

THE POWER OF BEING UNDERSTOOD

BEDFORDSHIRE FIRE AND RESCUE AUTHORITY

Procurement

FINAL

Internal Audit Report: 3.15/16

20 November 2015



CONTENTS

1 Executive summary	2
2 Action Plan	5
3 Detailed findings	7
Appendix A: Scope	10

Debrief held	22 October 2015	Internal Audit team	Daniel Harris - Head of Internal Audit Suzanne Lane - Senior Manager Alan Grisley - Assistant Manager Satnam Parmar – Internal Auditor
Draft report issued	10 November 2015		
Responses received	20 November 2015		
Final report issued	20 November 2015	Client sponsor	Gavin Chambers - Head of Finance and Asset Management / Treasurer
		Distribution	Gavin Chambers - Head of Finance and Asset Management / Treasurer Andrew Potter – Procurement Manager

As a practising member firm of the Institute of Chartered Accountants in England and Wales (ICAEW), we are subject to its ethical and other professional requirements which are detailed at <http://www.icaew.com/en/members/regulations-standards-and-guidance>.

The matters raised in this report are only those which came to our attention during the course of our review and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. Recommendations for improvements should be assessed by you for their full impact before they are implemented. This report, or our work, should not be taken as a substitute for management's responsibilities for the application of sound commercial practices. We emphasise that the responsibility for a sound system of internal controls rests with management and our work should not be relied upon to identify all strengths and weaknesses that may exist. Therefore, the most that the internal audit service can provide is reasonable assurance that there are no major weaknesses in the risk management, governance and control processes reviewed within this assignment. Neither should our work be relied upon to identify all circumstances of fraud and irregularity should there be any.

This report is supplied on the understanding that it is solely for the use of the persons to whom it is addressed and for the purposes set out herein. Our work has been undertaken solely to prepare this report and state those matters that we have agreed to state to them. This report should not therefore be regarded as suitable to be used or relied on by any other party wishing to acquire any rights from RSM Risk Assurance Services LLP for any purpose or in any context. Any party other than the Board which obtains access to this report or a copy and chooses to rely on this report (or any part of it) will do so at its own risk. To the fullest extent permitted by law, RSM Risk Assurance Services LLP will accept no responsibility or liability in respect of this report to any other party and shall not be liable for any loss, damage or expense of whatsoever nature which is caused by any person's reliance on representations in this report.

This report is released to our Client on the basis that it shall not be copied, referred to or disclosed, in whole or in part (save as otherwise permitted by agreed written terms), without our prior written consent.

We have no responsibility to update this report for events and circumstances occurring after the date of this report.

1 EXECUTIVE SUMMARY

1.1 Background

An audit of Procurement was undertaken as part of the approved internal audit periodic plan for 2015/16 to determine the progress made since the 2014/15 review of expenditure by value and category to consider the framework in place and the adherence to defined rules and guidelines. Our review focused on the policies and procedures in place relating to the procurement function as well as sample testing of transactions and contracts to determine whether approval limits and guidelines for quotations and tenders were being complied with.

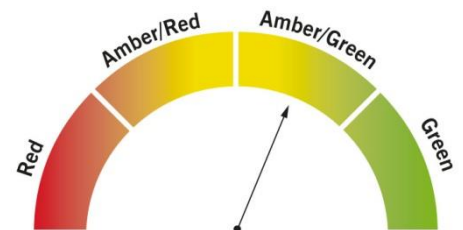
1.2 Conclusion

Our testing identified that procurement procedures had been complied with in our sample testing of tenders over £50k (across four years), however, there was a lack of evidence of quotations under this level which could result in a lack of value for money obtained by the Service.

Internal Audit Opinion:

Taking account of the issues identified, the Authority can take reasonable assurance that the controls upon which the organisation relies to manage this area are suitably designed, consistently applied.

However, we have identified issues that that need to be addressed in order to ensure that the control framework is effective in managing this area.



1.3 Key findings

The key findings from this review are as follows:

Policies and Procedures

We confirmed through review that the Authority had been using a number of documents to provide guidance on its procurement function, including a Procurement Policy document, a Procurement Procedure document and Standing Orders Relating to Contracts. The Authority has recently bought together the previously dispersed guidelines and information relating to the procurement function in a draft Procurement Policy and Procedure document. This document provides details on the recently implemented BlueLight e-tendering system as well as comprehensive guidance on threshold limits for quotations and tenders. The Authority also has guidance documents in place for the use of the e-procurement ReqManager system.

Requisition and Invoice sample testing and authorised signatory list

We noted that for a sample of 20 invoices and requisitions, each had been approved in line with the approval limits set out in the authorised signatory list held by the Finance team. We noted that there were arrangements in place for the regular review of the authorised signatory list which is held by the Finance department.

There were, however, no arrangements in place for the regular review of approval limits held within the system to ensure that they are reflective of the approval limits set out in the regularly reviewed hard copy authorised signatory list and consequently, there were no procedures in place covering this area.

We also found that at the time of the audit, the Authority did not have the functionality to run a report of user limits within the Great Plains finance system, whose approval limits feed automatically in to the ReqManager E-procurement system and that this would have to be requested as an addition to the package from the software provider. There was also no formally documented procedure in place for the amendment of approval limits within the Great Plains finance system, We have agreed one medium priority management action to address this issue .

Retention of evidence of best practice and quotations in line with defined thresholds

We noted that for the five lower value contracts selected with aggregated expenditure over four years below £2k, in each instance we were unable to obtain evidence to demonstrate how best value was being achieved by those initiating these contracts, with the procedures requiring the Authority to request two quotations where possible.

For our sample of five contracts selected with aggregated expenditure over four years between £2k and £10k, in one instance the contract had been awarded under an OJEU compliant framework but in the remaining four instances, we were unable to obtain evidence of three written quotations or market evidence of best value as specified in the Authority's procedures.

For our sample of five contracts selected with aggregated expenditure over four years between £10k and £50k, we confirmed that one had been processed following the appropriate completion of a Procurement Waiver Exemption form in line with the Authority's procedures. In the remaining four instances, however, we were unable to evidence that three quotations had been obtained to ensure value for money. We have agreed a medium priority management action to address this area. For our sample of five contracts selected with aggregated expenditure over four years above £50k, we noted that evidence was retained to demonstrate that tenders had been carried out in line with procedures. We also confirmed that where Procurement Waiver forms had been completed, these had been completed in line with procedure and approved in the appropriate manner.

Management of Suppliers

We found that the Authority was routinely completing Approved Supplier Request forms and Approved Supplier Questionnaires to ensure that the appropriate checks had been completed on new suppliers. The Authority has also commenced the use of the Supplier Initiation Document which builds upon the historic Approved Supplier Questionnaire by requesting information in greater depth than that which had been previously requested to ensure alignment with the 2015 Crown Commercial Service regulations, such as grounds for mandatory exclusion and conflicts of interests. We also confirmed that section 6 of the document, Compliance with Equality Legislation is broadly consistent with the 2015 Crown Commercial Service regulation as follows:

'If equality is to be assessed at the supplier selection stage it is recommended that the contracting authority only requires suppliers to self-certify that they comply with equality legislation. The contracting authority should assess any remedial action that has been taken to address any breaches of the legislation that have been noted.' - (Public Contracts Regulations 2015 - New requirements relating to Pre-Qualification Questionnaires to help businesses access Public Sector contracts.)

We also found that for our sample of key suppliers, (those suppliers whose performance materially affects the ability of the Authority to deliver its Vision, Aims and Objectives and whose failure as an organisation could prevent the delivery of important services to the public) we were able to obtain copies of mitigation plans, business continuity plans and financial assessments to evidence that key suppliers were being assessed to minimise the risk of the delivery of the relevant services.

Overall our testing identified two low and two medium priority actions for management, all detailed further within the Action Plan in Section 2.

1.4 Additional information to support our conclusion

Area	Control design*	Compliance with controls*	Agreed actions		
			Low	Medium	High
Procurement	2 (10)	2 (10)	2	2	0
Total			2	2	0

* Displays the number of controls not adequately designed or complied with. The number in brackets represents the total number of controls reviewed in this area.

2 ACTION PLAN

The table below sets out the actions agreed by management to address the findings

Ref	Findings summary	Priority	Actions for management	Implementation date	Owner responsible
Area: Procurement					
1a	At the time of the audit, the Authority did not have the functionality to run a report of all users and their approval limits feeding into the ReqManager system and consequently, there were no arrangements or formal procedures in place for the regular review of procurement related approval limits within the system.	Medium	The Authority has enquired with ISC to establish if a report is available from the system detailing all approval limits. It is not and therefore a system of spot checking limits will be introduced and a cycle of periodically reviewing and checking these.	30/11/2015	Chief Accountant
1b	There is no formalised procedure in place documenting the process for the amendment of approval limits within the Great Plains system, whose approval limits feed directly into the ReqManager system.	Low	The Authority will formalise the process by which amendments to approval limits within the Great Plains system are undertaken and this will subsequently be incorporated into the appropriate Finance policy.	30/11/2015	Chief Accountant

Ref	Findings summary	Priority	Actions for management	Implementation date	Owner responsible
2a	We were unable to obtain evidence of 'best value' for the five contracts we selected below £2k.	Low	<p>The Authority will ensure that all contracts with rolling four year expenditure below £2k will have evidence retained by budget managers to demonstrate how Best Value has been achieved.</p> <p>The Procurement Manager will carry out spot checks on a quarterly basis and maintain a log of those reviewed.</p>	30/11/2015	Procurement Manager
2b	<p>We were unable to obtain evidence of three quotes and/or evidence of best value having been obtained for four of the five contracts selected between £2k and £10k</p> <p>We were also unable to obtain evidence of three quotations having been obtained for four of the five contracts selected between £10k and £50k.</p>	Medium	<p>The Authority will ensure that for all contracts between £2k and £10k a minimum of three quotes and/or market evidence of best value are obtained and retained. In addition for all contracts between £10k and £50k, the appropriate written quotes are received and processed through the Bluelight system for E-Tendering. Alternatively, the Authority will ensure that the appropriate waiver forms are completed and approved in line with the Authority's procedure to ensure value for money is being considered.</p>	30/11/2015	Procurement Manager

3 DETAILED FINDINGS

This report has been prepared by exception. Therefore, we have included in this section, only those areas of weakness in control or examples of lapses in control identified from our testing and not the outcome of all audit testing undertaken.

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no/ N/A)	Audit findings and implications	Priority	Management action
1	<p>The approval limits for Great Plains feed into the ReqManager system and had been developed at local meetings of the Head of Finance, Procurement Manager and the Chief Accountant and uploaded by ISC, the software provider.</p> <p>The finance team keeps a hardcopy authorised signatory list which is reviewed on a regular basis for accuracy.</p> <p>There is, however, no routine process in place for the review of approval limits within the Great Plains system to ensure that they are in line with the hardcopy authorised signatory list and therefore still accurate, should any changes be made.</p>	No	NA	<p>We reviewed an email from the Chief Accountant to ISC providing the spreadsheets containing approval limits to be uploaded to the ISC system following initial meetings. Whilst we requested a report of all user limits within the system and any changes to user limits over the current financial year to test the adequacy of the audit trail of approval of new users and changes to approval limits, we were informed that this would have to be requested as an addition to the software package from ISC in order for this to take place. Therefore we were unable to verify the adequacy and accuracy of the approval limits.</p> <p>There is a risk that the Authority may not be able to have sufficient oversight over the approval limits within the system if they are not available to the Authority in a timely manner.</p> <p>We also confirmed that there was no formally documented procedure in place for the amendment of approval limits within the Great Plains system. There is a risk that staff may not be fully aware of the process to be undertaken if the procedure is not formally documented.</p> <p>Furthermore, we confirmed that whilst there was a hardcopy authorised signatory list held by the Finance team which was reviewed on a regular basis, there was no process in place</p>	<p>Medium</p> <p>Low</p>	<p>The Authority has enquired with ISC to establish if a report is available from the system detailing all approval limits. It is not and therefore a system of spot checking limits will be introduced and a cycle of periodically reviewing and checking these.</p> <p>The Authority will formalise the process by which amendments to approval limits within the Great Plains system are undertaken and this will subsequently be incorporated into the appropriate Finance policy.</p>

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no/N/A)	Audit findings and implications	Priority	Management action
	Additionally, whilst there is an informal procedure in place for the amendment of approval limits within the Great Plains system, there is no formally documented process in place.			<p>for the regular reconciliation of approval limits in the Great Plains system to the reviewed authorisation limit spreadsheet to provide assurance that the limits within the system are relevant and appropriate.</p> <p>There is a risk that the approval limits held within the system may be inappropriate due to possible changes in personnel or changes in post and may not reflect the authority delegated from the budget holders in the hard copy spreadsheet.</p>		
2	<p>The draft Procurement Policy sets out the requirements for quotations as follows:</p> <ul style="list-style-type: none"> £0 up to £2k – the principles of best value apply. Where possible, two competitive quotations are to be obtained; £2k to £10k – a minimum of three written quotations and/or market evidence of Best Value; and £10k to £50k – three quotations in writing prior to the order being 	Yes	No	<p>We selected from the contract register a sample of five contracts with rolling four year expenditure below £2k and in each instance, we were not able to substantiate that the principles of best value had been considered, with no quotations or evidence of best value being obtained.</p> <p>We were advised by the Procurement Manager that the Authority had recently purchased the contract register module for the Bluelight system, which would allow for comments to be noted within the register.</p> <p>We selected from the contract register a sample of five contracts with rolling four year expenditure between £2k and £10k and confirmed that:</p> <ul style="list-style-type: none"> In one instance the contract had been awarded under an OJEU compliant Eastern Shires Purchasing Organisation framework and therefore did not require quotations; and 	<p>Low</p> <p>Medium</p>	<p>The Authority will ensure that all contracts with rolling four year expenditure below £2k will have evidence retained by budget managers to demonstrate how Best Value has been achieved.</p> <p>The Procurement Manager will carry out spot checks on a quarterly basis and maintain a log of those reviewed.</p> <p>The Authority will ensure that for all contracts between £2k and £10k a minimum of three quotes and/or market evidence of best value are obtained and retained. In addition, for all contracts between £10k and £50k the appropriate written quotes are received and processed through the Bluelight system for E-Tendering.</p> <p>Alternatively, the Authority will ensure that the appropriate waiver forms are completed and approved in line with the Authority's procedure to ensure value for money is being considered.</p>

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no/ N/A)	Audit findings and implications	Priority	Management action
	<p>placed.</p> <p>Quotations/tenders should be managed by Procurement through the Authority's e-tendering portal.</p> <p>In exceptional circumstances it may be appropriate to seek approval for failing to obtain the number of competitive quotations detailed in the Authority's Policy. This includes the appointment of a single contractor/supplier of goods, works or services without undertaking the Competitive Tendering Process.</p> <p>Where this is the case, a Procurement Exemption Waiver form is completed, signed by the Procurement Manager, the Head of Finance and is subsequently submitted to the Principal Officer for comments and approval or rejection.</p>			<ul style="list-style-type: none"> In the remaining four instances, no evidence of formal quotations were retained. <p>Two of the four instances related to physiotherapy services which we confirmed a draft tender was in place and being worked on by the Authority.</p> <p>We selected from the contract register a sample of five contracts with rolling four year expenditure between £10k and £50k and confirmed that:</p> <ul style="list-style-type: none"> In one instance, a Procurement Waiver Exemption form had been completed, with the details of the reasoning of the exemption documented, signed by the Procurement Manager and the Head of Finance and approved by the Principal Officer, in line with the policy; and In the remaining four instances, we were unable to obtain documentation evidencing that three quotations had been received in writing prior to the order being placed. <p>If the Authority does not obtain quotations in line with procedures, there is a risk that value for money will not be obtained, resulting in potential financial loss.</p>		

APPENDIX A: SCOPE

Scope of the review

To evaluate the adequacy of risk management and control within the system and the extent to which controls have been applied, with a view to providing an opinion. The scope was planned to provide assurance on the controls and mitigations in place relating to the following Areas:

Objective of the area under review

An audit to determine progress made since the internal review of expenditure by value and category to consider the framework in place and adherence to rules.

When planning the audit, the following areas for consideration and limitations were agreed:

Areas for consideration:

An audit to determine progress made since the internal review of expenditure by value and category to consider the framework in place and adherence to rules. This will be achieved through review of the following:

- Review of revised procurement policies and procedures for the e-procurement system to ensure processes have been documented.

Sample testing of transactions to confirm compliance in the following areas:

- Authorisation in line with delegated limits;
- Quotations obtained and documented as required based on financial thresholds,
- Tenders as required based on financial thresholds, and tendering process followed.
- Establishment, maintenance and management of an approved supplier list/ supplier database.
- Compliance with the Financial Regulations / Standing Orders in relation to obtaining quotations and tenders - review of records maintained.

Limitations to the scope of the audit assignment:

- Testing will be completed on a sample basis from transactions within the current financial year.
- Our work will not provide an opinion on the adequacy of the procurement function or appropriateness of contracts entered into.
- Our work does not provide any guarantee against material errors, loss or fraud or provide an absolute assurance that material error, loss or fraud does not exist.

For further information contact

Suzanne Lane, Senior Manager

Suzanne.lane@rsmuk.com

07720 508148

Alan Grisley, Assistant Manager

Alan.grisley@rsmuk.com

07528 970123

rsmuk.com

The UK group of companies and LLPs trading as RSM is a member of the RSM network. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm each of which practises in its own right. The RSM network is not itself a separate legal entity of any description in any jurisdiction. The RSM network is administered by RSM International Limited, a company registered in England and Wales (company number 4040598) whose registered office is at 11 Old Jewry, London EC2R 8DU. The brand and trademark RSM and other intellectual property rights used by members of the network are owned by RSM International Association, an association governed by article 60 et seq of the Civil Code of Switzerland whose seat is in Zug.

RSM UK Consulting LLP, RSM Corporate Finance LLP, RSM Restructuring Advisory LLP, RSM Risk Assurance Services LLP, RSM Tax and Advisory Services LLP, RSM UK Audit LLP, RSM Employer Services Limited and RSM UK Tax and Accounting Limited are not authorised under the Financial Services and Markets Act 2000 but we are able in certain circumstances to offer a limited range of investment services because we are members of the Institute of Chartered Accountants in England and Wales. We can provide these investment services if they are an incidental part of the professional services we have been engaged to provide. Baker Tilly Creditor Services LLP is authorised and regulated by the Financial Conduct Authority for credit-related regulated activities. RSM & Co (UK) Limited is authorised and regulated by the Financial Conduct Authority to conduct a range of investment business activities. Whilst every effort has been made to ensure accuracy, information contained in this communication may not be comprehensive and recipients should not act upon it without seeking professional advice.

© 2015 RSM UK Group LLP, all rights reserved