

FROM: Audit and Risk Manager
TO: Head of Finance
C.C. Chief Executive
Deputy Chief Executive (AJ)
Senior Procurement Business
Partner
Portfolio Holder (Cllr Hales)

SUBJECT: Corporate Procurement
DATE: 21 August 2020

1 Introduction

- 1.1 In accordance with the Audit Plan for 2020/21, an examination of the above subject area has recently been completed by Jemma Butler, Internal Auditor, and this report presents the findings and conclusions for information and action where appropriate.
- 1.2 Wherever possible, findings have been discussed with the staff involved in the procedures examined and their views are incorporated, where appropriate, into the report. My thanks are extended to all concerned for the help and cooperation received during the audit.
- 1.3 The audit was undertaken during the COVID-19 pandemic. This has meant a slightly different approach has been taken to complete the audit. Rather than observing staff members and meeting staff face to face, correspondence has been via email or telephone calls.

2 Background

- 2.1 Warwick District Council spent almost £39 million in 2018/19 on procured goods and services. It is important that the Authority manages its procurement service effectively to ensure both value for money and that the desired outcomes, in line with the Fit for the Future Strategy, are achieved.
- 2.2 Previously the Procurement Team has been unstable, with staff changing frequently and difficulty recruiting to the roles. It has become more stable in recent years, with the Senior Procurement Business Partner joining the team in 2017 and the newest team member starting in 2018.
- 2.3 Since 2018, the Procurement Team have completed a number of initiatives to improve the service. This includes revising the Code of Procurement Practice to make it shorter and more user friendly and revising the corporate procurement strategy, aligning it to national strategy and corporate sustainability objectives.

2.4 Since joining the procurement team one of the officers has gained a procurement qualification whilst the other is working towards one. This should help to further improved the service they provide.

3 **Scope and Objectives of the Audit**

3.1 The audit was undertaken to test the management controls in place.

3.2 In terms of scope, the audit covered the following areas:

- Roles and responsibilities
- Policies and procedures
- Procurement monitoring and reporting
- Risk management

3.3 The audit programme identified the expected controls. The control objectives examined were:

- Roles and responsibilities for the overall management, supervision and monitoring of procurement are clearly defined.
- Members are aware of their role in procurement.
- Appropriate training is delivered to staff and members.
- Staff are aware of the procurement processes and know where to find guidance and support.
- Procurement advice is available, from an external provider, when needed.
- There is a strategy, policy and Code of Practice in place and they are kept under review.
- Corporate procedures have been established and communicated and are in use council wide.
- Staff can be confident that they are following current procurement practices.
- Compliance with legislative and internal requirements is monitored.
- Contract managers know how to review and monitor contracts in place.
- The guidance being followed by staff is current.
- Budget and contract managers are aware of the budgets for existing contracts and monitor spending off contracts.
- There is regular reporting to Members on progress with procurement.
- Spend reporting is up to date and transparent.
- The risks associated with procurement are identified, recorded and managed.

4 **Findings**

4.1 **Recommendations from Previous Report**

4.1.1 The current position in respect of the recommendations from the previous audit, undertaken in October 2016, were also reviewed. The current position is as follows (see overleaf):

Recommendation	Management Response	Current Status
1 A review of the staffing of the Procurement Team should be undertaken with a view to examining the options to improve stability.	A review of the Procurement function is planned to be commissioned which will consider the aspects raised.	A new structure was implemented in March 2018. The current procurement officers have been in place for a few years which has improved stability within the team.
2 The next review of the SBRR should include a risk of not being able to recruit suitable procurement staff and detail the mitigations and actions required.	Will be discussed with SMT when the SBRR is next reviewed.	The Finance Risk Register acknowledges staff loss and recruitment as a risk across all teams within the service areas.

4.2 Roles and Responsibilities

- 4.2.1 The responsibilities for staff in the Procurement Team are clearly set out in their job descriptions. The Council's responsibility in relation to procurement is set out within the Code of Financial Practice (COFP) and the Code of Procurement Practice (COPP).
- 4.2.2 To help ensure the Council is following the correct procurement process, there is a Procurement Board in place, consisting of all heads of service and a sponsor from the corporate management team (CMT), both Procurement Business Partners and a representative from Warwickshire County Council's (WCC) procurement team.
- 4.2.3 There are also procurement champions - a team of seven Councillors - who oversee major procurements and projects and are a point of contact for any issues that need escalating.
- 4.2.4 Staff training is available to all contract managers (and other relevant staff), with 70 staff attending in 2019/20. It is run by a WCC procurement representative, with support from a WDC procurement officer, and covers procurement and contract management. Members are also invited to attend the training sessions but take up is low.
- 4.2.5 Council staff have a large amount of advice and guidance to follow when carrying out procurement. Procurement staff assist during the sourcing stage of the procurement and ensure that there is understandable and up-to-date guidance for the commissioning and contract management stages.
- 4.2.6 There is a service level agreement (SLA) in place with WCC. This allows WCC to give procurement support (on up to ten large projects per year), advice and to provide staff training sessions. The SLA began in in 2018 and is reviewed annually.

4.3 **Policies and Procedures**

- 4.3.1 The procurement strategy in place runs from 2019 – 2023. It defines the meaning of procurement and sets out the expectations of managers, requiring them to observe rules, regulations and guidance.
- 4.3.2 The procurement strategy also set monitoring expectations in relation to the monitoring of procurement KPIs and progress against action plans. It links to the COFP and the COPP and is aligned with the objectives of the Council.
- 4.3.3 Guidance on procurement procedures is documented and available for staff use on the intranet. This includes a flowchart for staff who are unsure of the which procurement route they should take.
- 4.3.4 The Procurement Business Partners ensure the most current information and guidance is available on the intranet for staff to access. Most of the forms and documents are only available as an online version ensuring that the most up-to-date version can be accessed.
- 4.3.5 There is a step-by-step guide to using and editing information on the contract register, this includes screen shots to make the steps really clear and user friendly.

4.4 **Procurement Monitoring and Reporting**

- 4.4.1 Spend analysis is completed annually and reported to the Procurement Board and SMT. The analysis for 2018/19 showed that the total spend was £38,833,705 with 92% being compliant. Of the remaining 8%, 5% did not require procurement due to the value or exemptions with 3% being non-compliant. The non-compliant spend is traced back to the service area, who are advised of the route that they should have followed. This is also reported to SMT to encourage management to cascade the information through their teams.
- 4.4.2 There is guidance available for staff to help them with monitoring contracts and carrying out performance reviews with the suppliers. The inclusion of KPIs in contracts is actively encouraged in the training provided by WCC and verbally when new procurement is discussed with Procurement staff.
- 4.4.3 Training is available for staff to help them with managing their budgets which encourages regular monitoring with the designated accountant. The training 'managing your cost centre', run by staff from Finance, was attended by six staff members in 2019/20. The end-of-year sessions were attended by 61 staff. This level of take up is as expected, as the 'initial' training is to be completed by staff within the first 24 months of starting in their role. The higher uptake for the end of year sessions is due to staff attending it as a refresher.
- 4.4.4 Procurement reports are submitted to the Finance and Audit Scrutiny Committee every six months. This includes information on all procurement activity undertaken. A list of current and future procurement projects is also circulated to the Procurement Board.

4.4.5 Any individual item of expenditure over £250 is reported publicly on a monthly basis via the Council’s webpage as required by legislation. This information is collated by the Financial Services Team. A sample of the declared expenditure was reviewed and found to be accurate.

4.5 Risk Management

4.5.1 The Finance risk register was reviewed and found to have appropriate risks identified including risks specifically related to procurement. This included non-compliant procurement and inadequate procurement guidance. There are also a number of other, generic, risks such as loss of ICT and budget monitoring that are relevant to the procurement processes. However, there are no risks identified under the ‘fraud’ section that specifically relate to procurement although it could be felt that the risks have been mitigated due to the controls in place and to include them could, therefore, be perceived as trivialising the other risks.

Advisory

The Finance risk register should be reviewed to ensure the risks identified for procurement are still appropriate, relevant and incorporate appropriate fraud risks where necessary.

5 Summary & Conclusion

5.1 Following our review, we are able to give a SUBSTANTIAL degree of assurance that the systems and controls that are currently in place in respect of Corporate Procurement are appropriate and are working effectively.

5.2 The assurance bands are shown below:

Level of Assurance	Definition
Substantial Assurance	There is a sound system of control in place and compliance with the key controls.
Moderate Assurance	Whilst the system of control is broadly satisfactory, some controls are weak or non-existent and there is non-compliance with several controls.
Limited Assurance	The system of control is generally weak and there is non-compliance with controls that do exist.

5.3 There was, however, one advisory identified during the course of the audit relating to the risk register.

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