



THE CHIEF CONSTABLE OF NORTH YORKSHIRE

Procurement

FINAL

Internal audit report: 11.17/18

1 March 2018

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1 EXECUTIVE SUMMARY

1.1 Background

As part of the internal audit plan for 2017/18 we have undertaken an audit on procurement compliance on behalf of the Chief Constable of North Yorkshire to ensure there are processes in place to achieve value for money on the procurement of goods and services.

There are currently two staff in the Purchasing to Pay (P2P) - Purchasing Team: Senior P2P Officer and Finance Support Officer (FSO) with an unfilled FSO vacancy. Two members of the Contracts Team also assist the Purchasing Team when time allows.

Requisitions can be raised by any staff or officer at the Force by raising a requisition on the purchasing system, Oracle, this is then approved by a budget holder in line with the scheme of delegation. Once approved, the Senior P2P Officer or Finance Support Officer check the requisition has been completed correctly and approved appropriately, they also check that the requisition has been raised to a suitable supplier through a contract, quotation or STA, then they generate a purchase order. All purchase orders below £100,000 are approved by the P2P Manager before the order is placed with a supplier. Suppliers are set up in Oracle so that once a purchase order is approved, it is automatically emailed to the supplier. There should therefore be no orders placed with suppliers outside of the finance system or Finance Team, unless a purchase is required immediately and the P2P Team give authorisation to raise the order outside of the system.

Our review focussed on testing a sample of transactions below £10,000 and between £10,000 to £50,000 in line with the Procurement Procedures as detailed in Chapter 10 of the Devolved Resource Management (DRM) Manual. We also reviewed exceptions to the procurement rules and what controls were in place for monitoring cumulative supplier spend.

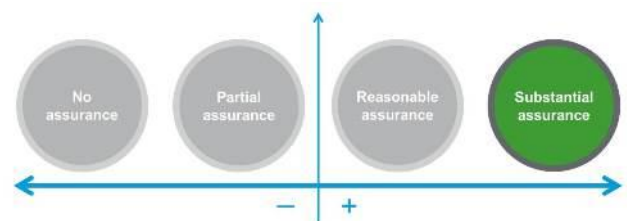
1.2 Conclusion

Overall, we found that the controls within the P2P Team for procurement were well designed and applied. Although we found instances in our testing of retrospective requisitions and purchase orders, we confirmed the P2P Team were already undertaking actions to reduce this and had plans to inform suppliers they would not pay invoices that are raised without a valid purchase order.

We have agreed **one low** management action as a result of our review, relating to procedural documentation. Further details can be found in section two of this report.

Internal audit opinion:

Taking account of the issues identified, the Chief Constable of North Yorkshire can take **substantial assurance** that the controls upon which the organisation relies to manage the identified area are suitably designed, consistently applied and operating effectively.



1.3 Key findings

The key findings from this review are as follows:

- Requisitions had been approved in line with the scheme of delegation.
- All purchase orders we tested had been approved by the P2P Manager.
- Contracts / frameworks / quotation exercises were being utilised on the Bluelight Police Database.
- The Senior Procurement Officer was carrying out exercises to put contracts or agreements in place for areas where there is high spend with no such contract in place.
- For exceptions to the procurement rules, we confirmed that a Request for Exception to Normal Procedures / Single Tender Action document had been fully completed and appropriately authorised prior to the purchase order being approved.
- Spend against single tender actions were monitored by the P2P Team when processing orders to ensure they were not breaching their order limit or period of validity.
- Our testing found instances of non-compliance with procurement processes, including retrospective requisitions and purchase orders and a lack of evidence that the correct amount of quotations had been obtained, with no explanation why the correct amount was not obtained. However, we confirmed the P2P Team follow up with relevant staff when an invoice is received without a purchase order or a requisition form, they also remind staff at this point they must raise a requisition form and have an approved purchase order before an order is placed with the supplier. As they were already doing all that they could to prevent retrospective requisitions, we did not raise a management action for these findings.
- We confirmed the P2P Manager also sent a request to the Chief Finance Officer and Legal Department to approve a letter to be sent to all suppliers informing them that they will not receive payment without a purchase order, which should assist in reducing the amount of orders raised that do not follow procurement processes. This will be sent out to all suppliers once approval is received.

We have agreed one low priority management action in relation to the following:

- The DRM Manual had not been reviewed since July 2016, and the Procurement Procedures chapter had not been reviewed since November 2015. It was not clear in the DRM Manual for quotations obtained as part of the procurement process what evidence should be retained for this, where it should be retained / if it needs to be attached to the requisition and if not, then how long should it be retained for.

1.4 Additional information to support our conclusion

The following table highlights the number and categories of management actions made. The detailed findings section lists the specific actions agreed with management to implement.

Area	Control design not effective ¹		Non Compliance with controls ¹		Agreed actions		
	Low	Medium	High	Low	Medium	High	
Procurement	0	(6)	2 ²	(6)	1	0	0
Total	1	0	0	0	1	0	0

¹ Shows the number of controls not adequately designed or not complied with. The number in brackets represents the total number of controls reviewed in this area.

² Our review identified two findings, these have been addressed in one management action.

2 DETAILED FINDINGS

Categorisation of internal audit findings

Priority	Definition
Low	There is scope for enhancing control or improving efficiency and quality.
Medium	Timely management attention is necessary. This is an internal control risk management issue that could lead to: Financial losses which could affect the effective function of a department, loss of controls or process being audited or possible regulatory scrutiny/reputational damage, negative publicity in local or regional media.
High	Immediate management attention is necessary. This is a serious internal control or risk management issue that may lead to: Substantial losses, violation of corporate strategies, policies or values, regulatory scrutiny, reputational damage, negative publicity in national or international media or adverse regulatory impact, such as loss of operating licences or material fines.

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 internal audit testing undertaken.

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management
Area: Procurement						
1	There is a Devolved Resource Management (DRM) Manual of the Police and Crime Commissioner and the Chief Constable. Chapter 10 of the DRM relates to Procurement Procedures. The document is reviewed annually.	Yes	No	We obtained a copy of the DRM and found that it had last been reviewed in July 2016. We reviewed evidence of an email from the Chief Constables Chief Finance Officer and confirmed they had reviewed and approved the DRM in March 2016. We confirmed that Chapter 10 of the DRM related to Procurement Procedures. This chapter was last reviewed in November 2015, and was approved by the Chief Constables Chief Finance Officer in the review in March 2016. The DRM had not been reviewed in 2017 as, due to a lack of staff, it was decided that reviewing of the manual was not a priority for the limited resources available.	Low	The DRM will be reviewed in summer 2018. The Procurement chapter in the DRM will be reviewed and updated to clarify retention of evidence of quotations for requisitions. Responsible Officer: Governance and VfM Manager

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management																								
				<table border="1"> <thead> <tr> <th colspan="3">Risk Exposure</th> <th colspan="3">Root causes</th> </tr> </thead> <tbody> <tr> <td colspan="3">Risk incorrect procedures are being followed.</td> <td colspan="3">Procurement processes detailed in DRM are out of date / unclear.</td> </tr> <tr> <th>Probability</th> <th>Financial</th> <th>Reputational</th> <th>Operational</th> <th>Legal</th> <th>Rating</th> </tr> <tr> <td>Unlikely</td> <td>Negligible</td> <td>Negligible</td> <td>Negligible</td> <td>Negligible</td> <td>6:2</td> </tr> </tbody> </table>	Risk Exposure			Root causes			Risk incorrect procedures are being followed.			Procurement processes detailed in DRM are out of date / unclear.			Probability	Financial	Reputational	Operational	Legal	Rating	Unlikely	Negligible	Negligible	Negligible	Negligible	6:2		<p>Implementation Date:</p> <p>September 2018</p>
Risk Exposure			Root causes																											
Risk incorrect procedures are being followed.			Procurement processes detailed in DRM are out of date / unclear.																											
Probability	Financial	Reputational	Operational	Legal	Rating																									
Unlikely	Negligible	Negligible	Negligible	Negligible	6:2																									
2	<p>For orders between £10,000 - £50,000 three formal written quotations must be obtained.</p> <p>For orders below £10,000, three informal quotations are required. These can be screen prints of catalogues or websites.</p>	Yes	No	<p>We obtained a list of purchases since April 2017 and selected a sample of 24 purchases below £10k and a sample of 15 purchases between £10k and £50k. We carried out testing to confirm the correct procurement procedure had been followed.</p> <p>Our testing identified the following findings:</p> <p><u>Below £10,000</u></p> <p>We found that in two instances there was no evidence of quotations attached to the requisition:</p> <ul style="list-style-type: none"> In one of these instances the requisitioner had written in the requisition notes that they had obtained quotations but no evidence had been attached. This was for the purchase of entertainment that had the requisition form raised retrospectively, so the order had already been placed for the purchase team to request this evidence be attached. (£360) One of these instances was for the purchase of training, this requisition had been raised retrospectively by the Training Team who wrote in the notes that the order had not been placed by them with the supplier. There was no evidence of notes or an explanation of why the supplier had been used. (£3,395) 	-	See management action one																								

Ref	Control	Adequate control design (yes/no)	Controls complied with (yes/no)	Audit findings and implications	Priority	Action for management
				<p><u>£10,000 - £50,000</u></p> <ul style="list-style-type: none"> In one instance only two quotations had been obtained, with no explanation why a third had not been. (Digital Barriers Ltd £10,770) In one instance there was evidence attached to the requisition showing an email to the supplier informing them they had been awarded the work following review of quotations, however there was no evidence attached that showed quotations had been obtained for any other suppliers. (Opto Training Ltd £13,742) <p>If procurement processes are not followed and quotations are not obtained there is a risk that value for money is not being obtained.</p> <p>Discussions with the P2P Manager established that currently the P2P Team check all requisitions and where the correct amount of quotations are not received, they request them to be attached by the requisitioner, however the requisitions in the sample seem to have been missed. This may have been because quotations do not have to be attached to requisitions according to the DRM, it would therefore be more beneficial to clarify where evidence of quotations / tenders is to be held. This can then be stated in the DRM in order to ensure one point of contact for all relevant information.</p>		

APPENDIX A: SCOPE

The scope below is a copy of the original document issued.

Scope of the review

The scope was planned to provide assurance on the controls and mitigations in place relating to the following area:

Objectives of the area under review

To ensure that value for money is achieved through the robust procurement of good and services.

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

Areas for consideration:

Our review focused on compliance with the force's Devolved Resource Management Manual for procurement expenditure. In particular, our review focused on:

- Procurement policies and procedures had been reviewed, approved and communicated to staff.
- Sample testing of transactions to confirm compliance in the following areas:
 - Authorisation in line with delegated limits;
 - Quotations / tender 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.

We considered procurement activity below £10,000 and above £10,000 but below £50,000.

- Cumulative spend was reviewed, monitored and appropriate action taken where necessary.
- Exceptions to the procurement rules were used appropriately and were fully documented.

Limitations to the scope of the audit assignment:

- We have not provided a specific opinion on whether value for money was achieved through the procurement process.
- We did not review expenditure above £50,000.
- We did not seek to guarantee any cost savings.
- Our testing was compliance based and sample testing only.
- Our work does not provide absolute assurance that material errors, loss or fraud do not exist.

APPENDIX B: FURTHER INFORMATION

Persons interviewed during the audit:

- P2P Manager
- Senior P2P Officer
- Senior Procurement Officer
- Governance and VfM Manager

Documentation reviewed during the audit:

- DRM Manual
- Requisitions and purchase orders on Oracle
- Contract Standing Orders

FOR FURTHER INFORMATION CONTACT

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