

REVIEW OF PROCUREMENT & CONTRACT MANAGEMENT

Following our evaluation of the results of our audit work, we have assessed the performance and effectiveness of arrangements around the Procurement and Contract Management function, in place as follows:

Report Rating
Low

We have reviewed the processes, procedures and related control objectives in place for the strategy, compliance and performance of the procurement function. Our work was carried out in accordance with the SPA Internal Audit Plan for 2014/15. The overall objective of this review is to assess the procurement function to identify strengths, weaknesses and any potential areas of improvement compared with best practice processes and benchmarks and to provide the SPA Audit and Risk Committee with a level of assurance in regard to the procurement function.

Please note that this report has been produced for the Scottish Police Authority and Police Service of Scotland and we neither accept nor assume any responsibility to any other party in relation to it. The conclusions and recommendations are based on the results of audit work carried out, are reported in good faith and are designed to enhance or complement existing controls. However, it is for management to satisfy itself as to the practicality of implementing the audit report recommendations.

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Section 1 Executive Summary

Purpose and Scope of the Audit

- 1.01 The 2014/15 Audit Plan provides for a review of the effectiveness of the procedures and controls in place for the procurement and contract management function.
- 1.02 The overall objective of this review is to assess the strategy; compliance; and performance of the procurement function to identify strengths, weaknesses and any potential areas of improvement to provide the Scottish Police Authority (SPA) Audit and Risk Committee with a level of assurance in regard to the procurement function.
- 1.03 In undertaking this review, Internal Audit has recognised the challenges facing the Police Service of Scotland (PS) in bringing together eight legacy forces processes and procedures. Our review highlights progress made to date and any recommendations that could improve or enhance the procurement and contract management function within Police Scotland.

Audit Methodology

- 1.04 The methodology adopted in undertaking our work included:-
- Review the Police Scotland Procurement Strategy, and to assess whether it sets out its commitment to achieve value for money through its activity and is aligned to PS strategic goals;
 - Report on any savings/efficiencies realised;
 - Review the number and value of contracts awarded since the inception of PS;
 - Selected a number of Corporate Procurement Contracts/arrangements in place and review for expected savings/efficiencies if any; legislative requirements; contract authorisation and approval;
 - Selected a number of ICT Contracts/arrangements in place and review for expected savings/efficiencies if any; legislative requirements; contract authorisation and approval;
 - Selected a number of Estates Department Contracts/arrangements in place and review for expected savings/efficiencies if any; legislative requirements; contract authorisation and approval; and

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- Report on the performance monitoring of the procurement function including reporting of KPI'S used to monitor the effectiveness of the procurement function, particular in relation to savings realised.

Overall Conclusion

- 1.05 Our audit has confirmed that the processes in place for Procurement and Contract Management are generally operating in an effective manner at the time of our review. However, our work has demonstrated that for a number of areas there is a scope for process improvement with regard to –
- The Procurement Manual now in place and used internally should be shared with relevant staff and management across PS; (see Finding 2.1);
 - Updating the National Contract Register for all areas ensuring consistency across the Procurement function; (see Finding 2.2);
 - KPIs are identified, established and reported regularly to the Procurement Governance Board and Finance & Investment Committees. (see Finding 2.3); and
 - Providing assurance within regular reporting over the capacity of the function to maintaining up to date contract arrangements with suppliers i.e. looking at the expenditure via contract and non-contract. During the audit we noted, as part of the consolidation of Police Scotland procurement, there is expenditure outwith contract being made. Further work is required to audit this area of procurement and this will fall into the 2015/16 audit work.
- 1.06 We have rated the overall risk attached to the Procurement/Contract management process as Low at the time of this report.

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Recommendation Classification (5 Levels)

1.07 The table below indicates the number and rating of recommendations made in this report:

Recommendations Made and Significance		No.
Critical	Recommendations which are crucial to address key weaknesses in the control environment. Immediate remedial action is required.	-
High	Recommendations which are fundamental to address significant weaknesses in the control environment. Immediate remedial action is required.	-
Medium	Recommendations which address control issues and provide scope for improvement. Prompt action required.	1
Low	Recommendations which are considered less significant, however the opportunity exists to enhance the internal control environment.	1
Advisory	Recommendations which do not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.	1

Acknowledgement

1.08 We take this opportunity to thank all staff contacted for their co-operation and assistance during this audit review.

Section 2 Recommendations and Action Plan

Ref	Findings	Recommendations <i>[Comments]</i>	Rating	Management Response / Responsible Officer / Date for Implementation
2.1	A wider distribution of the Procurements Manual across management within all likely client departments/functions within Police Scotland would enhance understanding and aid effective delivery of procurements.	The Procurement Manual should be distributed to relevant Police Scotland managers to assist in their roles.	Advisory	<p>The current Procurement Manual was written as a day-to-day reference guide for central procurement practitioners and therefore, is not a particularly user friendly document for non-procurement professionals.</p> <p>A separate document (the Procurement Process Roles & Responsibility Framework) is currently being drafted, which aims to set out the end-to-end procurement process in an easy to follow, stage bound way, highlighting the key roles and responsibilities of both the client department and the procurement / commercial specialist for each stage. The document being prepared follows the Scottish Government Procurement Journey.</p> <p>Responsible Officer: Gordon Downie, Head of ICT Commercial Strategy and Procurement</p> <p>Proposed Date for Implementation: 31 August 2015.</p>
2.2	There should be a concerted effort to create an overarching National Contract Register for all arrangements in place through the procurement function within Police Scotland. The existence of registers at operational level should be reviewed and consistency applied in format and style etc. Routine reconciliation of the NCR with operational registers	The creation of a unified National Contracts Register for all Contract arrangement, should be put in place.	Low	<p>The format and structure of the current operational contract registers is being reviewed and will be standardised across our three Procurement categories.</p> <p>The standardisation of the operational registers will, in time, enable easier consolidation into a</p>

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	<p>should be undertaken to ensure completeness and compliance with legislation in this area.</p>			<p>single National Contract Register. As highlighted in the Procurement Strategy and in line with the requirements of the new Procurement legislation, due to come into force in 2016, it is our intention to publish the single National Contract Register to the Scottish Government Information Hub.</p> <p>Responsible Officer: Gordon Downie, Head of ICT Commercial Strategy and Procurement</p> <p>Proposed Date for Implementation: 31 December 2015.</p>
<p>2.3</p>	<p>At the time of reporting there remains no robust reporting of the remaining Key Performance Indicators. The Procurement function should work with the SPA to establish an agreed set of measures/indicators. This will require robust information and baseline figures to allow the function to be measured for effectiveness and efficiency.</p>	<p>KPIs should be agreed and monitoring processes put in place for reporting.</p> <p>Additionally, the function should consider options including regular feedback meetings to be conducted with end users and contractors, as well as the potential for customer satisfaction surveys and scoring forms from client departments should be considered.</p>	<p>Medium</p>	<p>We recognise the need to evidence how procurement activities are supporting the organisation and we will work with the Scottish Police Authority to establish the agreed set of measures/indicators. This activity will contribute to the wider element of work being delivered under the Corporate Strategy. The Procurement function will work with the SPA to establish and agree the baseline for the set of measures/indicators agreed within the Procurement Strategy.</p> <p>Part of the document being drafted on roles and responsibilities during the procurement process, referred to in 2.1 above, will contain a process for feedback and Lessons Learned.</p> <p>Responsible Officer: Gordon Downie, Head of ICT Commercial Strategy and Procurement</p> <p>Proposed Date for Implementation: 31 August 2015.</p>

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Appendix 1 - Definition of Internal Audit Findings (5 Levels)

Finding Rating	Assessment Rationale
Critical	A finding that could have a: <ul style="list-style-type: none">• Critical impact on operational performance; or• Critical monetary or financial statement impact; or• Critical breach in laws and regulations that could result in material fines or consequences; or▪ Critical impact on the reputation or brand of the organisation which could threaten its future viability
High	A finding that could have a: <ul style="list-style-type: none">• Significant impact on operational performance ; or• Significant monetary or financial statement impact; or• Significant breach in laws and regulations resulting in significant fines and consequences ; or▪ Significant impact on the reputation or brand of the organisation
Medium	A finding that could have a: <ul style="list-style-type: none">• Moderate impact on operational performance; or• Moderate monetary or financial statement impact; or• Moderate breach in laws and regulations resulting in fines and consequences; or▪ Moderate impact on the reputation or brand of the organisation.
Low	A finding that could have a: <ul style="list-style-type: none">• Minor impact on operational performance; or• Minor monetary or financial statement impact; or• Minor breach in laws and regulations resulting in fines and consequences; or▪ Minor impact on the reputation or brand of the organisation.
Advisory	A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.

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Appendix 2 - Overall Internal Audit Report Classifications (4 Levels)

Report rating	Rationale
Critical (40 points or more)	Report classification is determined by a 'score', which is calculated based on the number of findings in the report. Points per finding are: Low risk finding - 1 point per finding Medium risk finding - 3 points per finding High risk finding - 10 points per finding Critical risk finding - 40 points per finding
High (16 - 39 points)	
Medium (7 – 15 points)	
Low (6 points or less)	

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