



Board of Management Audit & Assurance Committee

Date of Meeting	Tuesday 12 September 2023
Paper No.	AAC1-G
Agenda Item	5.4.1
Subject of Paper	Internal Audit Report – Procurement and Creditors/Purchasing
FOISA Status	Disclosable
Primary Contact	Henderson Loggie
Date of production	11 August 2023
Action	For Discussion and Decision

1. Recommendations

The Committee is asked to consider and discuss the report and the management responses to the internal audit recommendations.

2. Purpose of report

The purpose of this review is to provide management and the Audit and Assurance Committee with assurance on key controls relating to the curriculum and financial plans in place for City of Glasgow College and their alignment with the regional plan for Glasgow and the college student number targets.

3. Key Insights

This internal audit of Procurement and Creditors/Purchasing provides an outline of the objectives, scope, findings and graded recommendations as appropriate, together with management responses. This constitutes an action plan for improvement.

The Report includes a number of audit findings which are assessed and graded to denote the overall level of assurance that can be taken from the Report. The 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.

4. Impact and implications

Refer to internal audit report.

Appendix – Internal Audit Report – Procurement and Creditors/Purchasing

LEVEL OF ASSURANCE

Satisfactory

City of Glasgow College

Procurement and Creditors / Purchasing

Internal Audit report No: 2023/09

Draft issued: 4 August 2023

Final issued: 11 August 2023



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



Management Summary

Overall Level of Assurance

Satisfactory	System meets control objectives with some weaknesses present.
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Risk Assessment

This review focused on the controls in place to mitigate the following risks on the City of Glasgow College ('the College') Strategic Risk Register as at April 2023:

- Negative impact of statutory compliance failure (net risk score: 10 - medium); and
- Failure to achieve operating surplus via control of costs and achievement of income targets (net risk score: 25 - high).

Background

As part of the Internal Audit programme at the College for 2022/23 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 Committee that the related control environment is operating effectively, ensuring risk is maintained at an acceptable level.

The College uses PECOS software to process the majority of purchases. This software requires that payments with a value exceeding £50K require sign off by the Principal and payments exceeding £100K require Board approval, with purchase orders (POs) raised and authorised by two different staff members with the appropriate level of delegated purchasing authority. A third member of staff is required to authorise invoices at the College. All POs over £2,000 that do not relate to contracted suppliers are also routed to be sighted by procurement staff. When goods or services are received, these are receipted on PECOS. Invoices are received; compared to the authorised and receipted POs; and if they match and have been appropriately authorised then they are processed into a payment batch on the Finance system pending payment. Some expenses, such as utilities or credit card purchases, are not processed through PECOS. There are separate processes in place for the authorisation of such expenditure, which requires segregation of duties and provision of supporting documentation. Payments are generally made by BACS but can be made using other means (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 lifetime of the contract. The College has an inhouse Procurement team that provides procurement guidance to staff.



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 procedures in place, supported 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			
	1	2	3	
The specific objectives of this audit were to obtain reasonable assurance that:				
	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	0	0	0
2. Procurement procedures ensure that: <ul style="list-style-type: none"> • 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	0	0	0
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.	Requires Improvement	0	1	0
4. The College's procurement guidance on quotes and tenders are being complied with.	Good	0	0	0
5. All liabilities are fully and accurately recorded.	Good	0	0	0
6. All payments are properly authorised, processed, and recorded.	Good	0	0	0
7. Appropriate controls are in place over the amendment of standing supplier data on the finance system.	Good	0	0	1
Overall Level of Assurance	Satisfactory	0	1	1
		System meets control objectives with some weaknesses present.		



Audit Approach

Through discussions with Procurement staff, we established the procurement strategies, procedures and monitoring arrangements which were in place within the College. These were then evaluated to establish whether they followed recognised good practice. Specifically, we sought to establish whether the procurement procedures ensured that areas of high spend across the College were monitored appropriately, identifying opportunities for pooling of expenditure in order to achieve best value, and ensuring that joint purchasing arrangements available to the College were utilised where appropriate.

We also documented controls in place within the purchasing / payments system through interviews with Finance staff and established whether the expected key controls were in place by reference to standard control risk assessment templates. We also performed compliance testing, where considered necessary, to determine whether key controls were 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's Procurement Strategy (2022-2026) and Annual Procurement Report (2021/22) were found to be in line with regulations and published on the College website;
- The Procurement Policy and procedures were found to be comprehensive and up to date. These are readily available on the public facing website, as well as the College intranet, and support is available from the College's dedicated Procurement team where required;
- Areas of high spend are closely monitored through quarterly and annual spend analysis covering a four-year period. Any areas of non-compliance are identified and reported to the Finance & Physical Resources Committee (FPRC) and an action plan is produced to address any areas where improvement in procurement practice is identified. The College's non-compliant regulated spend was low in Q3 of 2022/23, at 0.5%, as reported to the FPRC by the Head of Procurement;
- The College makes good use of opportunities for pooling of expenditure, collaborative procurements, and frameworks, where available;
- College procedures ensure that three people are involved in the requisition, approval of PO, and approval of invoice for all purchases by requiring separate Budget Managers to approve POs and invoices. There is also three way matching of PO, goods received note, and invoice by Finance prior to invoices being paid;
- Our audit testing demonstrated that the College's procurement guidance on quotes and tenders were complied with, and liabilities were fully and accurately recorded in the Finance system with no issues noted;
- All payments are checked and authorised to ensure that they are valid prior to making payment; and
- Adequate checking is in place over changes to supplier standing data.

Weaknesses

- During our testing, we noted one instance of a high-value purchase not following the established order and invoice approval procedures. Although there was no evidence that this was a deliberate step to circumvent purchasing rules, we also identified that the value of the purchase was split between two POs for the deposit and the remaining balance due – this made the value of the primary PO fall below the £100k threshold at which approval from the FPRC or the Board of Management would have been required. In addition, the Principal was requested to approve the invoice for payment urgently and also approved the PO on PECOS. As a result, the College's procedure was not followed, as this requires different individuals to approve the PO and invoice;



Summary of Main Findings (continued)

Weaknesses (continued)

- During audit testing, we identified five POs that had been raised and approved retrospectively, after orders had been made to suppliers and invoices had been received by the College. There is no system capability to prevent POs being raised and approved retrospectively within the PECOS system. However, we did confirm that the Procurement Team has already identified this as a recurring issue and have put various measures in place to remedy this weakness. Since actions are already underway to address this point we have not raised a separate recommendation in our report on this matter; and
- We noted that to identify changes in supplier bank details, Finance staff currently manually compare system reports at two separate points in time however the system has functionality to run a change report which provides this information automatically and would include any temporary changes that had occurred and which the manual reports may not pick up.

Acknowledgments

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



Main Findings and Action Plan

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 in April 2016 and created public procurement rules aimed at improving public sector purchasing of goods, works and services in Scotland. The UK's exit from the European Union has resulted in technical changes to Scotland's public procurement legislation. The Public Procurement etc. (EU Exit) (Scotland) (Amendment) Regulations 2020 fixes deficiencies that would have otherwise arisen while maintaining the same fundamental processes and procedures. The Act works alongside these regulations to provide a national legislative framework for sustainable public procurement that supports Scotland's economic growth through improved procurement practice. All procurement for services and supplies with a value in excess of £50,000 and all works above £2 million are designated as 'regulated contracts'.

The Act 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, setting 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 it as the authority considers appropriate). We carried out a review of the College's Procurement Strategy (2022-2026) against the requirements of relevant procurement legislation and found that all compulsory elements required by the legislation were contained within the strategy. We noted that the Procurement Strategy is aligned with the College and the Scottish Funding Council's key strategic outcomes as detailed in the Regional Outcome Agreement and College Strategic Plan 2021-2030. The Act also requires larger spending contracting authorities to prepare and publish an annual procurement report on its regulated procurement activities as soon as reasonably practicable after the end of each financial year. We confirmed that an Annual Report was produced for the most recent completed financial year to 31 July 2022 and in line with the requirements of the relevant procurement legislation. We confirmed that both the Procurement Strategy and Annual Procurement Report were published on the College website.

The College has a Procurement Policy in place, which sets out the purpose and aims of the procurement function, the key principles for procurement; and responsibilities of staff for procurement activity. The Policy was most recently reviewed in October 2022 and from our review, was found to be comprehensive, up-to-date, and aligned with the Act and the Regulations.

Written procurement procedures are formally set out and are supported by a range of other documents and forms. From our review of the procedures, these were found to be adequate. Information on procurement is available via the College intranet, as well as the College's website, and there is a dedicated Procurement team available to provide ongoing guidance and support.



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; and**
- ◆ **collaborative procurements and frameworks available to the College are utilised where appropriate.**

Review of High Spend

We noted that comprehensive analysis is carried out of expenditure by supplier over a four-year period on a quarterly basis to identify any non-compliant spend. Further analysis is carried out on an annual basis after the financial year end. This analysis utilises data produced by the Spikes Cavell software and identifies any actions to be taken by Procurement staff to minimise non-compliance with both the Regulations and the College's own policies and procedures for spend below the regulated threshold. Non-compliant spend is reported to the Finance & Physical Resources Committee (FPRC) and is shared with the Senior Management Team (SMT). We noted that regulated non-compliant spend at the College was around 0.5% in Q3 of 2022/23, as reported to the FPRC by the Head of Procurement, which indicates that it has been dropping in recent years. Previously, only regulated non-compliant spend was included in the report to the FPRC however given that this is now so low, all non-compliant spend is being reported. We were advised that this is a result of tightening controls on PECOS which requires any PO for non-contracted suppliers, over £2,000, to be progressed through the Procurement Team for approval, so there is the opportunity to interject before a financial commitment is made.

Pooling, Collaborative Procurements and Frameworks

Opportunities for pooling expenditure within the College are considered, and where staff are seeking to use a new supplier, they would first be directed to use an existing supplier, if there is one in place. The College employs a category management approach to aggregated spend where there are officers responsible for monitoring procurement on a category level, allowing them to identify areas where expenditure in different parts of the College can be brought together to make savings. A copy of the College's supplier directory is available to all staff on the College intranet allowing them to access existing suppliers at any time.

Opportunities to collaborate and pool expenditure nationally within the sector and generally, or locally with similar organisations, is undertaken where this is considered appropriate. Collaborative procurements are considered at the beginning of any project with significant spend. There is an APUC (Advanced Procurement for Universities and Colleges) dashboard in place which allows the College to monitor collaborative spend. Against the Scottish Government target of 40% of non-pay spend to be procured through collaborative activity, the College achieved 47% in 2021/22. Heads of Procurement and Procurement Managers from each of the Glasgow colleges also meet throughout the year to discuss their procurement plans and identify any contracts which can be approached collaboratively.

As part of our review of a sample of 25 purchases, we noted that this included good use of framework agreements and collaborative procurements. Use of frameworks is specifically referenced within the Annual Procurement Report and the potential benefits of collaborating are acknowledged by the College and set out within the Procurement Policy and procedure.



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.

Purchase Orders (POs) are raised through the PECOS purchasing system. PECOS electronic workflows require that requisitions are raised by a member of staff before being forwarded to individuals who have the appropriate authorisation level for approval. When goods or services are received, they are matched to the PO and receipted within PECOS. Once the corresponding invoice is received by Finance, it is matched to the PO and goods received note before being sent to an independent Budget Manager for approval and subsequently processed on the finance system for payment. The procedures ensure that three different individuals are involved in the requisition of the PO, approval of the PO, and approval of the invoice for all purchases. Additionally, it is stipulated that at least one of the authorisers for the PO / invoice must have an authority level higher than 1 (up to £5k). A delegated authority schedule is maintained by the Finance department to ensure that they can direct all invoices to the suitable individuals for approval. A PO must be raised in advance of all purchases, except for petty cash and credit card purchases.

We selected a sample of 25 purchases made between 1 August 2022 and 19 July 2023 for testing. For each item chosen, we confirmed that:

- where a PO was required, that this had been raised and approved by appropriate members of staff;
- the goods / services received had been receipted within PECOS and matched to the PO; and
- the invoice agreed to the PO (or differences were explained) and had been appropriately authorised, with exceptions noted below.

During our testing we noted five purchase orders that had been approved retrospectively:

Value of element sampled	PO approval date	Invoice date
£200.00	31 January 2023	27 January 2023
£450.00	2 November 2022	1 November 2022
£900.00	19 December 2022	15 December 2022
£1,610.00	19 August 2022	29 July 2022
£96,702.00	16 January 2023	14 December 2022

We discussed these with Procurement staff and noted that there is no system capability to prevent POs being raised and approved retrospectively within the PECOS system. The Procurement team have already identified this as a recurring issue and have put various measures in place to remedy this weakness:

- There has been increased PECOS training with a focus on ordering procedures;
- Regular communications are sent to requisitioners and approvers, as well as suppliers, instructing them not to act on verbal instruction or email orders;
- We noted that the Finance team has a spreadsheet that records any invoices without POs or retrospective POs, and Finance raise this issue with relevant staff via email on a regular basis advising them that they must comply with College purchasing requirements; and
- The Procurement Team also carries out analysis to identify trends and whether there are higher instances of non-compliance within specific departments or suppliers.

As there are measures already in place to identify and follow up on retrospective POs being approved, no separate recommendation has been raised regarding this specific point on retrospective raising of POs.



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).

Observation	Risk	Recommendation	Management Response
<p>During our testing, we identified one purchase that did not follow the established approval procedures.</p> <p>This purchase was for the value of £96,702.00 and related to the cost of accommodation and meals for 50 sports students and four staff hosted for training and work placements at a sports and active holiday resort in Lanzarote, Spain. The stay was booked for the period 18 Feb to 4 Mar 2023.</p> <p>We noted that although the total due to the supplier for the stay was £102,102.00, the purchase was split between two separate POs as follows:</p> <ul style="list-style-type: none"> • £5,400.00 for the deposit; and • £96,702.00 for the remaining balance. <p>Although there was no evidence that this was done deliberately to circumvent purchasing rules, it resulted in the PO value falling below the £100k threshold which would require the Finance & Physical Resources Committee (FPRC) or the Board of Management to approve it. Instead, the PO was forwarded directly to the Principal for approval on PECOS.</p> <p>An invoice for the deposit (which also served as a quote) was obtained on 11 Oct 2022 but not paid. A PO for the deposit was raised on 25 Oct, with another invoice for the deposit received on 26 Oct and the PO being approved on 17 Nov. The deposit was paid on 29 Nov 2022.</p> <p>The supplier's terms and conditions required any outstanding balances to be paid 12 weeks prior to the travel, which would fall on 18 Nov 2022 in this case.</p>	<p>Risk of unauthorised purchases being made.</p> <p>Risk of errors being made in the payment process due to forced urgency on the College.</p>	<p>R1 The College should emphasise during training that POs should not be split in cases where an invoice comes in two parts or requires a deposit and a balance to be paid, as this may affect the approval threshold.</p> <p>As part of the analysis already undertaken by Procurement, to identify whether the issue of POs being raised and approved retrospectively is more pervasive within specific departments or in relation to specific suppliers, any trends, consideration of the need for further targeted training on the College's procurement procedures should be considered.</p> <p>Budget holders should be reminded that Single Source Justification forms must be submitted and fully approved in advance of any corresponding POs being raised and approved. In addition, budget holders should be provided with a clear instruction that the purchase order and payment authorisation should not be completed by the same individual.</p>	<p>Re Training – PECOS training material will be updated using this particular instance as an example.</p> <p>Re Analysis – Comms will be sent to departments where retrospective approval is more pervasive, advising of the correct procedure and offering further 1-2-1 training.</p> <p>Re SSJ Reminder – Comms sent to budget managers re SSJ and approvals, update guidance on MyConnect and Procurement Procedures re timescales for SSJs.</p> <p>To be actioned by: Head of Procurement</p> <p>No later than: 31 October 2023</p>



Procurement and Creditors / Purchasing

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).

Observation	Risk	Recommendation	Management Response
<p>(Continued)</p> <p>The Single Source Justification (SSJ) form, which covered these costs, was only submitted by the Corporate Development department and approved by the Budget Manager on 18 November 2022 and approved by the Head of Procurement and APUC on the same day. It was approved by the Glasgow Colleges' Regional Board (GCRB) and the Scottish Funding Council (SFC) on 20 December 2022.</p> <p>The booking confirmation / invoice for the remaining balance due was received from the supplier on 14 December 2022 and a PO was raised in PECOS on the same day. The Principal was requested to approve an urgent same-day payment to the supplier on 21 December 2022, prior to the Christmas break, as the balance was overdue and the College was risking a cancellation of the booking and retention of the deposit by the supplier. This payment was approved and processed on the same day. The PO was approved in PECOS by the Principal on 16 January 2023.</p> <p>Because the Principal was requested to approve the invoice for payment urgently, and also approved the PO on PECOS, the College's procedure was not followed in this instance, as the procedure requires different individuals to approve the PO and invoice.</p>			



Procurement and Creditors / Purchasing

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).

Observation	Risk	Recommendation	Management Response	
<p>(Continued)</p> <p>As noted in the comments made on the SSJ form, Procurement wished to publish a Voluntary Ex ante Transparency (VEAT) Notice on Public Contracts Scotland (PCS). The VEAT notice is used to indicate the intention to award a contract without prior publication of a Call for Competition in UK e-notification service. This would allow the College to publicly provide a justification for the non-competitive action and give other potential suppliers a 10-day standstill period to challenge this decision. However, the payment of the invoice was made on 21 Dec, almost immediately following the approval of the SSJ by the GCRB and SFC on 20 Dec. Procurement was not made aware of this payment having been done until the Head of Procurement returned from annual leave on 22 Dec. Since there was no longer an 'intention' to award the contract but instead it was already entered into, no VEAT notice was published on PCS (and it would have been impossible to do so due to the platform's controls around inputting past dates).</p>				
			Grade	2



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

The College follows the Scottish Government Procurement Journey, which sets out the procedures for best practice in procuring goods, services and works. A matrix is detailed in the College's procurement procedures to assist staff in determining the most appropriate procurement route. Where it has been confirmed that there is no suitable existing agreement to procure the goods or services, the thresholds for procurement of goods and services are as follows:

- Under £2k – suppliers can be selected from the approved suppliers list or where value for money can be demonstrated.
- £2k to £15k – Three written quotes must be attached to the order in PECOS.
- £15k to £50k - Orders must be in consultation with Procurement and PCS Quick Quote must be used to obtain three written quotes.
- £50k to £177,896 – Orders must be referred to the Procurement Manager for formal tendering process using PCS-T.
- >£177,897 – Orders must be referred to Procurement Manager for formal tendering process using PCS-T and for advertising on the "Find a Tender" service.

We selected a sample of 25 purchases made between 1 August 2022 and 19 July 2023 for testing and referred to the relevant contracts in place at the College, taking into consideration the overall spend with each supplier over a four-year period. We verified whether the College's procurement guidance on quotes and tenders has been followed and considered if this was in line with the Act and the Regulations.

Eight of the purchases were valued at under £2k. In each case value for money was demonstrated. We confirmed that none of these purchases were part of larger contracts or should have been pooled together with other expenditures to the same supplier for the purposes of procurement.

Two of the items in our sample were valued between £2k and £15k. One of these had used a framework agreement and one had an appropriate single source justification in place. A further three items sampled were between £15k and £50k. One had an appropriate single source justification in place and two had obtained three quotes and had been referred to Procurement and advertised on PCS as required.

Four of the items in our sample were valued at between £50k and £177,896 and eight items were valued over £177,897. In each case either a tender had been carried out in line with the College's procedures, a framework had been used or an appropriate authorised Single Source Justification form was in place.

However, we noted that the Single Source Justification form which included the £96,702.00 purchase of accommodation and meals for sports students hosted for training and work placements was fully authorised by the Glasgow Colleges' Regional Board and the Scottish Funding Council on 20 December 2022, after the PO had been raised on the PECOS system on 14 December 2022 (refer to Objective 3 above). It should be noted that this PO was not approved or sent to the supplier until after the SSJ was fully approved



Objective 5: All liabilities are fully and accurately recorded.

All invoices passed to the Finance Department are checked on PECOS to ensure that an order has been raised and appropriately authorised as well as matched to a goods received note. Purchase invoices are registered in the College's finance system – bluQube - before being directed to the relevant Budget Manager for approval by email. The purchase invoice approval is not done within PECOS as the College procedures require invoices to be approved by a different Budget Manager than the person who has approved the PO, as outlined under Objective 3 above, and PECOS does not have the capability to forward the invoice for approval to a different Budget Manager. Once authorised, the invoice is returned to Finance for payment.

We confirmed that goods / services had been receipted in PECOS for all of the 25 purchases in our sample and the value agreed to the PO. We reviewed an invoice for all purchases sampled and noted that each agreed to the PO (or differences were explained) and had been suitably authorised, with the exception of the one invoice noted under Objective 3 above, where the same individual had authorised both the PO and invoice. Each invoice was traced to the finance system with no issues noted.

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

Payments to suppliers are generally processed through BACS.

A Payment Selection Report which lists all invoices due to be paid is first initiated by the Payment Officer, who reviews the report and carries out checks, ensuring that the correct invoices have been attached to the correct supplier account in bluQube. The report is then passed on to the Finance Manager for review and approval. As part of the review, entries over £1k in value are matched to the corresponding invoices, and it is ensured that the POs and invoices have been appropriately authorised within PECOS. Additionally, it is checked that the bank details on the invoices match details set up in bluQube, no duplicate invoices are included, and any queries over specific payments are raised and cleared prior to payment. Furthermore, all Payment Selection Reports which include invoices over £10k in value are sent to the Head of Finance for review and approval at this stage. The Management Accountant or Head of Finance review and approve the routine Payment Selection Reports in the Finance Manager's absence. The report is then forwarded to the Assistant Accountants for uploading onto the BACS payment platform – Bottomline PTX. The BACS report is then returned to the Finance Manager, Head of Finance, and Management Accountant for final payment.

For our sample of 25 purchases made between 1 August 2022 and 19 July 2023, we found that in all cases, payment runs were appropriately prepared, checked and authorised.



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

Procedures for changing supplier standing data, particularly bank account details, are set out in the College's Purchase Ledger Procedures. The Payment Officer checks payee and bank details are accurate for all invoices received by the Finance Department. Any requests from suppliers to change their bank details that come into the Finance Department are required to be communicated with the company letterhead or by email and are independently checked by staff by telephone, using the phone number on the company website or held on the College's supplier adoption form, which is filled out when suppliers are added to PECOS. Additionally, the Finance Manager runs a report periodically of all bank details and compares this to previous reports to identify any changes that have been made. Changes are checked back to requests from suppliers and evidence that an independent phone call was made. The Payment Officer, Finance Manager or Head of Finance have system access rights to change standing data of suppliers, although the majority are made by the Payment Officer and checked by the Finance Manager. The Head of Finance reviews a sample of changes to bank details as part of payment authorisation.

We tested a sample of six changes made to supplier bank details during financial year 2022/23 and confirmed that there was evidence of independent checking of the change request by Finance staff and that the Finance Manager had reviewed these. All had been accurately updated within the system.



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

Observation	Risk	Recommendation	Management Response	
<p>Although there are comprehensive procedures in place for the verification and review of changes to supplier bank details, the current procedure of identifying changes in bank details by running a report of all bank details and comparing it to a previous report, would not necessarily pick up any temporary changes in bank details, where they had been changed then changed back again to the original details or updated further. It also involves manual identification of changes which increases the chance of missing updates through human error and is time consuming.</p> <p>We discussed whether the Finance system has the functionality to produce an audit trail of all changes that have been applied to supplier data in a set period. The system does provide this functionality, within 'system admin', which may provide a more efficient and reliable record of all changes that have been made within a set time period.</p>	<p>Bank account changes may be advised to the College which are fraudulent, applied incorrectly to the system, or staff may make unauthorised bank account changes and these may not be identified.</p>	<p>R2 The checks already performed by the Payment Officer, Finance Manager and Head of Finance should be enhanced to confirm that supplier bank details are bona fide and accurate by replacing the use of manual comparison of two system reports at separate points in time with the system generated audit trail report of all changes that have been made to supplier bank details within a set time period.</p>	<p>The College will replace the manual checking of supplier bank details with a system generated audit trail report</p> <p>To be actioned by: Head of Finance</p> <p>No later than: 31 October 2023</p>	
			<p>Grade</p>	<p>3</p>



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