by the Senior Procurement Specialist prior to assigning a procurement lead.

- Five of the 10 procurement activities we reviewed as part of the audit testing were open competitive or restrictive tendering. We confirmed that these procurement opportunities were appropriately advertised through the Council's e-tendering portal, Intend. We found that all suppliers partaking in the tendering process sign a certificate of non-collusion.

- We confirmed from testing that tenders were advertised for a minimum of 30 days in line with the Public Contracts Regulation 2015 except where a framework used prescribes a minimum time. All received bids are assessed by the procurement leads to ensure they met the minimum requirement of the Invitation to Tender (ITT).

- We confirmed for the five open and competitive tenders within our sample that an evaluation panel was set to evaluate all received bids and scoring was completed independently. Evaluation scores were collated into a master scoresheet by the Senior Procurement Specialist who undertook a moderation session with evaluators to go through the scoring. We found evidence to confirm all members of the evaluating panel had signed a declaration to confirm that no conflict of interest exists.

- Our audit testing confirmed that all bidders participating in the tendering process were appropriately notified of the outcome of the tender evaluation exercise. Letters sent to bidders confirmed the period of standstill within which they could legally challenge the results if they wish.

- We confirmed that the procurement leads submit Legal Instruction to Legal Services for contracts to be drafted. For five procurement activities in our sample that were valued over £200,000, we observed that a key officer decision on the intend to award the contract were published on the Council's democratic page prior to drafting of the contract by Legal Service.

- Our review of a sample of minutes from the Corporate Procurement Board (CPB) confirmed fortnightly meetings take place and procurement reports and activities discussed.

- In line with statutory requirements, a contract register has been published on the Council's webpage and includes current contracts over £500.

Areas where the framework of governance, risk management and control could be improved.

- In our sample of 10 procurement activities tested, we observed that two were awarded through an existing framework, however, we observed that the log of available frameworks was not complete and up to date.

- We found evidence to confirm that Procurement Instructions had been completed for all 10 procurement activities in our sample, however, for two, there was no finance approval recorded on the PIs or evidence to confirm finance approval had been sought prior to commencing the procurement.

- Four procurement activities in our sample met the threshold which required that a full procurement report is submitted to the Corporate Procurement Board for sign off. Whilst we found evidence to confirm that three had been presented to the CPB and signed off, records for one could not be located.

5. Added Value

5.1. One of the Core Principles that underpin the Professional Practice of Internal Auditing is to 'promote organisational improvement'. The Added Value section of the report provides insight, opportunities and collaborative learning (best practice) that the organisation may wish to consider moving forwards. We do not consider the issues raised in this section to adversely impact the control environment in the achievement of objectives reviewed.

5.2. The points raised below are for management to discuss and consider within the context of the organisation, and Internal Audit do not require a response on these.

Added Value
With the current economic situation including inflation resulting in the rise in costs of goods and services, the authority may wish to review procurement thresholds to confirm that these are still appropriate. Whilst we acknowledge the adequacy of the governance oversight of procurement activities that is provided by the CPB and an annual report which maps progress against the procurement strategy, there was no clear evidence to confirm that a robust monitoring process was in place to monitor contract spends against procurement threshold. Consideration could be given to ensuring contract spends are monitored to the original contract spend to ensure any significant overspend identified. It may be helpful to analyse spend with suppliers to determine whether contract for these suppliers is held. Consideration could also be given to undertaking a more advanced analysis to look at similar types of spend across different suppliers which would inform more effective procurement decisions.

Observation – 1 – Procurement Framework Log
The Procurement Procedure Rules in section 12.3 covers selecting the route to market which includes the use of Frameworks. In our sample of 10 procurement activities tested, we observed that two were awarded using existing frameworks. In our discussions with the Senior Procurement Specialist, we were advised that a log of frameworks is in place to record all approved for use, the start and end date including possible extension, the call off process and suppliers listed within the framework. Our review of the log and discussions with the Senior Procurement Specialist observed the log was not up to date, and some frameworks included had passed their end date.

Risk	**Frameworks used may not be approved by the Council with risk of financial loss or reputational damage if unsuitable contractors are using these frameworks.**

Management Response			
Action	**Priority**	**Responsible Officer**	**Target Date**
1.1 Assign responsibility to procurement support function.	Low	Adrian Swift (Senior Specialist)	Completed
1.2 Record IKEN reference against all frameworks that have been reviewed by legal with date reviewed.	Low	Procurement Support/ Adrain Swift (Senior Specialist)	31/12/2023
1.3 Agree & set quarterly reviews to monitor initial progress then move to annual review.	Low	Adrain Swift (Senior Specialist)/Procurement Support.	31/12/2023

Auditor assessment of managements response
Management actions will assist in the mitigation of future risk.

Observation – 2 – Finance Approval Prior Procurement			
All procurement activities require for the Procurement Instructions to be submitted to the Finance Team for budget approval prior to commencing the procurement. We reviewed 10 procurement activities and whilst we found evidence to confirm that for eight, prior budget approval had been received from finance before commencing, for two, we could not find any record of budget approval from finance.			

Risk	Contracts may be entered into without appropriate budget in place. Financial loss and reputational damage to the Council.		
Management Response			
Action	**Priority**	**Responsible Officer**	**Target Date**
2.1 Communicate and agree process with Procurement team.	High	Adrain Swift (Senior Specialist)	Completed
2.2 Set-up quarterly reviews in dashboard reporting and monitor with team.	High	All Procurement officers/Adrain Swift (Senior Specialist)	31/12/2023
2.3 Agree internal SLA with Finance and escalation procedure for stalled items.	Low	Adrain Swift (Senior Specialist)	Completed
Auditor assessment of managements response			
Management actions will assist in the mitigation of future risk.			

Observation – 3 – CPB Procurement Gateway Approval
All procurement of goods works and services with the value in excess of the national threshold must be referred to the Corporate Procurement Board (CPB) for approval, which ensures consistency and compliance with procurement and contract regulations, the procurement strategy and procurement procedure rules. From the 10 procurement activities we tested, we observed that four had met the criteria for referring to the CPB and whilst there was evidence to confirm three had been referred to the board and approval given, for one, there was no record on file to confirm the approval by CPB.

Risk	Non-compliance of the Procurement Strategy.

Management Response

Action	Priority	Responsible Officer	Target Date
3.1 Ensure that SharePoint records are updated to reflect CPB approvals.	Low	Procurement Support/Adrain Swift (Senior Specialist)	31/12/2023
3.2 Ensure that there are easily accessible records to track CPB approvals.	Low	Procurement Support/Adrain Swift (Senior Specialist)	31/12/2023
3.3 Investigate best solution for record keeping and minute taking.	Low	Procurement Support/Adrain Swift (Senior Specialist)	Completed

Auditor assessment of managements response
Management actions will assist in the mitigation of future risk.

Appendix 1 – Definitions of Assurance Opinions and Management Actions

We use the following levels of assurance and prioritisations in our audit reports:

Assurance Opinion	Framework of governance, risk management and management control
Substantial	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

Management Action	Current risk
High Priority	An immediate risk of failure to achieve objectives; system breakdown; or loss. Such risk could lead to an adverse impact on the organisation or exposure to criticism.
Medium Priority	Although not immediate, there is risk of failure to achieve objectives; system breakdown; or loss.
Low Priority	Areas that individually have no immediate risk impact, but where management would benefit from enhanced process/control or efficiencies.