

UHI North, West and Hebrides



Internal Audit

2024-25

Procurement Draft Report

February 2025

Overall Conclusion

Weak



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The matters raised in this report came to our attention during the course of our audit and are not necessarily a comprehensive statement of all weaknesses that exist or all improvements that might be made.

This report has been prepared solely for UHI North, West and Hebrides's individual use and should not be quoted in whole or in part without prior written consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any third party.

We emphasise that the responsibility for a sound system of internal control rests with management and work performed by internal audit should not be relied upon to identify all system weaknesses that may exist. Neither should internal audit be relied upon to identify all circumstances of fraud or irregularity should there be any although our audit procedures are designed so that any material irregularity has a reasonable probability of discovery. Every sound system of control may not be proof against collusive fraud. Internal audit procedures are designed to focus on areas that are considered to be of greatest risk and significance.

1 Executive summary

Overview

Purpose of review

The purpose of this review was to assess the procurement process in place, from identifying procurement needs, through to appraising options and contracting with suppliers. We also sought to assess if the College is complying with legislative requirements. We also assessed the controls the College has in place to mitigate the risk of fraud.

This review formed part of our 2024/25 Internal Audit Annual Plan.

Scope of review

Our objectives for this review were to assess if:

- | An agreed Procurement Strategy and appropriate policies and procedures are in place to guide staff on making purchasing decisions. This should comply with the requirements of the new Procurement Bill.
- | Staff have been trained in procurement and receive appropriate procurement support, in particular in relation to changes as a result of the new Procurement Bill.
- | Agreed procurement procedures are being consistently followed, leading to value being achieved from purchases.
- | There are controls in place to mitigate the risk of fraud in relation to the procurement process.

Our approach to this assignment took the form of discussion with relevant staff, review of documentation and where appropriate sample testing.

1 Executive summary

UHI North, West and Hebrides
Procurement

Limitation of scope

There was no limitation of scope.

1 Executive summary

Background

Merger

On 1 August 2023, UHI North Highland, UHI Outer Hebrides and UHI West Highland merged to form UHI North, West and Hebrides. As a result of the merger the College is undergoing a process of retrospectively procuring its legacy suppliers, in addition to procuring suppliers from 1 August 2023 through its procurement routes. **Please refer to Section 4 – Observations for information.** Those involved in the process have been required to conduct their regular duties whilst assisting in the procurement of legacy suppliers, procurement duties and attempting to embed a culture of encouraging staff to follow procurement routes. During our review, the College observed that limited procurement staffing resources have contributed to an unusually high workload for those involved in procurement. **Please refer to Section 4 – Observations for information.**

Procurement Strategy (2022-2025)

The Procurement Strategy, which was approved by the Finance and General Purpose Committee, sets out the College's four procurement objectives:

- | To work with and educate internal and external stakeholders to deliver value for money, innovative, and sustainable products and services to meet the needs of the college.
- | To comply with relevant Scottish and UK legislation and embed sound, ethical, social, and environmental policies in alignment with the Sustainable Procurement Duty and the global climate emergency targets.
- | To analyse the college's non-pay expenditure and apply appropriate procurement strategies to deliver value for money and reduce commercial risk.
- | To develop appropriate management information through optimal use of procurement systems in order to measure procurement and supplier performance including value for money and value-added services achieved by the college.

1 Executive summary

Procurement Policy

The Procurement Policy sets out the following thresholds:

Less than £5,000

Goods or services below this value may be sourced without having to obtain written or verbal quotations, but value for money must always be obtained.

Between £5,000 - £49,999

For goods and services, the procurer is required to obtain a minimum number of three quotations (the preferred method for doing this is through the Public Contracts Scotland 'Quick Quote' facility). Purchases over £25,000 requires liaison with the UHI Procurement Shared Service Representative.

More than £50,000 and less than £177,897 (Government Procurement Agreement (GPA) Threshold)

For Goods and Services, the procurer must undertake a formal tendering process and must advertise on the national advertising website Public Contracts Scotland.

Over £177,897 (GPA Threshold)

For goods and services projects the procurer must undertake a full formal tendering process and advertise the contract opportunity on the UK Governments' Find a Tender Service (FTS), as well as on Public Contracts Scotland. However, tenders that have EU Funding are still advertised in the Official Journal of the European Union (OJEU) for compliance

1 Executive summary

Training

Members of staff involved in procurement are provided with training by members of Advanced Procurement for Universities and Colleges (APUC) staff that operate a shared service within the College and support its procurement functions. Our review found that members of staff involved in procurement were last provided with training by members of APUC in August and September 2024.

Hunter

The College uses the Hunter Database to manage their procurement which provides staff with the ability to view live contracts, expiring contracts (including their expiration date) and run a variety of reports including spend analysis, benefit statement, retender and other key reports.

Supplier Testing Evidence

During our review, we reviewed 24 suppliers, across the following thresholds: Less than £5,000, between £5,000 - £49,999 and more than £50,000 and less than £177,897 (GPA Threshold) and found that 19/24 followed the Colleges new Strategy or the legacy Colleges Strategies whilst 5/24 had no contract in place or evidence of a procurement process being undertaken. The spend for the five suppliers in question totalled £287,887 since 1 August 2023. **Please refer to Section 3 – Detailed Recommendations for information.**

Fraud Policy Response Plan

A Fraud Policy Response Plan is in place that documents that College's approach to fraud and provides staff with guidance to follow should they suspect fraud. Our review found that the Fraud Policy Response Plan is in draft and will be going to the Board of Management in March 2025 for approval. We note that the Plan includes all areas that we would expect to see. **Please refer to Section 4 – Observations for information.**

1 Executive summary

New Suppliers

New suppliers are added to the system using a New Supplier Form that documents the supplier's detail, this is then approved by the relevant Budget Holder and the Finance Manager. For a sample of 5 new suppliers, September 2024 - November 2024, it was confirmed a New Supplier Form was completed and signed by the Budget Holder and the Finance Manager.

Changing supplier details

When a supplier notifies the College, they wish to amend their details a Change Request Form is used to process the change, this is completed by a member of the Finance Team and approved by the Finance Team Leader. Our review tested a sample of five changes to suppliers' details, September 2023 - November 2024, and confirmed that a Change Request Form was used and that it was checked by a member of the Finance Team and approved by the Finance Team Leader.

1 Executive summary

Work Undertaken

Our work undertaken for this review included the following:

Objective 1: An agreed procurement strategy and appropriate policies and procedures are in place to guide staff on making purchasing decisions. This should comply with the requirements of the new Procurement Bill.

| We reviewed the Procurement Strategy and Procurement Policy, to confirm that there is sufficient guidance in place for staff.

Objective 2: Staff have been trained in procurement and receive appropriate procurement support, in particular in relation to changes as a result of the new Procurement Bill.

| We reviewed the most recent training materials and events provided to staff, to confirm that staff involved in procurement are subject to training.

Objective 3: Agreed procurement procedures are being consistently followed, leading to value being achieved from purchases.

| We undertook sample testing to assess if the Procurement Strategy was being adhered to. We reviewed a sample 24 suppliers and found:

| 19 of the 24 were satisfactory.

| 5 of the 24 had no contract in place. This totalled £287,886.75 worth of spend. **Please refer to Section 3 – Detailed Recommendations for information.**

1 Executive summary

Objective 4: There are controls are in place to mitigate the risk of fraud in relation to the procurement process.

- | We reviewed the Fraud Prevention Policy and Response Plan to confirm that this contained the areas that we would expect to see.
- | We reviewed the fraud awareness training certification, to confirm that staff are provided with training on fraud awareness.
- | We reviewed a sample of five new suppliers, to confirm a New Supplier Form was completed and approved by the relevant member of staff.
- | We reviewed a sample of five changes to suppliers' details, to confirm a Change Request Form was completed and approved by the relevant member of staff.

1 Executive summary

Conclusion

Overall conclusion

Overall Conclusion: Weak

Following our review, we can provide a weak level of assurance regarding the procurement arrangements in place at the Association. This is highlighted as we have raised one high grade recommendation for improvement, this is in relation to the procurement of suppliers/contractors. **Please refer to Section 3 – Detailed Recommendations for information.** We have also raised there observations for consideration. **Please refer to Section 4 – Observations for information.**

Summary of recommendations

Grading of recommendations

	High	Medium	Low	Total
Procurement	1	0	0	1

The following is a summary of the recommendations we have graded as high.

- | Suppliers that have not fully undergone a procurement process.

1 Executive summary

Areas of good practice

The following is a list of areas where the College is operating effectively and following good practice.

1.	Members of the Finance Team and staff involved in the procurement function are provided with fraud awareness training.
2.	From a sample of five new suppliers from September 2024 - November 2024, our review confirmed a New Supplier Form was completed and signed by the Budget Holder and the Finance Manager.
3.	For a sample of five changes to suppliers' details, September 2023 - November 2024, our review confirmed that a Change Request Form was in place and that this was checked and approved by two members of finance with authority to do so.
4.	The College has a Procurement Strategy and a Procurement Policy in place setting out its vision in relation to procurement and providing staff with guidance on how to manage procurement.
5.	Procurement training is provided by members of the APUC, who work as part of a shared service and support the College's in managing its procurement. Our review confirmed that training was last provided by the APUC in August and September 2024 to 12 staff members involved in procurement.
6.	Staff involved in procurement have been retrospectively procuring legacy suppliers to ensure that the suppliers used by the College have undergone the appropriate procurement route.
8.	Those involved in procurement are encouraging staff to follow procurement routes and have been embedding a culture of following procurement guidance.

1 Executive summary

The following is a list of areas where the College is operating effectively and following good practice.

9.	Staff use the Hunter Database, the procurement system used by the College, to produce a variety of reports to analyse procurement spend. This has included: spend analysis report, benefit reports, local savings reports.
10.	Contract expiry dates are monitored through the Hunter Database which allows users to view upcoming contracts that are about to be expired.
11.	<p>PECOS, a P2P system that is part of the Scottish Government eCommerce Shared Service, is in use across the College, and was extended in autumn 2023 to those sites not previously using it.</p> <p>This provides the ability to automate purchase to pay processes from purchase orders through to the payment of invoices and also permits the purchase of goods and services from contracts and catalogues put in place by Procurement</p> <p>On 1st August 2024 the approval matrix was fully refreshed and is aligned with the College's Schedule of Delegation and the new interim organisational structure.</p>

2 Benchmarking

We include for your reference comparative benchmarking data of the number and ranking of recommendations made for audits of a similar nature in the most recently finished internal audit year.

Procurement

Benchmarking				
	High	Medium	Low	Total
Average number of recommendations in similar audits	0	2	2	4
Number of recommendations at UHI North, West and Hebrides	1	0	0	1

From the table above it can be seen that the College has a lower number of recommendations compared to those colleges it has been benchmarked against.

3 Detailed recommendations

Procured Suppliers			
Ref.	Finding and Risk	Grade	Recommendation
1.	<p>Suppliers should go through a procurement process to ensure that an organisation selects an appropriate supplier that can provide the goods or services expected by the organisation and, depending on value, comply with UK legislation. The procurement process varies depending on the level of spending with the supplier and therefore the level of risk posed to an organisation.</p> <p>During our review, we tested a sample of 24 suppliers which highlighted that:</p> <ul style="list-style-type: none"> 19 of the 24 were subject to the Colleges or legacy College's procurement processes. Five of the 24 had no contract in place and there was no evidence of the procurement process being carried out. Spend for the 5 suppliers totaled £287,887. <p>We acknowledge that as a result of the restructuring of the College, the process of ensuring that all suppliers currently used by the College have been subject to procurement processes commenced on 1 August 2023.</p> <p>We note that the College is currently assessing the suppliers used and are undertaking an exercise to ensure that</p>	High	<p>We recommend that the College continues on its journey to procure its legacy suppliers to increase the level of suppliers that have undergone the procurement process. We also recommend that the College's staff members are reminded of the necessity to follow procurement routes and are provided with guidance on how to follow these routes.</p>

3 Detailed recommendations

	<p>suppliers/contractors are subject to a procurement exercise and have developed a plan to address the legacy procurement issues. We note that the College expect this to be undertaken over the next two years.</p> <p>There is the risk that the College may use an unsuitable or inappropriate supplier, as they have not gone through a procurement process, which could lead to the College being unable to demonstrate value for money.</p>		
Management response			Responsibility and implementation date
<p>On merger the College inherited a heterogenous range of procurement practices and processes from the three legacy colleges and has been working since 1st August 2023 to deliver a procurement strategy, processes and procedures that are both effective and compliant.</p> <p>Management accepts, as highlighted in this report, that even 18 months post-merger, that considerable work still remains to be completed and that the full scope of the change required is a multi-year project.</p> <p>In accordance with the scope of the review management would highlight the following specific deliverables:-</p> <p><u>Procurement strategy / policies / procedures</u></p> <p>1) Annual procurement report to the Board (represents best practice and mandatory for colleges with non-pay spend >£5m)</p>			<p><i>Responsible Officer:</i></p> <p>Vice-Principal of Resources and Enterprise (CFO)</p> <p><i>Implementation Date:</i></p>

3 Detailed recommendations

<ul style="list-style-type: none"> • Report for FY2023-24 • Report for FY2024-25 	June 2025 December 2025
2) Undertake a spend profile exercise to identify high risk areas and put in place an implementation plan for each to mitigate those risk(s)	July 2025
<u>Staff training</u>	
3) Staff induction to include two modules; on procurement and fraud awareness	Head of Finance - May 2025
4) PECOS training for both requisitioners and approvers	Head of Finance - July 2025
<u>Procedures</u>	
<p>PECOS is a recognised area of good practice within the Sector and, post-merger, has been rolled out to all parts of the College and the proportion of non-pay spend going through this channel has already been increased form an initial base of <50% of transactions.</p>	
5) A plan will be developed and implemented to increase the percentage of purchase transactions being made via PECOS:	
<ul style="list-style-type: none"> • By end FY2024-25 - to 70% 	Head of Finance – Jul-25
<ul style="list-style-type: none"> • By end FY2025-26 – to 85% 	Head of Finance – Jul-26
<p>[As a benchmark, usage by other colleges, with well-established and dedicated procurement teams, is circa 90%]</p>	
6) Recruit additional staff resource to accelerate the forward contracting plan	Vice-Principal of Resources and Enterprise (CFO) - March 2025

3 Detailed recommendations

<u>Fraud risk</u> 7) Maintaining annual participation in the National Fraud Initiative	Ongoing
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4 Observations

The following is a list of observations from our review

1.	During our review, we were informed that the College have a Procurement Plan in place to address the procurement of legacy suppliers/contractors and are looking to address legacy procurement through this Plan over the next two years eighteen months. The College states that a two-year timescale was in place due to the lack of resources for procurement while staff conduct their day-to-day jobs alongside their procurement responsibilities, however this has now been shortened to a target date of 31 July 2026 following a decision by the College executive team to recruit a procurement/contracting admin assistant as soon as possible.
2.	Our review found the College's Fraud Prevention Policy and Response Plan is in draft format. We acknowledge that this is expected to be approved by the Board of Management in March 2025 alongside a suite of other policies that are expected to be imminently approved by the Board of Management.

5 Audit arrangements

The table below details the actual dates for our fieldwork and the reporting on the audit area under review. The timescales set out below will enable us to present our final report at the next Audit & Risk Management Committee meeting.

Audit stage	Date
Fieldwork start	20 January 2025
Closing meeting	7 February 2025
Draft report issued	14 February 2025
Receipt of management responses	19 February 2025
Final report issued	20 February 2025
Audit & Risk Management Committee	26 February 2025
Number of audit days	8

6 Key personnel

We detail below our staff who undertook the review together with the College staff we spoke to during our review.

Wbg			
Partner	Graham Gillespie	Partner	gg@wbg.co.uk
Manager	Scott McCready	Internal Audit Manager	smc@wbg.co.uk
Senior	Colin McNeill	Internal Audit Senior	cmn@wbg.co.uk

UHI North, West and Hebrides			
Key Contacts:	Derek Bond	Finance Director	Derek.Bond.whc@uhi.ac.uk
	Kevin Mallett	Head of Finance	kevin.mallett@uhi.ac.uk
Wbg appreciates the time provided by all the individuals involved in this review and would like to thank them for their assistance and co-operation.			

A Grading structure

For each area of review, we assign a level of assurance in accordance with the following classification:

Assurance Classification	
Strong	Controls satisfactory, no major weaknesses found, no or only minor recommendations identified.
Substantial	Controls largely satisfactory although some weaknesses identified, recommendations for improvement made.
Weak	Controls unsatisfactory and major systems weaknesses identified that require to be addressed immediately.
No	No or very limited controls in place leaving the system open to significant error or abuse, recommendations made require to be implemented immediately.

A Grading structure

For each recommendation, we assign a grading either as High, Medium, or Low priority depending on the degree of risk assessed as outlined below:

Grading	Classification
High	Major weakness that we consider needs to be brought to the attention of the Audit & Risk Management Committee and addressed by Senior Management of the College as a matter of urgency.
Medium	Significant issue or weakness which should be addressed by the College as soon as possible.
Low	Minor issue or weakness reported where management may wish to consider our recommendation.

Purpose of review

The purpose of this review is to assess the procurement process in place, from identifying procurement needs, through to appraising options and contracting with suppliers. We will also seek to provide assurance that the College is complying with legislative requirements. We will also review the controls the College has in place to mitigate the risk of fraud.

This review forms part of our 2024/25 Internal Audit Annual Plan.

Scope of review

Our objectives for this review are to assess if:

- | An agreed procurement strategy and appropriate policies and procedures are in place to guide staff on making purchasing decisions. This should comply with the requirements of the new Procurement Bill.
- | Staff have been trained in procurement and receive appropriate procurement support, in particular in relation to changes as a result of the new Procurement Bill.
- | Agreed procurement procedures are being consistently followed, leading to value being achieved from purchases.
- | There are controls in place to mitigate the risk of fraud in relation to the procurement process.

Our approach to this assignment took the form of discussion with relevant staff, review of documentation and where appropriate sample testing.

Limitation of scope

There is no limitation of scope.

Audit approach

Our approach to the review will be:

- | Discussion with relevant personnel to establish the current procurement arrangements in place in the College. This will consider the procurement strategy, management's assessment of where they are with procurement and where the priorities for further development on procurement practice are. This will include consideration of the College's spend profile and whether frameworks and tenders are used.
- | Obtain, review, and assess any documented procurement strategy, policy, and procedures. We shall confirm what procurement policies and procedures are in place and review these for completeness, clarity, and adequacy. We shall ensure these align with recognised good practice and provide clear guidance on how to make a purchasing decision and enter into contracts with suppliers as well as ensuring staff are aware of the existence of these documents.
- | Ascertaining the process for identifying the procurement needs of the College and assessing this to confirm whether this is fit for purpose and based on sound rationale and will provide the College with value for money in its procurement.
- | Establishing the appraisal process for procurement to ensure that this is adequate and is being followed by all staff. We shall undertake sample testing on the appraisal process.
- | Establishing if contracts are in place for all relevant procurement. We shall test a sample of spend with contracted suppliers to ensure the purchase was of a nature covered by the contract. We shall use data analytics to cross check this with the spend profile to assess if those suppliers with high value spend are included on the contracts register.
- | Review of staff training arrangements in relation to procurement.

Potential key risks

The potential key risks associated with the area under review are:

- | An agreed procurement strategy and appropriate policies and procedures may not be in place to guide staff on making purchasing decisions.
- | Staff may not have been trained in procurement or may not receive appropriate procurement support.
- | Agreed procurement procedures may not be consistently followed, leading to poor value being achieved from purchases.
- | There are insufficient controls in place to mitigate the risk of fraud in relation to the procurement process.