

Sheffield City Region Mayoral Combined Authority (SCRMCA)

Procurement Arrangements

Final Internal Audit Report

Date of Issue: 6th August 2019



BARN斯LEY

Metropolitan Borough Council

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Audit Control Table:

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Executive Summary

SCRMCA Procurement Arrangements

Introduction and Background

A review of the SCRMCA procurement arrangements (including utilisation of procurement cards) has recently been undertaken. This formed part of the agreed programme of work relating to the 2018/19 financial year.

Scope

To provide independent and objective assurance that procurement processes (including the use of company procurement cards) for low value spend were compliant with the legislative and regulatory requirements, whilst providing for best practice, efficient and effective processes and value for money.

Objectives

The objectives specific to this review were to ensure that:-

Governance

- Contract Procedure Rules, procurement policy and related procedures were located on the Intranet Site to provide officers with the required guidance when undertaking procurement activity and also utilising a company procurement card. The documents were up to date, i.e. provided evidence of recent review and approval.

Controls

- Procurement activity was undertaken in compliance with regulatory, policy and procedural requirements;
- There was a clear and full audit trail to support actions taken, decisions made and approvals obtained (including procurement exempt from competition);
- All required checks (e.g. financial, insurances, and health and safety) were undertaken prior to the award of the contract (where relevant to the procurement type and value);
- Contracts existed for all procurements (where the value and type of procurement require). These were fit for purpose and were entered into prior to the contract start date;
- All documentation was retained in accordance with the Document Retention Policy;
- Procurement related expenditure was monitored to identify any opportunities to aggregate spend, to provide for efficiencies and value for money;
- Procurement Card transactions were properly certified and payments were processed in accordance with established business processes.

In preparing and carrying out the review the Auditor took into account the following specific risk themes from the Strategic Risk Register. In light of the audit findings and the management action agreed it may be necessary to update the relevant risk areas / themes.

- Financial & Asset Management;
- Information Assurance;
- Decision Making and Transparency;
- Information Assurance and;
- Compliance.

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Overall Conclusion

The review concluded that the Contract Procedure Rules (2017) have not been fundamentally reviewed recently (it is acknowledged that minor updates have been made) and therefore they do not fully incorporate or reflect the requirements of the Public Contract Regulations 2015, current working practices and also best practice requirements. This may have contributed to the areas of non-compliance identified during the review in terms of low value procurement activity undertaken for the period reviewed.

No evidence was provided during the completion of the review to confirm that officers with delegated authority and officers involved within the ordering and purchasing process had formally declared any relationships with existing suppliers or potential contractors prior to obtaining quotations or awarding contracts. Assurance therefore cannot be provided that the requirements of the Code of Conduct and Financial Regulations had been complied with. Discussions with the Deputy Managing Director did indicate that the requirements in practice differ from those included in the Financial Regulations and that this needed to be considered with the Financial Regulations revised (if required) to reflect the approved approach.

Furthermore, a company business entertainment policy (including foreign travel) has not been developed to detail the process requirements that must be applied and also the type and level of expenditure that is acceptable when attending meetings and other business / commercial related events. It is acknowledged that a BMBC Gifts & Hospitality Policy exists for Officers and a LEP Policy for Members exists to which Officers have been signposted. However, these are not aligned and therefore may result in a lack of clarity with regards to acceptable business entertainment related spend.

Assurance Opinion

From the audit review, Internal Audit has made 11 recommendations, these have been classified as:

- Fundamental Recommendations 0
- Significant Recommendations 4
- Merits Attention Recommendations 7

Based on the above Internal Audit can provide the Principal and Secretary with a **limited** assurance opinion in relation to the internal control framework. An explanation of the ratings is included within the Glossary of Terms.

Conclusion on Control Adequacy

Limited assurance indicates that Internal Audit concluded that a risk exists of the objectives not being achieved due to the absence of key controls in the system. From the review, seven recommendations made related to the adequacy of controls. Three of the recommendations have been categorised as significant and four recommendations have been categorised as merits attention.

Conclusion on Control Application

In relation to the application of key controls in the system reviewed limited assurance indicates that there is a significant breakdown in the application of key controls. From the review, four of the recommendations made related to the application of existing controls.

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One recommendation has been categorised as significant and three recommendations have been categorised as merits attention.

Acknowledgement

Internal Audit would like to take this opportunity to express its thanks to the management and staff within the Finance, Procurement and Operational Contracts Teams for their help and co-operation during the audit.

Confidentiality

This report is strictly private and confidential and as such is for the exclusive use of the intended recipients. The content and results of the audit should not be copied in part or in whole without the prior permission of the receiving sponsor of the report.

Audit Methodology

The audit was conducted in conformance with the Public Sector Internal Audit Standards using a combination of enquiry, observation and sample testing techniques.

**Findings, Recommendations and Agreed Management Actions
SCRMCA Procurement Arrangements**

| Ref | Finding | Recommendation | Category Accepted Y/N | Agreed Management Action | Agreed Timescale and Responsible Officer |
|--|--|--|-----------------------|---|---|
| Risk: Failure to adhere to the requirements of Contract Procedures Rules, associated procedures and documentation, resulting in processes not being fair, open and transparent. This increases the risk of challenges, claims and complaints. | | | | | |
| 1.1 (R1) | <p>A review of the Contract procedure Rules (CPRs) confirmed that they had not been subject to a fundamental review since July 2017. It is acknowledged that minor amendments had been processed to reflect the revised OJEU thresholds (effective January 2018) and also revised requirements to strengthen the robustness of the CPR waiver process.</p> <p>Examination of the CPRs confirmed that they do not fully reflect the requirements of the Public Contract Regulations 2015, associated best practice and / or current working practices with amendments required to facilitate compliance:-</p> <ul style="list-style-type: none"> • No reference is made to the screening and / or completion of a Community / Equality Impact Assessment. Similarly, no reference is made to the requirement to undertake a Data Protection Impact Assessment (DPIA) as required by the General Data Protection Regulations (GDPR) for all new contracts, contracts extensions and CPR Waivers; • The wording of the approval route for CPR Waivers above £50K to £100K is ambiguous and requires amendment so that it is clear to procuring officers that approval is required from the Procurement Professional and Assistant Director, Operational Contracts Team in the first instance prior to submission to the Deputy Managing Director (and / or any other Stat Officer) to inform the approval decision; • The process requirements specific to low | <p>The Contract Procedure Rules and other procurement related documentation should be reviewed and updated in conjunction with the Operational Contracts Team at the earliest opportunity. All officers should be notified of the updated documentation, upon the completion of the review and signposting provided to its location.</p> <p>This is a control adequacy issue.</p> | Significant Y | <p>Clear linkages will be made between the established commissioning process and the procurement process.</p> <p>Any new procurement procedures will reference that, where appropriate, Data Protection and Equality implications will be considered as part of the decision to procure.</p> <p>The CPRs, associated procurement documentation and Financial Regulations will be reviewed and updated to ensure that they are aligned, address the findings from this review and are reflective of current working practices.</p> | 31st March 2020 Principal Solicitor & Secretary to the Executive |

**Findings, Recommendations and Agreed Management Actions
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| Ref | Finding | Recommendation | Category Accepted Y/N | Agreed Management Action | Agreed Timescale and Responsible Officer |
|-----|---|----------------|-----------------------|--------------------------|--|
| | <p>value procurement activity i.e. Requests for Quotations need to be more specific in terms of the processes to be completed and associated documentation to be retained. For example, the CPRs do not make reference to the RFQ receipt, opening and recording requirements;</p> <ul style="list-style-type: none"> • No reference is made to the requirement, as per the Code of Conduct, for officers with delegated authority and / or within the ordering and purchasing process to formally declare any relationships with existing or potential Authority contractors prior to the obtaining of quotations or the awarding of contracts; • No reference is made of the requirement to update the Contracts Register for all contracts awarded in excess of £5K to ensure compliance with the requirements of the Local Government Transparency Code 2015; • The contract award section is not explicit that an award notice must be publicised on Contracts Finder for all contracts awarded above £25K. This requirement is reflected within the Sections specific to procurement via the open and restricted procedures; • The contract award notice publication timescale referred to throughout the document are incorrect. The Public Contract Regulations 2015 requires that all contract award notices are publicised 30 days after the date of the contract award. <p>It is acknowledged that the Procurement Professional confirmed that a review of CPRs has not commenced and has been placed on hold until the outcome of Brexit was known.</p> | | | | |

**Findings, Recommendations and Agreed Management Actions
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| Ref | Finding | Recommendation | Category Accepted Y/N | Agreed Management Action | Agreed Timescale and Responsible Officer |
|-----|--|----------------|-----------------------|--------------------------|--|
| | <p><u>Procurement Rules and Process Flowchart</u></p> <p>Examination of the Procurement Rules and Process Flowchart confirmed that the procurement process requirements (end to end) had not been fully reflected and / or aligned to the governance arrangements of the SCRMCA (including the requirements of the CPRs). In addition, the process flowchart does not accurately reflect the working practices in operation. The following omissions are noted:</p> <ul style="list-style-type: none"> • No reference is made to the requirement to obtain business case and budget approval for the duration of the contract (User responsibility); • The flowchart does not make reference to the requirement to undertake screening and / or undertake a full community and /or equality impact assessment. In addition, to undertake a DPIA (User responsibility); • All RFQ opportunities are not administered via YORtender as stated. The Procurement Professional confirmed that the YORtender System is utilised on a risk based approach and / or where open competition is considered appropriate; • No reference is made to the requirement to evaluate the bids received in accordance with the specified award criteria and evaluation methodology; • Contract Award Approval Forms are not completed for low value procurement activity; • No reference is made to the requirement to publicise contract award notices and corresponding timescales for publication and • No reference is made to updating the | | | | |

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| | <p>contracts register for all contracts awarded in excess of £5K to ensure compliance with the Local Government Transparency Code.</p> <p><u>Request for Quote Template</u></p> <p>The RFQ Template had not been subject to review an update since June 2017. Examination of the document confirmed that, in the main the document contains sufficient content / information (to be updated per procurement event). However, to comply with best practice guidance a worked example of the overall weighted model for price and quality should be included for supplier reference purposes (for inclusion where appropriate).</p> <p>This finding should be considered in relation to risk / theme: Compliance</p> | | | | |
| 1.2 (R2) | <p>No evidence was provided during the review to confirm that officers involved within the ordering and purchasing process (including for the sample of procurement events reviewed) had formally declared any relationships with existing and / or potential contractors prior to the obtaining of quotations or awarding of contracts. Consequently, the requirements of Section 9 of the SCRMCA Financial Regulations may not have been complied with. In addition, compensating controls and / or mitigating safeguards may not have been implemented to protect the interests of both the officers and the Authority.</p> <p>Financial Regulations state officers with delegated authority and within the ordering and</p> | <p>All officers must complete and submit a return declaring any conflicts of interest (including nil returns). Declarations should be analysed and considered when undertaking procurement activity compensating controls and / or appropriate safeguards implemented (where considered appropriate) to mitigate associated risks.</p> <p>Conflict of interest forms should be completed by all officers within the procurement process on a risk basis and should extend to those RFQ opportunities that are openly</p> | Significant Y | Procurement procedures will be amended to clarify that there is a positive obligation, in accordance with the Officer Code of Conduct, to declare any conflict of interest should a conflict situation arise during the procurement process. | 31st March 2020 Principal Solicitor & Secretary to the Executive |

**Findings, Recommendations and Agreed Management Actions
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| Ref | Finding | Recommendation | Category Accepted Y/N | Agreed Management Action | Agreed Timescale and Responsible Officer |
|---------------|---|---|--|--|---|
| | <p>purchasing process must:</p> <p><i>“Formally declare any relationships with existing or potential Authority contractors prior to the obtaining of quotations or the awarding of contracts”.</i></p> <p>It is acknowledged conflict of interest forms (COI) are completed on a risk basis for RFQ opportunities and also for tender opportunities as required by the SCRMCA Contract Procedure Rules. However, this does not extend to low value procurement activity.</p> <p>This finding should be considered in relation to risk / theme: Compliance</p> | <p>advertised.</p> <p>This is a control adequacy issue.</p> | | | |
| 1.3 (R3 & R4) | <p>A sample of 6 procurement processes undertaken during the period 1st April 2018 to 31st January 2019 was included within this review. Testing focused upon lower value procurement activity (i.e. quotations and CPR Waivers) and was undertaken to provide assurance that legislative, procedural and best practice requirements had been met, and that there was a robust management trail of information and evidence to support the processes undertaken and decisions made.</p> <p>A review of the documentation provided, and discussions with key procurement officers, identified the following:-</p> <ul style="list-style-type: none"> • The requirements of the CPRs and associated best practice had not been consistently applied; • There were information gaps in the request | <p>R3 All Officers should be reminded of the importance of adhering to the Public Contract Regulations, CPR and procedural requirements when undertaking procurement related activity.</p> <p>This is a control application adequacy issue.</p> <p>R4 Formal contracts should be entered into, prior to commencement, for all future projects. In addition, the information included should accurately reflect the details of the award i.e. contract value and associated end dates.</p> <p>This is a control application issue.</p> | <p>Significant</p> <p>Y</p> <p>Merits Attention</p> <p>Y</p> | <p>A review of the processes and associated requirements specific to low value procurement activity will be undertaken with CPRs updated accordingly. Workshops will be organised for attendance by all relevant officers to inform them of the updated / revised requirements.</p> <p>The SCRMCA endeavour to obtain contract signatures prior to the commencement of the provision of goods, supplies and / or services and will continue to do so. However, it should be noted that delays are experienced with regard to suppliers returning contract documentation on a timely basis.</p> | <p>31st December 2019</p> <p>Assistant Director, Operational Contracts</p> <p>Completed</p> <p>Assistant Director, Operational Contracts</p> |

**Findings, Recommendations and Agreed Management Actions
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| | <p>for quotation documentation provided to potential suppliers, for example, award / evaluation criteria and on occasions the terms and conditions of contract had not been specified / provided;</p> <ul style="list-style-type: none"> • Failure to record the receipt, opening and recording of quotations for non-advertised opportunities; • Lack of documentation available (including in a centralised location) to support the procurement processes undertaken and to evidence consensus decisions made, increasing the potential for adverse publicity should a decision be challenged; • Contract formalities had not been completed on a timely basis; • Contract award notices had not been publicised on Contracts Finder (Government portal) for 2 contracts in excess of £25K; • Instances of non-compliance with the requirements of the Document Retention Policy. <p>Please refer to Appendix A for detailed findings identified during this review.</p> <p>This finding should be considered in relation to risk / theme: Compliance</p> | | | | |
| <p>Risk: Where there is a business reason for not procuring via competition, a required waiver report is not prepared, not sufficiently detailed and/or not challenged & approved by the delegated Officers. This results in an increase in challenges, claims and complaints.</p> | | | | | |
| 2.1 (R5) | <p>Examination of the SCRMCA Contracts Register confirmed that it does not provide for all mandatory information required for publication.</p> <p>The following omissions are noted:</p> <ul style="list-style-type: none"> • The department responsible for the contract | <p>The findings of this review should be considered and addressed to ensure that the Transparency Code and associated best practice requirements are being fully met.</p> <p>This is a control adequacy issue.</p> | <p>Merits Attention</p> <p>Y</p> | <p>The Contracts Register will be updated for the omissions identified from the review.</p> <p>The department responsible will be recorded on the register as the</p> | <p>31st October 2019</p> <p>Assistant Director, Operational Contracts</p> |

**Findings, Recommendations and Agreed Management Actions
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| | <p>is not recorded;</p> <ul style="list-style-type: none"> Value Added Tax that cannot be recovered; The procurement route / type i.e. whether the contract resulted from a request for quotation or a published invitation to tender. <p>In addition, the internet site / register does not confirm ownership of the published information, that the data is open for re-use and the license under which it is published.</p> <p>Measurement for the above was made against the Freedom of Information Act Model Publication Scheme, Information Commissioners Definition Documents and the Local Government Transparency Code 2015.</p> <p>This finding should be considered in relation to risk / theme: Compliance.</p> | | | <p>Operational Contracts Team who will co-ordinate with the relevant officers and provide responses to any queries received.</p> <p>Expired contracts will be removed from the register and consideration will be given to developing an archive register for publication.</p> | |
| <p>Risk: Policies and operational procedures with regard to procurement cards do not exist, resulting in the lack of defined and agreed roles and responsibilities, failure to meet all legislative and regulatory requirements and an inconsistent approach. No formal agreement to the corresponding terms and conditions should a future dispute occur. Increased risk of misappropriation, inappropriate and unauthorised expenditure.</p> | | | | | |
| 3.1 (R6) | <p>Examination of the SCR GPC Employee Agreement confirmed that no reference is made to the requirement to comply with the requirements of the Contract Procedures Rules (CPRs) and / or Financial Regulations. Consequently, there is no evidence of the cardholders declaring that they are aware of the requirement to meet the regulatory / policy requirements.</p> <p>This finding should be considered in relation to risk / theme: Compliance.</p> | <p>The Employee Agreement should be reviewed and updated to ensure that card holders formally declare the requirement to adhere to the regulatory / policy requirements.</p> <p>This is a control adequacy issue.</p> | <p>Merits Attention</p> <p>Y</p> | <p>The employee agreement is inherited from SCC. This agreement will be reviewed and updated to include the requirement for officers to declare that they will adhere to regulatory / policy requirements.</p> | <p>31st October 2019</p> <p>Assistant Director, Operational Contracts</p> |

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| 3.2 (R7) | <p>Enquires with key officers during the completion of the review confirmed that the SCRMCA does not have a business entertainment policy and / or a policy with regard to foreign travel. Consequently, the absence of formal approved policies detailing the level and type of expenditure acceptable by the SCRMCA with regard to hospitality and oversees visits increases the potential for challenge with regard to public accountability / use and stewardship of public funds. It is acknowledged that there is a BMBC Gifts and Hospitality Policy for officers and an LEP Gifts and Hospitality and LEP Expenses Policy for members. However, these conflict with regards to requirements / restrictions and therefore may confuse officers regarding acceptable business entertainment expenditure.</p> <p>This finding should be considered in relation to risk / themes: Decision Making and Transparency.</p> | <p>A business entertainment and foreign travel policy should be drafted and approved, to confirm the type and level of expenditure that is acceptable to the SCRMCA when attending meetings and other commercial (business) related events. The policy should be published on the Intranet Site.</p> <p>This is a control adequacy issue.</p> | <p>Significant Y</p> | <p>The current policies will be considered and, should management deem it necessary, a Business Entertainment Policy specifically for Officers will be drafted.</p> | <p>31st March 2020 Principal Solicitor and Secretary to the Executive & Deputy Managing Director</p> |
| 3.3 (R8) | <p>Examination of documentation with regard to the application and authorisation of the procurement cards for 2 cardholders identified the following:-</p> <ul style="list-style-type: none"> • For 1 cardholder, an application form could not be located or provided. In addition, no documentation was provided to evidence the approval for this officer to be allocated with a government procurement card (GPC). It is acknowledged that this card was requested via bulk upload at the time that the initial GPCs were requested by the business; • For 1 cardholder, the application form completed had been authorised by one bank | <p>All application forms and evidence of approval should be securely retained in future, in accordance with the requirements of Financial Regulations and Document Retention Policy.</p> <p>Management should consider the use of merchant category restrictions and individual transaction limits to provide for enhanced controls with regards to procurement card expenditure.</p> <p>This is a control application</p> | <p>Merits Attention Y</p> | <p>A reminder will be issued to all relevant officers to confirm that all approved documentation needs to be retained in accordance with specified retention policies / schedules.</p> <p>A review of current card holders, merchant categories, business and individual transaction limits will be undertaken. Cards will be revoked and cancelled (where appropriate) and restrictions applied following the outcome of the review.</p> | <p>31st December 2019 Senior Finance Manager</p> |

**Findings, Recommendations and Agreed Management Actions
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| Ref | Finding | Recommendation | Category Accepted Y/N | Agreed Management Action | Agreed Timescale and Responsible Officer |
|---|---|--|-----------------------|--|--|
| | <p>signatory only. In addition, the application form had not been signed by the requesting cardholder;</p> <ul style="list-style-type: none"> For both cardholders, merchant categories had not been determined and / or blocked for use. It is acknowledged that restrictions have been specified for cash withdrawals only. <p>Consequently, evidence has not been retained to support the application for a card and also approval. In addition, the absence of specified merchant categories per cardholder increases the potential for misappropriation and / or inappropriate purchases to be made.</p> <p>This finding should be considered in relation to risk / theme: Compliance.</p> | <p>issue.</p> | | | |
| <p>Risk: Contract Procedure Rules and Financial Regulation requirements are not complied with resulting in value for money not being obtained. Procurement card expenditure is monitored to identify any opportunities to aggregate spend to provide for increased efficiencies and also the streamlining of processes to manage accounts.</p> | | | | | |
| 4.1 | <p>A review of 10 procurement card transactions (including supporting documentation) and discussions with key officers, for the period 1st April 2018 - 31st March 2019 confirmed:-</p> <ul style="list-style-type: none"> Requirements of CPRs and the Barclaycard Operating Instructions had not been adhered to / consistently applied; There is a failure to retain documentation to support the processes undertaken, decisions made and approval obtained; Instances of non-compliance with the requirements of the Document Retention Policy. <p>Please refer to Appendix B for detailed findings identified during this review.</p> | <p>Please refer to Recommendation 2.</p> | | <p>Please refer to agreed management actions at Recommendations 1 & 2.</p> | <p>31st December 2019</p> <p>Assistants Director, Operational Contracts</p> |

Findings, Recommendations and Agreed Management Actions
SCRMCA Procurement Arrangements

| Ref | Finding | Recommendation | Category Accepted Y/N | Agreed Management Action | Agreed Timescale and Responsible Officer |
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| 4.2 (R9) | <p>The GPC transactions logs relating to 4 cardholders (9 transaction logs, 10 transactions) for the period 1st April 2018 to 31st March 2019 were reviewed and this identified that:-</p> <p><u>GPC Transaction Logs</u></p> <ul style="list-style-type: none"> • In 1 case, the transaction log had been signed but did not provide the name of the authorising officer and/ or the date that the approval had been provided; • In 6 cases, the transaction logs had not been completed, authorised and submitted for reconciliation on a timely basis i.e. prior to the date of the direct debit being taken from the bank. <p><u>GPC Transactions and Supporting Documentation</u></p> <ul style="list-style-type: none"> • In 2 cases, no evidence was available to confirm advance approval had been obtained from the relevant Line Manager / Cardholder. It is acknowledged that for 1 transaction, verbal approval had been obtained at the time that hospitality had been provided; • An £18 gratuity charge had been paid on one occasion. In addition, for a further transaction, mini bar purchases totalling £22 had been incurred. As already reported, the absence of a policy does not provide guidance to officers with regards to the type of payments acceptable to the company; • In 1 case, a purchase order should have been raised with a supplier and payment processed upon the receipt of an invoice; • For 1 transaction, an itemised receipt had not | <p>All procurement cardholders and approving officers should be reminded of the process requirements and submission timescales that must be met. Official itemised receipts / invoices (VAT receipts where applicable) should be obtained for all purchases, in addition to the procurement card terminal receipt.</p> <p>This is a control application issue.</p> | <p>Merits Attention</p> <p>Y</p> | <p>GPC process requirements will be reviewed and updated (where appropriate). A notification will be issued to all card holders informing of requirements upon the completion of this review.</p> | <p>31st December 2019</p> <p>Senior Finance Manager</p> |

**Findings, Recommendations and Agreed Management Actions
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| | <p>been obtained and therefore details of the expenditure incurred could not be verified.</p> <p>Consequently, the requirements of the GPC Operational Instructions had not been complied with. In addition, failure to complete and submit GPC transactions logs on a timely basis increases the risk of incorrect/unapproved payments being made, inaccurate financial records being maintained (e.g. VAT) and non-compliance with the terms and conditions.</p> <p>This finding should be considered in relation to risk / theme: Compliance.</p> | | | | |
| 4.3 (R10) | <p>Discussions with key officers, a review of documentation relating to the 6 GPC card holder accounts, confirmed that several officers had utilised their cards intermittently and incurred minimal expenditure. No evidence was provided to confirm when the total business credit limit and also individual cardholders' monthly transactions limits were last reviewed and / or if there was a continued business requirement for a procurement card.</p> <p>It is acknowledged that monthly transactions limits are approved, varied / increased on a temporary basis as required.</p> <p>This finding should be considered in relation to risk / theme: Compliance.</p> | <p>A review of the business credit limit, current card holders and individual credit limits should be undertaken to determine if there is a continued business requirement for a procurement card, with credit limits adjusted (as appropriate). Cards should be cancelled / removed where a business need is no longer required and / or allocated to additional users as considered appropriate.</p> <p>This is a control adequacy issue.</p> | <p>Merits Attention</p> <p>Y</p> | <p>A review of current card holders, merchant categories, business and individual transaction limits will be undertaken.</p> <p>Cards will be revoked and cancelled (where appropriate). Category restrictions will be considered and applied accordingly and revised limits requested based upon the analysis completed.</p> | <p>31st December 2019</p> <p>Senior Finance Manager</p> |

Findings, Recommendations and Agreed Management Actions
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| Ref | Finding | Recommendation | Category Accepted Y/N | Agreed Management Action | Agreed Timescale and Responsible Officer |
|-----------|--|---|----------------------------------|---|---|
| 4.4 (R11) | <p>A review of a sample of procurement card transactions confirmed that the cards are being utilised departmentally and not always by the assigned GPC cardholder. Consequently, the terms and conditions of the procurement cards are not being complied with and there is an increased risk of misappropriation and / or unauthorised purchases being made.</p> <p>This finding should be considered in relation to risk / theme: Compliance.</p> | <p>Procurement cards should be utilised in accordance with the terms and conditions and all purchases should be approved by the cardholder prior to orders being placed. In addition, officers should be required to complete an Employee Agreement confirming their adherence to the requirements of the T&Cs of the card and also regulatory / procedural requirements.</p> <p>This is a control adequacy issue.</p> | <p>Merits Attention</p> <p>Y</p> | <p>A business decision will be made with regard to the sharing / utilisation of procurement cards.</p> <p>All employees that utilise the cards will be required to complete an employee agreement form declaring compliance with the T&Cs and regulatory / procedural requirements.</p> | <p>31st December 2019</p> <p>Senior Finance Manager</p> |

Glossary of Terms
SCRMCA Procurement Arrangements

1. **Classification of Recommendations**

- Fundamental** A recommendation requiring immediate action – imperative to ensuring the objectives of the system under review are met.
Significant A recommendation requiring action necessary to avoid exposure to a significant risk to the achievement of the objectives of the system under review.
Merits Attention A recommendation where action is advised to enhance control or improve operational efficiency.

2. **Assurance Opinions**

| | Level | Control Adequacy | Control Application |
|--------------------------|------------------------------|---|---|
| POSITIVE OPINIONS | Substantial Assurance | Robust framework of controls exist that are likely to ensure that objectives will be achieved. | Controls are applied continuously or with only minor lapses. |
| | Adequate Assurance | Sufficient framework of key controls exist that are likely to result in objectives being achieved, but the control framework could be stronger. | Controls are applied but with some lapses. |
| NEGATIVE OPINIONS | Limited Assurance | Risk exists of objectives not being achieved due to the absence of key controls in the system. | Significant breakdown in the application of key controls. |
| | No Assurance | Significant risk exists of objectives not being achieved due to the absence of controls in the system. | Fundamental breakdown in the application of all or most controls. |

Appendix A

SCRMCA Procurement Arrangements

Examination of supporting documentation for the sample of 6 transactions reviewed identified the following detailed findings:-

Competition Requirements

Three of the 6 transactions selected for review had been procured via an exception / waiver to competition. The following findings were noted:-

- For 1 project, the commissioning proposal change request did not fully record the costs for the contract variation to inform the approval decision i.e. excluded maintenance costs to be incurred during 2019/20. In addition, the CPR Waiver Report had not been subject to review and approval by the Assistant Director, Operational Contracts Team. Consequently, Clause 2.6.6 of the CPRs had not been complied with (Deetu).

The remaining 3 contracts were procured by requesting quotations (including via open competition where considered appropriate). The following findings were noted:-

- For 1 project, the commissioning proposal (including budget) was approved retrospectively i.e. after the completion of the procurement event and contract award. No evidence was provided to confirm that approval had been obtained in advance via separate cover. Consequently, insufficient funds may have been available to fund the duration of the contract awarded. In addition, the SCRMCA governance arrangements / Clause 3.2.1.1 of the CPRs had not been complied with (Affinity Works);
- For 1 project, the advertisement did not accurately reflect the duration of the contract opportunity i.e. the end date did not account for programme reporting to 2020 (Affinity);
- In 1 case, the RFQ standard documentation / template had not been utilised. The documentation (briefing pack) provided to the suppliers was insufficiently detailed and did not provide for an award criteria and scoring methodology to inform the suppliers how the bids would be evaluated. In addition, a pricing schedule and the terms and conditions of contract were not provided at the time that of issuing the RFQs (Salt Street);
- For 2 projects, a worked example of the overall weighted model for price and quality had not been included for supplier reference purposes (SCP and Affinity).

Consequently, best practice requirements with regard to the publication of all RFQ documentation at the point of invitation to quote had not been complied with.

Submission, Receipt and Opening of Quotations

- In 1 case, quotations had been e-mailed directly to the Procuring Officer and opened in isolation. A document is not maintained to record the receipt and opening of quotations (i.e. date opened, by whom, prices submitted). Consequently, the bids had not been opened in a controlled and independent environment (Salt Street).

Evaluation of RFQs

In 3 cases, the quotations submitted required an evaluation to be completed. This identified that:-

- For 1 project, the procuring officer confirmed that all bids had been subject to an evaluation (based upon price and quality criteria). However, the evaluation completed had not been documented to evidence that the successful supplier was the most economically advantageous to the SCRMCA. As a consequence, the scores awarded / evaluations completed to evidence decisions made are not fully supported. It is acknowledged that the Procurement Professional provided a summary evaluation matrix separately detailing the characteristics of each bid that informed the evaluation decision / outcome (Salt Street Productions);

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SCRMCA Procurement Arrangements

- In 1 case, the suitability assessment criteria evaluation did not provide details of the evaluating officer or date completed. Similarly, for a separate project, the combined suitability assessment and price evaluation did not provide details of the evaluating officer(s) (Affinity);
- In 1 case, the price submitted by one of the suppliers had been transferred incorrectly to the pricing evaluation schedule / record. No evidence was available to confirm any revised pricing submitted prior to the deadline for the opportunity and evaluation completed. It is acknowledged that the increase in price would have had no impact in the outcome of the evaluation / award decision (SCP LTD);
- In 1 case, the minimum aggregated quality points score was not achieved by any of the suppliers evaluated and therefore the evaluation had not been completed in accordance with the specified instructions / requirements. It is acknowledged that 15 suppliers were evaluated as part of the procurement process and therefore proceeding with the award decision was considered appropriate in this instance (Affinity Works);
- In 2 cases, the summary evaluation matrix did not provide details of the dates that the evaluations were completed and evidence (i.e. signature or e-mail) to confirm the agreement of consensus scores (SCP LTD and Affinity Works).

Contract Award Approval

For 3 projects procured via competition, no evidence was available to confirm that the contracts had been awarded in accordance with Constitution requirements and / or by officers with approved delegated authority. The Constitution (Part 4E General Delegations to all Statutory Officers and the Clerk Routine Management) states the following:

Contracts and Accounts

2.3 The acceptance of a tender or quotation:-

(a) for the supply of goods, materials or services for which financial provision has been made in the Authority's Revenue Budget up to a limit of £100,000 in value for any one transaction, or

(b) for building and civil engineering works provided that the value of the tender is within the estimate previously approved by the Authority as part of the capital programme and does not exceed £250,000;

where the tender or quotation is in accordance with the Authority's Contracts Procedure Rules and is either the most economically advantageous tender decided by reference to pre-determined weighted award criteria or the subject of a waiver of the Authority's Contracts Procedure Rules granted in accordance with those Rules.

Notification to Suppliers & Contract Award Notices

- In 1 case, there was no evidence of the award decision being notified in writing to the successful and unsuccessful suppliers (Salt Street);
- In 2 cases, the successful letters did not provide details of the scores awarded and / or accepted contract price. In addition, whilst the unsuccessful notifications confirmed the name of the preferred supplier, the actual scores awarded were not provided for comparative purposes (SCP LTD and Affinity Works);
- For 2 contracts, no evidence was provided to confirm if contract award notices had not been publicised on Contracts Finder. Consequently, the requirements of the Public Contract Regulations 2015 may not have been complied with (CCM Consulting and Deetu);

Appendix A

SCRMCA Procurement Arrangements

- In 2 cases, the contract award notices did not provide for the total value of the contracts awarded. In addition, for 1 project, the contract end date was incorrect. In both cases, the contract end dates publicised did not account for the full potential duration of the contracts i.e. did not account for all permitted options to extend the contracts as per the contract terms and conditions (SCP Ltd, Affinity Works).

Contracts Register

An examination of the data / information publicised to the SCRMCA Contract Register for the 6 projects was undertaken. The following findings were noted:-

- In all cases, contracts extension periods as included within the contract terms and conditions had not been recorded;
- In 1 case, the contract information published had not been updated to reflect the agreed variations processed i.e. increase in cost due to functionality requirements and / or the revised contract end date. In addition, the title of the contract had not been updated to reflect the revised requirements as per the Local Government Transparency Clause included within the contract documentation (Deetu Consulting).

Contract Formalities

A review of the contracts for the 6 transactions included in this review confirmed that, in 5 cases, the contracts had not been entered into i.e. signed prior to the commencement of the delivery of the services. It is acknowledged that this in the main was attributed to suppliers not returning signed copies of contracts to enable the completion of formalities on a timely basis. The absence of a formal contract signed on a timely basis by all parties subjects the SCRMCA to increased risk of challenge should a dispute or claim be received.

In addition:-

- In 1 case, the contract variation processed had not been completed on a timely basis and it did not confirm the revised contract end date as per the approved waiver report;
- In 1 case, the contract value included within the publication data clause within the terms and conditions of contract did not correspond to the maximum contract value as per the approved waiver and / or to that publicised on the contracts register;
- In 3 cases (subject to competition), the contract terms and conditions included an extension period that had not been included within the RFQ documentation provided to all suppliers and / or publicised to the contracts register. Consequently, the RFQ documentation did not provide for complete information.

Appendix B

SCRMCA Procurement Arrangements

A review of 10 procurement card transactions, including supporting documentation and discussions with key officers, for the period 1st April 2018 - 31st March 2019 confirmed:-

- For 1 transaction, an exception to competition was processed for the provision of advertising via social media. However, examination of the report confirmed that this exception had been processed retrospectively and provided no evidence of approval from the Assistant Director, Operational Contracts Team. Consequently, the requirements of CPRs had not been complied with (Facebook);
- For 2 transactions (in relation to foreign travel), no documentation was available to evidence that flight price comparisons had been undertaken. Consequently, assurance cannot be provided that value for money had been obtained. It is acknowledged that the Procuring Officer confirmed that searches were undertaken for the delegation as a package. However, restrictions applied in meeting the timeframe for the delegation to attend the event / summit (P&P Manchester Airport / Trip.com - Uk Regional Summit - China);
- For 1 transaction (in relation to foreign travel), the Procuring Officer stated that the hotel accommodation utilised was sourced via a commissioned supplier as part of an existing contract. However, examination of the contract confirmed that this provision was not catered for in which the contract had expired. In addition, no evidence was provided to confirm that this approach had been subject to Manager approval (Taj Lands - Hotel Accommodation re Trade Mission to India);
- For 1 transaction, no documentation was provided to evidence the process completed re the purchase of flights in relation to foreign travel. Consequently, assurance cannot be provided that CPR requirements had been applied and complied with and value for money obtained (Emirates - Trade Mission to India).