



Report of the Chief Auditor

Procurement Scrutiny Inquiry Panel – 27 July 2021

Internal Audit of Procurement

Purpose:	To brief the Procurement Scrutiny Inquiry Panel on the work undertaken by Internal Audit in relation to the audit of procurement activities across the Council
Content:	A briefing covering specific questions raised by the Procurement Scrutiny Inquiry Panel.
Councillors are being asked to:	Consider the information provided as part of the Scrutiny Inquiry into Procurement
Lead Councillor:	Cabinet Member for Economy and Strategy – Rob Stewart
Lead Officer & Report Author:	Chief Auditor - Simon Cockings Tel: 07814 104451 E-mail: simon.cockings@swansea.gov.uk

1. Background

- 1.1 The Procurement Scrutiny Inquiry Panel approached the Chief Auditor with a number of specific questions relating to the work undertaken by Internal Audit on the procurement activities of the Council.
- 1.2 This report addresses the specific questions that have been put forward by the Panel.

2. Internal Audit of Procurement – Panel Questions

- 2.1 The specific questions that were agreed by the Panel have been addressed in the sections below:
- 2.2 **Question 1: Can you outline the role of Audit in procurement in the Council?**
- 2.3 Internal Audit's primary function in relation to procurement is to ensure that whenever any goods or services are procured, the correct processes and

procedures are followed as set out in the Council's Accounting Instructions, Contract Procedure Rules (CPR's), Spending Restrictions and Procurement Guidance.

- 2.4 Internal Audits are scheduled on a rolling basis, with the frequency of each review being determined by the risk score allocated to each audit. The risk score takes into account a number of factors which includes the amount of income or expenditure attributed to a specific audit (materiality). The higher the risk score, the more frequently the audits are undertaken.
- 2.5 Our standard expenditure testing in place across our reviews includes the following checks on a sample of payments taken from expenditure reports extracted directly from the General Ledger (Oracle):
- Have the Council's Spending Restrictions have been adhered to?
 - Confirm that orders have been created in accordance with Accounting Instruction No.4.
 - Confirm that the invoice details agree with those on the purchase order and that the delivery address belongs to the Service.
 - Establish whether a segregation of duties exist between the requisitioner, the person approving the order, and the person receipting the goods, so that not one person is involved in the whole process.
 - Review a sample of payments over £10k and ensure CPRs have been adhered to. Confirm that relevant quotations / exemptions etc. have been obtained where no contractual arrangements exist.
 - Where cumulative spend exceeds £10k per annum ensure that the relevant quotations / tenders or an exemption has been obtained.
 - Ensure a Contract Award Report has been completed and sent to Procurement for all contracts over £10k
- 2.6 The procurement activities of Schools are audited separately as a result of their delegated budgets. Ordinarily, we would undertake the same testing as noted above for a sample of purchases extracted from the Schools Financial Management System (SIMS) and this would be included in the individual school audit.
- 2.7 In the 2020/21 financial year, due to lack of access to visit individual school sites as a result of the pandemic, we completed two thematic audits of the procurement activities in schools, focusing on primary schools and comprehensive schools separately.
- 2.8 We also have a number of contract audits and directorate/service specific audits included on the rolling audit programme to review contract award processes and procurement activities in specific areas as listed in Appendix 1.
- 2.9 **Question 2: What is the main guidance for auditing procurement?**
- 2.10 The testing programme is based primarily on the Accounting Instructions, Contract Procedure Rules, the Council's Spending Restrictions and Procurement Guidance.

- 2.11 **Question 3: How do you look at probity, competence, consistency of approach and alignment with the Councils strategies and objectives, and how?**
- 2.12 Probity, competence and consistency of approach is reviewed when we check that the procurement activities have been undertaken in line with the Council's Accounting Instructions, Contract Procedure Rules, Spending Restrictions and Procurement Guidance. Any non-compliance identified through our sample testing would be reported to the client via the Internal Audit Report.
- 2.13 Due to the technical nature of many of the goods or services procured, Internal Audit would not ordinarily be in a position to verify whether they are in line with the strategies and objectives of the Council. This would be determined by the Service Manager/ Head of Service/ Director.
- 2.14 **Question 4: Do you look whether the procurement is cost effective and transparent in its practice, and how?**
- 2.15 Internal Audit testing includes checking that Contract Procedure Rules have been adhered to. This would seek to confirm that the required number of quotations/tenders had been sought and also determine how the final decision was made in the procurement process. Note this would only apply to those purchases in Band B and above, which also includes cumulative spend.
- 2.16 **Question 5: Do you also look at how the council ensures it is procuring locally, ethically and greenly where possible, and how?**
- 2.17 We do not currently consider this as part of our audit testing. Martin Nicholls, the Director of Place has advised that he will provide further information on this at a later panel meeting.
- 2.18 **Question 6: Do you look at whether procurement activities align the Wellbeing of Future Generations Act, and how?**
- 2.19 We do not currently consider this as part of our audit testing. Martin Nicholls, the Director of Place has advised that he will provide further information on this at a later panel meeting.
- 2.20 **Question 7: How do you Audit joint procurement activity and how?**
- 2.21 We would only audit procurement activity relating to joint projects or services that are processed through the Council's General Ledger (Oracle) whereby the Council is lead authority on procurement activities. Likewise, we would expect a reciprocal approach where the Council is not the lead organisation. Any direct expenditure by the Council would ordinarily be subject to internal audit testing if it is considered to be material.

2.22 Question 8: Is the Council's procurement activity also externally audited and by whom?

2.23 In consultation with the Chief Finance & Section 151 Officer, I am not aware of any external body auditing the procurement activity of the Council.

2.24 Question 9: Can you provide the Panel with an example of an internal audit of a procurement activity?

2.25 A number of audits where we specifically review compliance with Accounting Instructions and Contract Procedure Rules can be found in Appendix 1.

2.26 Examples of where we have completed our standard expenditure testing as noted in 2.5 include the following audits: Comprehensive and Primary School audits (prior to the pandemic), The Glyn Vivian Art Gallery, District Housing Offices, Public Protection Admin Team, Youth Offending Service, Neighbourhood Support Unit, Electoral Services and the Brangwyn Hall.

2.27 Also, as previously mentioned we completed two thematic audits in 2020/21 targeted specifically at auditing the procurement activities of a subset of primary and secondary schools in Swansea. The Schools Annual Report 2020/21 that was presented to the Governance and Audit Committee on the 13th July is attached in Appendix 2 for information.

3 Purchase Cards

3.1 Internal Audit also check Procurement incurred through the use of Purchase Cards (P-Cards) in every routine audit carried out, and also through a monthly review of payments made by P-Cards across the Council.

3.2 Tests are undertaken to ensure the payments have been made in accordance with the guidance in the Council's "Policy on the use of Purchasing Cards".

3.3 Breaches encountered during routine audits are highlighted in the audit report for the audit concerned.

3.4 Breaches found in the monthly review of purchases are highlighted to the cardholder's line manager, and are sometimes escalated to the Accounts Payable & Purchasing Team if significant or recurring issues are found.

3.5 Continued breaches of the Policy by an employee will lead to their P-Card being withdrawn by the Accounts Payable & Purchasing Team.

4 Legal implications

4.1 There are no legal implications associated with this report

5 Finance Implications

- 5.1 There are no financial implications associated with this report.

6 Integrated Assessment Implications

- 6.1 The Council is subject to the Public Sector Equality Duty (Wales) and must, in the exercise of their functions, have due regard to the need to:
- Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act.
 - Advance equality of opportunity between people who share a protected characteristic and those who do not.
 - Foster good relations between people who share a protected characteristic and those who do not.
 - Deliver better outcomes for those people who experience socio-economic disadvantage

The Well-being of Future Generations (Wales) Act 2005 mandates that public bodies in Wales must carry out sustainable development. Sustainable development means the process of improving the economic, social, environmental and cultural well-being of Wales by taking action, in accordance with the sustainable development principle, aimed at achieving the 'well-being goals'.

Our Integrated Impact Assessment process ensures that we have paid due regard to the above.

- 6.2 The completion of the Integrated Impact Assessment Screening revealed that:
- The Internal Audit of Procurement Report has a low positive impact across all groups.
 - It has been subject to consultation with the Chief Finance & S151 Officer, Legal and Access to Services.
 - All Well-being of Future Generations Act considerations are positive and any risks identified are low.

The overall impact of the Internal Audit of Procurement Report is positive as it will support the Authority in its requirement to protect public funds.

Background papers: None

Appendices: Appendix 1 – List of Additional Procurement Audits
Appendix 2 – Schools Annual Report 2020/21

Appendix 1

Title of Audit	Scope of Audit
Grants & Contracts - Child & Family Services	Compliance with CPRs for Child & Family contracts
Taxi Framework Contract (School Transport) - Highways & Transportation	Compliance with Taxi Framework contract by Integrated Transport Unit for Child & Family Services. contracts
Primary Schools Procurement - Expenditure Exercise	Thematic Review of Expenditure by Primary Schools
Secondary Schools Procurement - Expenditure Exercise	Thematic Review of expenditure by Secondary Schools
Procurement of IT	Procurement of IT equipment
Supplier Contracts Review	Compliance with CPRs and Spending Restrictions. Various services included.
Social Services - Social Care Contracts	Compliance with CPRs for Adult Services contracts
Cultural Services - Review of Contracts	Compliance with CPRs by Cultural Services
Acceptance of Tenders - Commercial Services	Processes for advertising and accepting tenders
Contract Register	Check of expenditure on ledger to contracts in Contract Register
Building Services - Control of Contracts	Post-contract payments/controls
Review of Contracts (Education & IT)	Compliance with CPRs - Education and Digital Services.
Highways & Transportation - Business Case, Tendering and Evaluation	Tendering/post-contract payments/controls
Tendering - CBS (Cap. Design)	Tendering and award of contracts