Delegated Authority - Procurement

Final Report

Auditor	Julie Wraithmell-Giggal
Contact Details	01924 294061
Date of Review	September 2015
Draft Report Issued	September 2015
Final Report Issued	October 2015

1 <u>Executive Summary</u>

<u>Background</u>

In order to empower managers as well as increasing the efficiency of the procurement process, North Yorkshire Police has recently revised the Delegated Authorities in relation to the authorisations required in respect of procurement. Budget holders are now authorised to incur expenditure in line with their delegated departmental budgets.

<u>Observations</u>

Prior to the 1 April 2015, North Yorkshire Police maintained the Scheme of Authorisation which centralised budgets and required one person across the organisation to authorise expenditure in relation to that budget (e.g., one centralised authorised signatory for stationery). This system was deemed to be cumbersome, delaying the procurement process and failed to empower local budget holders. Additionally, provision has also been made for low value, high volume requisitions to be approved by Business Administration Services.

As from 1 April 2015, a delegated budget holder was identified and made responsible for budget cost centres. The delegations would also empower budget holders to authorise expenditure up to the limit of their particular budget cost centre. Authorisation can be delegated further by the approved budget holder.

The relevant changes are updated on the Scheme of Authorisation. This details the approvals based on the cost centre and nominal code. The Scheme of Authorisation is available via the Finance portal on the intranet. This document is a live document and does not contain historical data regarding previous authorisation approvals or details relating to any redundant cost centres.

Authorisation for the approval of requisitions is based on Cost Centres and, in the case of projects, sub-analysis codes. Authorisation to approve requisitions is not delegated based on nominal codes.

Where the appropriate approvals are received by the Governance and VFM Manager, the authorised signatory is provided with authorisation approval on the iProc system. However, this is a generic approval and currently is not limited to the particular cost centre and nominal codes as approved. The auditor was advised that the iProc system does not currently have the capability to implement this electronic control.

As part of the review process undertaken by the P2P team upon receipt of the requisition and prior to completion of the official procurement order, they will undertake checks to ensure the appropriate cost centre and nominal codes have been used and that the requisition has been appropriately authorised.

As part of the sample testing of 20 requisitions raised since 1 April 2015, Internal Audit assessed whether the delegations appeared appropriate in line with the objectives of the new Scheme of Authorisation. Additionally, the requisitions were tested to ensure that the authorising officer was appropriately approved on the relevant cost centre and nominal

code.

Of the sample of 20 requisitions:

- In 15/20 instances, the requisition had been authorised by an approved person for that cost centre and nominal code, per the Scheme of Authorisation available on the intranet at the date of the audit and where relevant, were within approved financial limits. In all these instances, the delegation of authorisation appeared appropriate in line with the objectives of the review of the scheme.

- In 3/20 instances the cost centre and nominal code could not be located on the Scheme of Authorisation. Two of these instances related to recently implemented projects and had been appropriately approved by the project manager, however, this had not been updated on the Scheme of Authorisation. In the remaining instance, the auditor was advised that this was a redundant cost centre.

- In 1/20, whilst the cost centre and nominal code was detailed on the Scheme of Delegation, no details for authorised signatories were noted. The requisition had been authorised by the Chief Constables Chief Finance Officer and would therefore be an appropriate authoriser, however the Scheme of Authorisation was not updated to reflect this. The Chief Constable's Chief Finance Officer is a default authoriser for all Chief Constable cost centres.

- In the remaining instance, the authoriser was not an approved signatory for the cost centre and nominal code used.

Further details in relation to these findings can be found later in this report.

In general, it would appear that the approach taken in respect of the review of Scheme of Authorisation was reasonable and has resulted in a process which reduces bureaucracy, improves efficiency and also empowers local decision making and budget control. However, the review did identify some areas which could be improved, particularly in providing assurance that requisition approvals are only made by officers in accordance with their delegated approval as detailed in a current, updated Scheme of Authorisation. Additionally, the organisation could make further efficiencies if the capabilities of IProc allowed inbuilt electronic controls in relation to cost centre and nominal codes in addition to relevant financial limits. The auditor was advised that the significant costs associated with an upgrade to the iProc functionality would not be cost effective at this stage.

	Commentary
Effectiveness of Risk Management Approach	**Whilst there is generally good assurance in respect of the actual delegated approvals, improvements could be made in respect of the information held on the relevant Scheme of Authorisation. Changes to authorisations should be promptly reflected on the database and communicated accordingly.**
Efficiency of Risk Management Approach	**There is good assurance regarding the efficiency of the risk management approach in respect of the revised Scheme of Authorisation. It is recommended that North Yorkshire Police continue to review the capabilities of iProc to determine if further efficiencies could be made via control of approvals within the iProc system.**
Assurance Level	**2: Reasonable Assurance**
Overall Risk	**5:8**

2 Scope and Approach of the Audit

Internal Audit sought to evaluate the rationale and approach taken in respect of the recent review of Delegated Authorities to ensure it was reasonable in achieving the objective of empowering budget holders and reducing the bureaucracy. The review also sought assurance that any risks associated with the revision to delegated authorities are being mitigated as far as possible.

A sample of procurements undertaken since 1 April 2015 was tested to ensure that the appropriate approvals were evident in line with the appropriate approved delegated authorities.

Each recommendation is accompanied by an assessment of the likelihood and impact of the risk identified, to North Yorkshire Police/ the Commissioner as a whole.

3 Report Distribution

Name/Role	Draft	Final	Final with Response
Nicola Johnson, P2P Manager	✓	✓	✓
Simon Nott, Governance & VFM Manager	✓	✓	✓
Jane Palmer, Chief Constable's Chief Finance Officer	✓	✓	✓
Risk & Assurance Unit	✗	✓	✓
Michael Porter, Chief Finance Officer (PCC)	✗	✗	✓

4   Observations

4.1 Review of Scheme of Authorisation

Risk Exposure			Root causes		
Increased risk of error as a result of delays in update of Scheme of Authorisation.			Requirement to manually update and communicate changes to the Scheme of Authorisation.		
Increased risk of error and inefficiencies due to the need to manually check requisitions.			Lack of inbuilt electronic controls within iProc.		
Probability	Financial	Reputation	Operational	Legal	Rating
Probable	Negligible	Minor	Minor	Negligible	5:8

Overall, the approach taken in respect of the review of the Scheme of Authorisation appears reasonable and should meet the objectives of reducing bureaucracy and empowering budget holders, facilitating improved local decision making and budget control.

The iProc system, used to raise and authorise requisitions does have some inbuilt electronic controls in relation to individuals approved to authorise requisitions. However, the auditor was advised that the system does not have the capability to limit authorisers to their particular approved cost centres and nominal codes or approved financial limits. As a result, the P2P team manually review requisitions prior to progressing the raising of an official order, to ensure the requisition has been appropriately approved. The Scheme of Authorisation database is available via the Finance Portal on the intranet and is used by the P2P team to check relevant authorisations.

Recommendation 1

It is recommended that North Yorkshire Police continue to review the capabilities of iProc to determine if further efficiencies could be made as a result of the implementation of electronic controls which would limit delegated authority to specific approved cost centres and nominal codes as well as ensuring approvals are within authorised financial limits. It is acknowledged that the organisation has stated it is not cost effective to invest in upgrading iProc functionality at this time.

4.2   Requisition authorisations

Risk Exposure			Root causes		
Increased risk of error as a result of delays in update of Scheme of Authorisation. Increased risk of error and inefficiencies due to the need to manually check requisitions. Inefficiencies/difficulty in providing assurance regarding historic approvals.			Scheme of Authorisation is not promptly updated to reflect approved changes. Errors during manual checking of requisitions. Scheme of Authorisation is a live document of authorisations.		
Probability	**Financial**	**Reputation**	**Operational**	**Legal**	**Rating**
Probable	Negligible	Minor	Minor	Negligible	5:8

Internal Audit tested a sample of 20 requisitions raised since 1 April 2015. In each case, as well as ensuring the approval was in line with the Scheme of Authorisation, the delegations were assessed to determine if they appear appropriate in line with the objectives of the review of the scheme.

- In 15/20, Internal Audit was satisfied that the requisition had been authorised by an approved person for the relevant cost centre and nominal code and the delegation of authorisation appeared appropriate in line with the objectives of the review of the scheme. Where relevant, all were within the approved financial limits.

- In 3/20 instances (req no 40127203, 40125177 and 40124663), the cost centre/nominal code could not be found on the Scheme of Authorisation in place at the time of the audit. In relation to requisition numbers 40127203 and 40125177, whilst they were not detailed on the Scheme of Authorisation, the authorisation was appropriate as they had been approved by the relevant Project Manager. In relation to requisition number 40124663, the auditor was advised that this related to a redundant cost centre. The Scheme of Authorisation does not hold information relating to past authorisations, including recently redundant cost centres/nominal codes.

- In 1/20 instance, (req no 40125424), though the cost centre/nominal code was found on the Scheme of Authorisation, no delegated authorities were included. However, in this instance, the requisition had been appropriately approved by the Chief Constable's Chief Finance Officer. The Chief Constable's Chief Finance Officer is the default approver on the Chief Constable's cost centres.

- In 1/20 instance (req no 40126184), the authoriser was not an approved signatory for the cost centre and nominal code used.

Recommendation 2

The organisation should seek to ensure that changes to the Scheme of Authorisation are promptly reflected and communicated accordingly.

Recommendation 3

The organisation should consider undertaking a periodic reconciliation of approvals on iProc to the Scheme of Authorisation. Discrepancies should be identified and rectified accordingly.

Recommendation 4

As per recommendation 1, to reduce the risk of error associated with manual checking and to improve efficiency, the organisation should continue to explore the capabilities of iProc to utilise electronic controls as effectively as possible. It is acknowledged that the auditor has been advised that it is not cost effective to upgrade iProc functionality at this time.

Recommendation 5

Whilst the organisation continues to operate a manual Scheme of Authorisation, consideration should also be given to including additional information, for example, the date authorisations are valid from and to, where relevant, as well as retaining information relating to recently redundant codes etc. The inclusion of this information would better facilitate, where necessary, checking of historic approvals.

5 Recommendations

#	Recommendation	Category of Rec.	Management Action	Action Manager & Completion Date	Satisfactory Response (IA View)
1	It is recommended that North Yorkshire Police continue to review the capabilities of iProc to determine if further efficiencies could be made as a result of the implementation of electronic controls which would limit delegated authority to specific approved cost centres and nominal codes as well as ensuring approvals are within authorised financial limits.	Merits Attention	The delegation of authority to approve requisitions is relevant to cost centre codes and, in the case of projects, sub analysis codes. Past consideration of the NYP iProc application has discounted any proposal to develop it to manage the delegation of authorisation levels against accounting codes. To establish and maintain such a capacity would require a significant investment of financial resources. The development of the iProc application will be kept under periodic review, however, it is probable that any improvement of the efficiency and accuracy of the approval of requisitions and orders will reply on the development of other processes.	Simon Nott Completed Completed Continuing	Yes

#	Recommendation	Category of Rec.	Management Action	Action Manager & Completion Date	Satisfactory Response (IA View)
2	The organisation should seek to ensure that changes to the Scheme of Authorisation are promptly reflected and communicated accordingly.	Significant	Work has been undertaken to develop the process to identify and record information about newly approved projects. Further to the reference they make to the Scheme of Authorisation, P2P will continue to make enquiries when a requisition is relevant to a code that is not properly up to date in the Scheme. If through the application of the Scheme, it is found to be out of date or wrong, the deficiencies will be reported and the Scheme will be amended. The Scheme of Authorisation will be updated weekly. Delegations by budget holders will be confirmed by budget holders at regular intervals, at least annually.	Simon Nott Completed Continuing Continuing April 2016	Yes

3	The organisation should consider undertaking a periodic reconciliation of approvals on iProc to the Scheme of Authorisation. Discrepancies should be investigated and rectified accordingly.	Merits Attention	There is a need to establish a properly operating iProc report to allow for the reconciliation of the data held in the oProc application on levels of authorisation with that held in the Scheme of Authorisation. Such a report has been commissioned.	Simon Nott 1 Jan 2016	Yes
			Once the report is available, reconciliation between iProc and the Scheme of Authorisation will be possible with regard to the levels of authorisation.	31 January 2016	
			Such reconciliations will be carried out every six months.	Continuing	
			Update information from the Organisation Structure Charts is entered into both the Scheme of Authorisation and the iProc application. This will continue to be undertaken on a regular basis.	Continuing	
			Amendments to the chart of accounts will be forwarded for inclusion on IProc and the Scheme of Authorisation.	Continuing	
			When, through use of the Scheme, the information held in it or in the NYP iProc application is found to be out of date or incorrect, the errors will be reported and amended.	Continuing	

#	Recommendation	Category of Rec.	Management Action	Action Manager & Completion Date	Satisfactory Response (IA View)
4	As per recommendation 1, to reduce the risk of error associated with manual checking and to improve efficiency, the organisation should continue to explore the capabilities of iProc to utilise electronic controls as effectively as possible.	**Merits Attention**	Please see the response to Recommendation 1.	Simon Nott Continuing	Yes
5	Whilst the organisation continues to operate a manual Scheme of Authorisation, consideration should also be given to including additional information, for example, the date authorisations are valid from and to, where relevant, as well as retaining information relating to recently redundant codes etc. The inclusion of this information would better facilitate, where necessary, checking of historic approvals.	**Merits Attention**	The Scheme of Authorisation includes a record of amendments. The record identifies all amendments that are made. This will provide a dated record of the action that first delegated an authorisation to approve requisitions to a post and the action that removed such an authorisation. The evidence of approval is retained.	Simon Nott Completed Completed	Yes

Classification of Recommendations	
Fundamental	Action is needed to address risks that could impact on the organisation's ability to achieve its objectives. Action will typically be organisation-wide and be necessary at the highest level. Other fundamental recommendations will be made in regard to potentially serious breaches of statutory obligations.
Significant	Action is needed to address risks that impact primarily on one major business area or to address lower risks on an organisation-wide basis.

Merits Attention	Action is advised to enhance control, remedy minor breaches of current controls or to improve efficiency.

6   Appendix: Assurance Level

Internal Audit assesses the effectiveness of internal control, within the scope of what is audited. This measure is therefore a relative one.

Category	Description
1	Reasonable assurance can be provided that the main risks considered are being effectively managed; action may still enhance the management of risk in a small number of areas. In addition Internal Audit has identified that the approach taken to address risk as representing good practice in this area.
2	Reasonable assurance can be provided that the main risks considered are being effectively managed. Limited management action may be required to address a small number of significant issues.
3	Limited assurance can be provided that the main risks considered are all being effectively managed. Significant management action is required to address some important weaknesses.
4	Inadequate assurance can be provided that the risks identified are being effectively managed. Significant weaknesses have been identified in the risk management action, these are likely to involve major and prolonged intervention by management. These weaknesses are such that the objectives in this area are unlikely to be met.

7   Appendix: Overall Assessment Criteria

Risks in this report have been assessed using the following criteria. It is the same criteria as that used by North Yorkshire Police to assess risk for the Risk Register.

Probability		Nil				
	Highly Probable	Nil	5:7	4:12	2:14	1:16
	Probable	Nil	6:4	5:8	3:13	2:15
	Unlikely	Nil	6:2	6:5	5:10	4:11
	Highly Improbable	Nil	6:1	6:3	6:6	5:9
	Nil	Nil	Nil	Nil	Nil	Nil
		Nil	Negligible	Minor	Significant	Severe
				Impact		

Probability	Nil	< 20% Highly Improbably (HI)	20% - 40% Unlikely (UL)	40% - 60% Probable (P)	> 60% Highly Probable (HP)
Impact Categories	**Nil**	**Negligible**	**Minor**	**Significant**	**Severe**
Financial (£) - Default - Mandatory	Nil	0 => 100k Increased financial impact less than £100000	100k => 250k Increased financial impact between £100k and £250k	250k => 2.5m Increased financial impact between £250k and £2.5m	2.5m => 3.75m Increased financial impact greater than £2.5m
Reputation	Nil	Negligible adverse publicity. Minimal impact upon public perception	Localised adverse publicity. Minor/transient impact upon public perception of Force or PCC	Criticism at local level. Lasting impact upon public perception of Force or PCC	Intense national media. Criticism at national level
Operational	Nil	Negligible impact upon ability to deliver service and meet Force targets	Minor impact upon ability to deliver service and meet Force targets	Significant impact upon ability to deliver service and meet Force targets	Catastrophic impact upon ability to deliver service and meet Force targets
Legal/Compliance	Nil	Negligible prospect of legal challenge	Minor/Transient prospect of legal challenge	Serious non compliance. Litigation/challenge.	National legal issue.