

Glasgow Kelvin College

Procurement and Creditors / Purchasing

Internal Audit report No: 2025/02

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Level of Assurance

In addition to the grading of individual recommendations in the action plan, audit findings are assessed and graded on an overall basis to denote the level of assurance that can be taken from the report. Risk and materiality levels are considered in the assessment and grading process as well as the general quality of the procedures in place.

Gradings are defined as follows:

Good	System meets control objectives.
Satisfactory	System meets control objectives with some weaknesses present.
Requires improvement	System has weaknesses that could prevent it achieving control objectives.
Unacceptable	System cannot meet control objectives.

Action Grades

Priority 1	Issue subjecting the College to material risk and which requires to be brought to the attention of management and the Audit and Risk Committee.
Priority 2	Issue subjecting the College to significant risk and which should be addressed by management.
Priority 3	Matters subjecting the College to minor risk or which, if addressed, will enhance efficiency and effectiveness.



Management Summary

Overall Level of Assurance

Good	System meets control objectives.
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Risk Assessment

This review focused on the controls in place to mitigate the following risks on the Glasgow Kelvin College ('the College') Strategic Risk Register as at September 2024:

- Risk 3 – Litigation / compliance (Residual Risk Score – 3: Medium); and
- Risk 5 – Sustainable funding (Residual Risk Score – 20: Very High).

Background

As part of the Internal Audit programme at the College for 2024/25 we carried out a review of the College's Procurement and Creditors / Purchasing arrangements. The Audit Needs Assessment identified this as an area where risk can arise and where Internal Audit can assist in providing assurances to the Principal and the Audit and Risk Committee that the related control environment is operating effectively, ensuring risk is maintained at an acceptable level.

The College uses P2P software to process the majority of purchases made. This software requires that purchase orders (POs) are raised and authorised by two different staff members who possess the required level of delegated purchasing authority. When goods or services are received, these are receipted on P2P. Invoices are received; compared to the authorised and receipted POs, and as long as they match, then they are processed into a payment batch on the Finance system pending payment. Some expenses are not processed through P2P and are paid directly by credit card. There are separate processes in place for the authorisation of expenditure via credit card, which requires segregation of duties and provision of supporting documentation. Payments are generally made by BACS but can be made via other mechanisms (including internet banking, direct debit, petty cash, cheque and credit card).

The Procurement Reform (Scotland) Act 2014 (and related regulations) provide the legal framework for college procurement activity. In particular, there are specific procurement requirements that must be applied to expenditure estimated to be at least £50,000 over the whole life of the contract. The College has contracted with APUC (Advanced Procurement for Universities and Colleges), who provide specialist procurement professionals to undertake the College's procurement function. APUC has procurement staff located in the other two Glasgow colleges and also has a Head of the Glasgow Regional Procurement Team who provides overarching management and oversight of the APUC procurement resource.

Scope, Objectives and Overall Findings

This audit focused on the systems of internal control in place for the ordering of goods and services and the payment of invoices. We also considered whether the procurement strategy followed, and the associated procedures which are in place, support best value purchasing across the College in relation to non-pay spend.

The table below notes each separate objective for this review and records the results:

Objective		Findings					
The objectives of the audit were to ensure that:				1	2	3	Actions already in progress
				No. of Agreed Actions			
1.	The College’s Procurement Policy, Strategy and procurement guidance are comprehensive, kept up-to-date and in line with the Procurement Reform (Scotland) Act 2014 (‘the Act’) and The Procurement (Scotland) Regulations 2016 (‘the Regulations’).	Good		-	-	-	
2.	Procurement procedures ensure that: • Areas of high spend across the College are monitored appropriately • Opportunities for pooling of expenditure are identified in order to achieve best value; and • Collaborative procurements and frameworks available to the College are utilised where appropriate.	Good		-	-	-	
3.	Purchase orders are completed for relevant purchases and are approved by members of staff with sufficient delegated authority prior to issue to suppliers, with the risk of unauthorised and excessive expenditure being minimised.	Satisfactory		-	-	-	✓
4.	The College’s procurement guidance on quotes and tenders are being complied with.	Good		-	-	-	
5.	All liabilities are fully and accurately recorded.	Good		-	-	-	
6.	All payments are properly authorised, processed, and recorded.	Good		-	-	-	
7.	Appropriate controls are in place over the amendment of standing supplier data on the finance system.	Good		-	-	-	
Overall Level of Assurance		Good		-	-	-	
				System meets control objectives.			

Audit Approach

Through discussions with Procurement, Finance staff and a selection of budget holders, and through review of documentation, we established the procurement strategies, procedures and monitoring arrangements which are in place and operating within the College. These were then evaluated to establish whether they follow recognised good practice.

Specifically, we sought to establish whether the procurement procedures ensure that areas of high spend across the College are monitored appropriately, identifying opportunities for pooling of expenditure in order to achieve best value, and ensuring that joint purchasing arrangements available to the College are utilised where appropriate.

We also documented controls in place within the purchasing / payments system through interviews with Finance staff and also sought to establish whether the expected key controls are in place. We also performed compliance testing to determine whether key controls are working effectively, including selecting a sample of items of expenditure from the financial ledger and testing to ensure compliance with the College's Financial Regulations and Procedures.

Summary of Main Findings

Strengths

- The College has a procurement framework in place, which incorporates a Procurement Strategy, a Procurement Policy, and associated Procurement Procedures. These were found to be comprehensive, up-to-date and aligned with the relevant legislation.
- The Annual Procurement Report (2022/23) was found to have been prepared in line with the relevant Act and Regulations and we confirmed that it was published on the College's website.
- The College demonstrated good use of opportunities for pooling of expenditure and collaborative procurements and makes use of this approach with shared contracts in place with the other two regional Glasgow colleges.
- There is a full time, experienced and trained procurement staff member who has been seconded into the College from APUC to oversee the College's procurement function. They are supported by additional APUC staff, software, and tools.
- The Procurement & Commercial Improvement Programme (PCIP) pulse check conducted in April 2024 scored the College's procurement approach and its application at 87% (or Gold).
- There are adequate arrangements in place in relation to the raising and approval of requisitions within the P2P system, with each request requiring approval from the appropriate budget manager(s). Once the requisition is approved, a PO is generated on the system and is submitted to the supplier.
- The P2P purchasing system is connected to the PECOS supplier catalogues to enable users to select current and framework contractors when generating a purchase request.
- An appropriate staff member is required to confirm that goods or services have been satisfactorily received to complete a three-way match within P2P of PO, goods receipt, and invoice, prior to the invoice being processed for payment.
- All sample payments reviewed were checked and authorised appropriately, with adequate segregation of duties evident, prior to the invoice being processed.
- Requests for changes to supplier bank details are independently verified with the supplier. A supplier change form is completed by the Finance Assistants, who have delegated approval from the Finance and Student Payments Manager, before any changes to standing supplier details are made on the finance system. The Finance and Student Payments Manager also reviews all changes to supplier bank details prior to each payment run to confirm that the changes made are legitimate and accurate.

Summary of Main Findings (Continued)

Opportunity for Enhancement

The review did identify areas where further improvements could be made to enhance existing arrangements. It was noted that at present 40% of invoices received by the College do not have a PO in place. While controls are in place, and are being applied, to investigate the significant number of invoices received without a PO, this high proportion invoices received which do not quote a PO does reduce the effectiveness of the controls in place and reduces the effectiveness of the automatic three-way matching process for invoices received within P2P.

No recommendation has been made in this area as we have been informed that the College has already initiated a trial project to reduce the volume of invoices which are received without a PO number. However, although work is already underway we feel that the current position merits a 'requires improvement' rating for Control Objective 3 due to the importance of resolving this issue.

Acknowledgments

We would like to take this opportunity to thank the staff at Glasgow Kelvin College who helped us during the audit.

Main Findings

Objective 1: The College's Procurement Policy, Strategy and procurement guidance are comprehensive, kept up-to-date and in line with the Procurement Reform (Scotland) Act 2014 ('the Act') and The Procurement (Scotland) Regulations 2016 ('the Regulations').

The Procurement Reform (Scotland) Act 2014 ('the Act') was enacted on 18 April 2016, and created new public procurement rules which were aimed at improving public sector purchasing of goods, works and services in Scotland. All procurement for services and supplies with a value in excess of £50,000, and all works above £2 million, have now been designated as "regulated contracts". The Act also requires larger spending contracting authorities with significant procurement spend (where the total value of regulated contracts in a year exceeds £5 million) to produce a Procurement Strategy before the start of any given financial year, which sets out how the organisation intends to carry out its regulated procurements (or to review its Procurement Strategy for the current financial year and make such revisions to the strategic procurement approach which the authority considers appropriate).

The College has a Procurement Strategy in place spanning the period from 2022 to 2025. As part of our audit testing, we carried out a review of the Procurement Strategy against the requirements set out in the relevant procurement legislation. Our review confirmed that all compulsory elements required by the extant legislation were contained in the existing Procurement Strategy. The College is required to produce an Annual Procurement Report, which describes progress in delivering the Procurement Strategy. This annual report has been completed, most recently for the year ending 31 July 2023. The Annual Report for the financial year ending 31 July 2024 was being drafted at the time of our audit fieldwork. An update on the procurement activity during the 2023/24 financial year in relation to topics such as volume, spend, realised financial savings, and planned activity for 2024/25 was provided at the meeting of the Finance and Resources Committee on 1 October 2024.

The Procurement Strategy sets out the College's context, mission, its objectives and their alignment to the College's key principles and aims. It mandates and encourages the use of existing contracts, appropriate frameworks, and collaborative procurement, wherever possible. It also details how the College will comply with the general duties and specific measures of the Act and Regulations. The Annual Procurement Report describes the College's performance and achievements in delivering the Procurement Strategy including:

- Total non-pay expenditure.
- Total influenceable procurement spend.
- Total regulated and non-regulated influenceable spend.
- Compliance with regulated spend and with the procurement strategy.
- Delivery of Community benefits.
- Cash savings obtained during the financial year.

The Annual Report also details the action plan for Regulated Procurements which is planned for the next two financial years. Delivery of the Procurement Strategy is supported by procedures that are embedded within the Finance procedures, which also provide a range of standard documents and forms, which should be completed when procuring goods and services. These procedures were most recently updated in July 2024. From our review of the updated procedures, these were found to be adequate.

Objective 2: Procurement procedures ensure that:

- ◆ **areas of high spend across the College are monitored appropriately.**
- ◆ **opportunities for pooling of expenditure are identified in order to achieve best value.**
- ◆ **collaborative procurements and frameworks available to the College are utilised where appropriate.**

The Procurement Manager conducts regular reviews of the spend analysis reports to assess compliance with the procurement arrangements in place. These monthly and quarterly spend reports provided by the Management Accountants list the spend by supplier (with key details recorded). This information enables the Procurement Manager to generate the spend analysis reports in order to identify further areas of current spend that can be brought into existing framework contracts in order to generate further savings for the College. This information is utilised to plan future procurement activity when these non-framework contracts are due to expire.

The College's Procurement Manager utilises the Hunter contract management system to plan any upcoming tender activity and to ensure that sufficient time is available to allow identification of the tender requirements. This process involves assessment of current suppliers, in conjunction with the relevant procuring manager, to determine whether the current contract should be market tested or extended, or whether the College can engage in further collaboration with other Colleges through joint procurement activity, in addition to any existing collaborative arrangements in place. It is our view that this approach allows scope for sufficient forward planning to deliver the required tender programme in a compliant fashion.

This mixture of data, and the monthly monitoring activity delivered by the Procurement Manager, enables the identification and quantification of potential cost savings achieved due to the utilisation of appropriate procurement arrangements. This information is also included within the Annual Procurement Report. In addition, this approach also identifies and captures both the Community and Environmental benefits arising from procurement activity, and these benefits are also summarised within the Annual Procurement Report.

The Finance and Resources Committee was informed at its meeting on 1 October 2024, that in the 2023/24 financial year, a total of £164,960.39 savings have been delivered. This consisted of £115,107.39 arising from the use of Framework Agreements and £49,853.00 delivered via the use of local contractors. In addition, by utilising suppliers listed on a Framework the College has avoided an additional £145,000 per annum in tendering costs. The success of this approach was highlighted in the 2022/23 Annual Procurement Report, which stated that 40% of the College procurement spend was undertaken through collaborative arrangements, including the use of available Framework contracts.

Evidence of the effective use of Frameworks was also confirmed through our own substantive testing, with five of the 11 procurements sampled utilised a Framework agreement. In one of the purchases in our test sample, an Open Tender exercise had been conducted in collaboration with the other Glasgow colleges.

Objective 3: Purchase orders are completed for relevant purchases and are approved by members of staff with sufficient delegated authority prior to issue to suppliers, with the risk of unauthorised and excessive expenditure being minimised.

The College's Financial Regulations provide further practical guidance on purchasing and procurement, which is based on the requirements set out in the Act and Regulations, the Scottish Procurement Policy Handbook and Procurement Journey, the Scottish Public Finance Manual ('SPFM'), and its circulars. Staff members also have access to written purchasing procedures and P2P system guidance. All staff who order goods and services receive training on the use of P2P prior to their initial use of the system. Guidance on how to use P2P and PECOS is also provided by the Finance and Student Funding Manager. In addition, procurement procedures are also available to staff on the relevant section within the staff intranet site. It is mandated that all purchases must be made in line with the College's Procurement Strategy, Procurement Policy and Financial Regulations.

Ideally purchase requisitions are raised via the P2P purchasing system, which guides the user through the process of inputting all of the necessary supplier and order details. When raising the requisition, the user is connected to the PECOS supplier catalogues to select the required supplier. The PECOS catalogues provide access to all suppliers on the Frameworks as well as access to current contracts in place within the College. All requisitions are approved by an authorising officer in line with the College's authorisation matrix and delegated financial authority limits. Once the requisition is approved, a purchase order (PO) is generated and is issued by the originator to the supplier via P2P. We reviewed a report of all users on P2P and confirmed that there were no generic user accounts. This is good practice because it means that any unauthorised activity can be analysed.

We selected a test sample of 30 payments made between 1 August 2023 and 31 July 2024 including:

- 20 BACS payments, which included four one off creditor payments.
- 10 Credit Card payments.

For each item chosen we checked:

- Where a PO was required, that this PO had been raised and approved by appropriate staff members.
- That the goods / services had been receipted.
- That the invoice agreed to the PO.

From the testing performed we noted that the PO for eight of the 20 BACS payments was completed after receipt of the invoice by the College. This does not contravene the College's financial procedures, because when an existing College or Framework contract is in place, the order is issued directly to the supplier by the budget holder and in this instances the PO is completed retrospectively, following receipt of the invoice. Of the eight transactions identified, two were for the payment of annual insurance premiums, and the remaining six payments related to existing contracts. In all of these cases the POs were raised after the invoices had been received. We noted that one of these eight transactions related to a one-off payment to a new creditor, where the goods were purchased and invoiced on the same day. For the remaining 11 transactions in our sample we confirmed that the PO had been raised in advance of the purchase of the goods or services. For all credit card payments, POs are in place as this forms part of the required controls for these payments.

Objective 3: Purchase orders are completed for relevant purchases and are approved by members of staff with sufficient delegated authority prior to issue to suppliers, with the risk of unauthorised and excessive expenditure being minimised (Continued).

For any instances where payments are made through an existing contract, following receipt of an invoice, Finance staff contact the budget holder to confirm receipt of these goods or services, and then raise a PO for approval to enable the invoice to be processed. If the goods have not been receipted on P2P before the invoice is received, then the requisitioner is required to confirm the receipt of goods by email to enable the goods to be receipted on P2P. This completes the three-way match to allow the processing of the invoice for payment. However, if the invoice amounts are outside a 5% value parameter then further approval is required by the budget holder before the invoice can be processed and paid. This approach is compliant with the College's financial procedures.

Our testing confirmed, for all 20 of the BACs payments made, that a goods received or delivery note was in place, or receipt of the goods or services was confirmed by an email to Finance from the requisitioner.

As noted above, our testing did identify a high volume of invoices which had been received before the associated POs had been raised. Where possible, POs should be raised and approved before an invoice has been received. This issue has been noted in previous Internal Audit reports, with the last review in 2021 highlighting that a report is run quarterly, which identifies invoices without a PO number. The transactions picked up in this report are reviewed by the Vice Principal Operations to ensure that there is an appropriate justification for the absence of a PO in each instance. We confirmed that this approach is still in place.

The reports presented to us for review highlight that on average more than 40% of invoices received by volume (and 20% by value) do not have a PO in place. While there are practical reasons for this high volume, the absence of a PO for this number of invoices does reduce the effectiveness of the process and controls in place. We have been informed that the College has initiated a trial project to attempt to further reduce the proportion of invoices received without a PO number.

Credit Cards

A number of key managers at the College have access to a College credit card which may be used in certain circumstances to make purchases for goods or services. At present there are three card holders, with procedures in place to control the use of expenditure and to minimise the risks in this area. In advance of any credit card use, the user must complete either an order Payment Request form or a Purchase Requisition. The cost centre must be correct, and the form must be signed off by the Budget Holder, before a PO is raised and approved for the transaction.

Monthly statements are received by Finance. The statement transactions are checked by the Finance Assistant to ensure that they all match with the completed approvals and agree to amounts on the statement. If an unrecognised transaction appears on the statement, then this is initially checked by the Finance Assistant, and if it is not resolved then it is passed to the Finance and Student Funding Manager to investigate further. Our testing of a sample of 10 payments made by credit card confirmed full compliance with the required controls.

Objective 4: The College's procurement guidance on quotes and tenders are being complied with.

As part of our audit testing, we reviewed the award of 11 contracts to assess the level of compliance with the College procurement procedures. These contract award values ranged from £8,100 to £500,000. Our testing confirmed that these procurement exercises had been undertaken in accordance with the College's required approach and reinforced the deployed of Framework agreements and a collaborative approach to procurement adopted by the College, with five contracts awarded from available Frameworks and a further contract awarded through a collaborative agreement with the other Glasgow colleges.

Our testing also examined a single source justification (SSJ) award, which we confirmed was in line with the agreed procedure. The business cases were agreed by the College's Procurement Manager and the spend approved in line with the College's financial approval limits. For SSJs with a value in excess of £25,000, approval from the SFC is also required. The number and value of SSJs undertaken within the College is monitored carefully, with an annual report provided to the Finance and Resources Committee. At its meeting on 1 October 2024, the Committee was informed that for the 2023/24 financial year, a total of 49 SSJs were agreed with a total value of £609k (or 17% of the £3.6m value of the total contracts awarded in the 2023/24 financial year). This amount is a significant reduction from the £1.5m spend via SSJs in 2021/22 and the £760,000 spent via SSJs in the 2022/23 financial year. The Vice Principal Operations advised that the College is aiming to continue to reduce this number, through the development of further local Frameworks.

Objective 5: All liabilities are fully and accurately recorded.

BACS Payments

All purchase invoices are entered onto the Finance system once they have been fully authorised and there are procedures in place to ensure that there is checking of invoices prior to posting.

Our sample of 20 BACS transactions and 10 credit card payments were traced to relevant invoices, with correct approval in place, and no issues noted.

Objective 6: All payments are properly authorised, processed, and recorded.

Payments to suppliers are generally processed through BACS. Before payment, a report is produced from the finance system which lists all invoices due for payment. This is reviewed by a senior staff member within Finance. A payment file is then uploaded by one person into the BACS software and this file is then checked and authorised by a separate staff member.

We reviewed P2P authorisers, internet banking (Bankline) users and BACS users and their access controls at the time of the audit fieldwork in October 2024 and found these to be reasonable.

We reviewed a sample of 20 BACS payments in the year to date to ensure that payment runs were appropriately prepared, checked and authorised. No issues were noted.

Objective 7: Appropriate controls are in place over the amendment of standing supplier data on the finance system.

Any requests received for changes to supplier standing data are verified by a member of Finance staff who calls to speak to a known contact at the supplier to verify that the requested changes to standing supplier details are genuine. A supplier change form is then completed by the Finance Assistants, and this is approved by the Finance and Student Funding Manager before the change is made to the standing supplier data. In addition, an audit data check report is generated via Sun Financials prior to each creditors pay run and is checked for any bank detail amendments by the Finance and Student Funding Manager before finalisation of the payment file for approval.

Walkthrough testing of this process with the Finance and Student Funding Manager demonstrated the effective identification of changes to supplier data by the Sun system, along with the confirmation of the check undertaken by the Finance Assistants to confirm the legitimacy of the change and their approval of the supplier details change. It also confirmed that the payment file cannot be completed until this check has been completed.

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