

**Report of the Chief Finance Officer/S151 Officer for the PFCC
to the Chair and Members of the North Yorkshire Fire
Independent Audit Committee**

29th November 2022

Presenting Officer: Michael Porter, Chief Finance Officer

Status: For Information

Title: Update on Procurement Actions

1 Purpose

- 1.1 In July 2021 a report was considered by the Independent Audit Committee that related to an Internal Audit review of Procurement within the Fire Service.
- 1.2 This report is to provide the Committee with an update on the progress against the 3 agreed actions that were included within that limited assurance review.

2 Recommendations

Members are asked to:

- 2.1 Note the progress made to date in addressing the actions from this Internal Audit review.
- 2.2 Note that the new Internal Auditors will review this area in March 2023 and report to the Committee in June 2023.

3 **Reasons**

- 3.1 The report received by the Committee in July 2021 concluded that:
Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited. Our overall opinion of the controls within the system at the time of the audit was that they provided Limited Assurance.
- 3.2 The report highlighted 3 'Priority 2' actions, which were:
- 3.3 Action1:
- Introduce suitable procurement management and support capacity to provide day to day oversight of procurement activity.
 - Address the lack of procedures by adapting and adopting North Yorkshire Police procedures which already have been tested against procurement compliance and have in built gateways.
 - Align gateways with order processes within the FRS.
 - Include procurement governance for fire and rescue through the joint Strategic Commercial Board, to include performance review to better measure compliance by contract managers in the future.
- 3.4 Action 2:
- Introduce suitable procurement management and support capacity to provide day to-day oversight of procurement activity.
 - Increase the effectiveness of monthly reminders and introduce procedures (as per finding 1) above which will bring gateways into the process to prevent progressing to expenditure without contract and contract register entry and align procurement activity with financial processes.
 - Increase use of online portal by all contract managers (including appropriate training and licencing) to include register of contracts, live procurement activity and future pipeline.
- 3.5 Action 3:
- Introduce suitable procurement management and support capacity to provide day to day oversight of procurement activity.
 - Review long standing contract arrangements across the Service undertaking a detailed audit of all contracts on a risk basis. Develop a programme of contract renewals where issues identified.
 - Increase monitoring through the introduction of procedures and approval gateways. Increase training for budget holders and contract managers to help ensure compliance with procedures.

- 3.6 A Priority 2 action being 'A significant system weakness, whose impact or frequency presents risks to the system objectives, which needs to be addressed by management.'
- 3.7 A full update on all actions are included within the appendix to this report.
- 3.8 The appendix shows that:
- Action 1 – All of the 4 points within the action are now almost complete and good progress has been made in addressing these actions.
 - Action 2 – One point is complete, one in progress and the other (use of a procurement portal) is yet to start.
 - Action 3 – All 3 points within this action are now complete and awaiting launch/communicating.

4 Conclusion

The initial delays in implementing these actions has resulted in this area of concern being escalated on the 2021/22 Annual Governance Statement. Progress is now being made in addressing the issues raised and while there is still some work to be completed there is now more assurance that things are moving in the right direction.

To ensure the focus and attention does not slip then a further internal audit review will be undertaken to help inform the 2022/23 Annual Governance Statement and also provide an update on the level of assurance that can be taken from this important area of work.

Michael Porter
PFCC CFO

Appendix 1 - Action Plan = Procurement Audit

The original action plan to address procurement shortfalls is set out below.

Issue Identified	Proposed Actions	Action Taken	Status
<p>There are currently no comprehensive internal guidelines or internal assurance frameworks to help support consistent application of the contract regulations and procurement rules.</p>	<p>Introduce suitable procurement management and support capacity to provide day to day oversight of procurement activity.</p>	<p>The Finance phase 2 restructure has been completed in July 2022 with posts identified to support transition of procurement services for NYFRS to enableNY. Recruitment for roles within the structure is on-going. Three attempts at external recruitment have already taken place, 1 direct and 2 agency attempts, however recruitment was not successful with added difficulties of the current employment market. To provide Senior Procurement Officer capacity internal acting up arrangements are now in place which commenced on the 3rd October, this will however require backfill of the junior roles, this is currently with the recruitment agency to source. The Purchasing Officer candidate has completed vetting checks and commenced on the 07/11/22. Unfortunately, a Procurement Officer has sought a Procurement Officer role outside of NYP, this leaves gaps of two Procurement Officers within the Team. Due to current market conditions the market is very buoyant for Procurement Officers with organisations offering higher salaries.</p>	<p>Almost complete</p>
	<p>Address the lack of procedures by adapting and adopting North Yorkshire Police procedures which already have been tested against procurement compliance and have in built gateways.</p>	<p>Work is complete on a suite of procedural documents which align procurement process across all partners. These are now ready to be launched once the communication strategy has been finalised. These include:</p> <ul style="list-style-type: none"> • Contracts register and pipeline • Commissioning documents e.g Procurement Request Form (PRF) • Workplan and monitoring documents and processes • Procurement dashboard (PI and MI) <p>The launch will be dependent on the capacity of the Team and success of fulling roles within the Team, as above.</p>	<p>In progress (almost complete)</p>
	<p>Align gateways with order processes within the FRS.</p>	<p>Procurement governance and oversight is monitored by Strategic Commercial Board, and the transition arrangements will see this including NYFRS activity shortly. NYFRS reporting dashboard is now active. The FRS Contract Register is now populated and has been circulated to FRS colleagues.</p>	<p>Almost complete</p>

<p>The contracts register is inaccurate and incomplete.</p> <p>There is a significant proportion of spend made outside of recorded contracts.</p>	<p>Introduce suitable procurement management and support capacity to provide day-to-day oversight of procurement activity.</p>	<p>A new contracts register as above is in progress. It is proposed that to have an oversight of procurement activity that the process of populating a Procurement Request Form for all over £10k spend is introduced. As above resource is a concern to manage this. Introducing the PRF would also support the CR as all over £10k would be visible. This will increase accuracy in relation to current contracts and will also seek to identify those areas where expenditure is incurred without suitable contract arrangements. As above. It is acknowledged that increased support is needed strategically post the HMICFRS report, plans are in place to provide additional strategic/commercial support to oversee the SCB also to provide strategic support to onboard the FRS.</p>	<p>In progress (almost complete)</p>
	<p>Increase the effectiveness of monthly reminders and introduce procedures (as per finding 1) above which will bring gateways into the process to prevent progressing to expenditure without contract and contract register entry and align procurement activity with financial processes.</p>	<p>As above the current position re the contracts register is critical to the procurement function to manage future requirements or planning. This alongside a PRF to be raised for all requirements over £10k would provide visibility of activity across FRS. The monthly reminders will be superseded by the new processes (outlined above). This process has in-built gateway approvals which prevent orders being placed until suitable and proportionate procurement activity is completed. All expenditure over £10k (aggregation over 4 year period) will require a PRF to be completed).</p> <p>The current process for placing PO's is still with FRS colleagues. Procurement is reviewing current processes/resource to understand the impact if this is moved to the enable procurement team. Compliance cannot be assured for PO's whilst the separation exists within the FRS re purchasing & procurement. It is known however that the current process is a manual process with no P2P system in place.</p>	<p>In progress</p>
	<p>Increase use of online portal by all contract managers (including appropriate training and licencing) to include register of contracts, live procurement activity and future pipeline</p>	<p>In-Tend the new procurement portal is being implemented currently aligning with government expectation we will be utilising In-Tend procurement portal for NYFRS (this also aligns with NYP and is a Home Office driven approach and working with Blue Light Commercial. This will improve FRS transparency also align to NYP processes.</p>	<p>Not yet started</p>

Goods and Services spending in excess of Fire Service thresholds is not following procurement rules and do not have contracts. There is a lack of documented decision-making.	Introduce suitable procurement management and support capacity to provide day to day oversight of procurement activity.	The introduction of the above gateway process will ensure that procurement cannot proceed without passing through a series of gateways. This is aligned to financial process and uses data to analyse expenditure to monitor for non-compliant spend.	Process design complete awaiting launch
	Review long standing contract arrangements across the Service undertaking a detailed audit of all contracts on a risk basis. Develop a programme of contract renewals where issues identified.	Once the contract register review is complete it will facilitate the detailed review of contracts and identify the areas and categories where risks exist allowing a risk-based resource plan to be developed to put contracts in place where they don't exist and ensure those that do are managed and reviewed. As above introducing the PRF for all requirements over £10k will ensure spend is in line with FRS governance and procurement regulations. Also having oversight of the PO's would add compliance and ensure regulations are adhered to.	As above
	Increase monitoring through the introduction of procedures and approval gateways. Increase training for budget holders and contract managers to help ensure compliance with procedures.	The monitoring by Strategic Commercial Board and the provision of the procurement dashboard will provide contract managers with real time information to effect better planning and provide assurance that expenditure aligns with NYFRA Contract Regulations. The procurement dashboard is now 'live'. Procurement have slide packs which will provide guidance and support to budget holders, it is proposed that 'drop in' sessions will be provided to support the onboarding of FRS colleagues to understand how procurement is regulated and processes in place to meet legislative/organisational requirements of the organisation.	SCB in place Dashboard completed Awaiting comms strategy