

## **REPORT TO AUDIT COMMITTEE – 20 SEPTEMBER 2018**

### **SCRUTINY REFERRAL TO EDUCATION AND CHILDREN'S SERVICES COMMITTEE – SECONDARY SCHOOL PROCUREMENT**

#### **1 Recommendations**

The Committee is recommended to:

- 1.1 Note the Stage 1 Report at Appendix 1 which was considered by the Education and Children's Services Committee at its meeting on August 30th, 2018.**
- 1.2 Note the decision of the Education and Children's Services Committee to take no further action having received sufficient reassurance from the Stage 1 Report.**
- 1.3 Consider whether to conduct Stage 2 of the Committee Review Process in respect of the original matter.**

#### **2 Background / Discussion**

- 2.1** At its meeting on 21 March 2018 the Audit Committee agreed that in respect of Secondary School Visits (Internal Audit Report No. 1833); it would request that Education and Children's Services Committee consider undertaking Stage 1 of the Committee Review Process, in relation to the issues raised around the systems and processes used for procurement within schools, and report back to the Audit Committee in due course.
- 2.2** The Education and Children's Services Committee agreed at its meeting on 17 May 2018 to undertake a Committee Review Process on systems and processes used for Procurement within Secondary Schools and report back with findings to the ECS Committee on 30 August 2018.
- 2.3** The Education and Children's Services Committee considered the Stage 1 Report at its meeting on 30 August 2018. A copy of the report forms Appendix 1. Having considered and discussed the content of the report, the Committee agreed that it was sufficiently reassured by the ongoing implementation of actions within the service to address the issues raised in the Internal Audit Report. The ECS Committee were satisfied that the support mechanisms in place including, induction training, QA visits, network-based training sessions, peer support, establishment of a Focus Group including Head Teacher and Internal Audit representation etc. represents a proportionate and comprehensive range of support mechanisms. The ECS Committee did recommend that a Procurement Officer be added to the Focus Group and it was agreed this would be done. The ECS Committee were also informed that the percentage of invoices without accompanying orders in 17/18 was 9% and Internal Audit produced figures for the first four months of 18/19 show this has dropped to 2.5%, a considerable improvement. The Committee asked that

appreciation be conveyed to all members of staff involved in achieving such an improvement.

- 2.4 Section G.2.2 of the List of Committee Powers provides that where a report from a Policy Committee following a referral by Audit Committee does not provide sufficient reassurance, Audit Committee may conduct the Committee Review Process itself and report any recommendations back to the Policy Committee. If Audit Committee agrees to undertake the Committee Review Process in respect of this matter, it would proceed to Stage 2 following the Stage 1 Report already undertaken.
- 2.2 The Head of Finance and Monitoring Officer within Business Services have been consulted in the preparation of this report and are satisfied that the report complies with the Scheme of Governance and relevant legislation.

### **3 Scheme of Governance**

- 3.1 The Committee is able to consider this item in terms of Section G.2.2 of the List of Committee Powers in Part 2A of the Scheme of Governance as it relates to the outcome of a scrutiny referral by the Audit Committee to the Education and Children's Services Committee.

### **4 Implications and Risk**

- 4.1 An equality impact assessment is not required because the report is asking the Committee to discuss and comment on Internal Audit recommendations and there will be no differential impact on any of the protected characteristics.
- 4.2 There are no direct staffing and financial implications arising from this report.
- 4.3 The following Risks have been identified as relevant to this matter in the Directorate Risk Registers being the ECS Schools Risk Register. Risk Ref. AS007 relating to failure to keep knowledge, skills and training up to date.

**Laurence Findlay**  
**Director of Education Children's Services**

Edwin Duncan, ECS Business Support & Development Manager

## Appendix 1

### REPORT TO EDUCATION & CHILDREN'S SERVICES COMMITTEE – 30 AUGUST 2018

#### Committee Review Process – Secondary Schools

#### 1 Recommendations

The Committee is recommended to:

- 1.1 **Note the support provision available to Secondary Head Teachers and Administrators through the Audit Compliance process and other support mechanisms that are in place.**
- 1.2 **Note the commitment from Education and Children's Service ("ECS") to continue to embed training programmes on an annual basis for all Head Teachers and Administrators on Financial Regulations and Procurement.**
- 1.3 **Note that ECS has reviewed the Audit Compliance process to include greater involvement of the Head Teachers' line managers, particularly where areas for development have been identified.**
- 1.4 **Note that a Focus Group has now been established including Head Teachers and other stakeholders, enabling direct feedback on matters such as the compliance process and training provision, enabling ongoing refinement and improvement.**
- 1.5 **Agree that a report is presented to the Audit Committee on 20 September 2018 under Section G2.2 of Part 2A of the Scheme of Governance Committee Review Process (CRP) indicating that the ECS Committee are satisfied with the support mechanisms in place to support Secondary Schools with adherence to Financial and Governance regulations.**

#### 2 Background / Discussion

- 2.1 At a meeting of the Audit Committee on 21 March 2018, an Internal Audit report was received and considered in relation to matters within the remit of ECS. The Audit Committee identified a matter of service delivery for improvement being non-compliance with Financial Regulations and / or the Service's financial procedures in Secondary Schools.
- 2.2 The Audit Committee has powers relating to scrutiny of service delivery. Section **G.2.2 of Part 2A of the Scheme of Governance allows the Audit Committee to request that a policy committee conduct the Committee Review Process ("CRP") in respect of a matter of service delivery, identified in an audit report for improvement. At its meeting on 21<sup>st</sup> March 2018 the Audit Committee agreed to refer the matter of non-compliance with Financial Regulations and/or the Service's financial procedures in Secondary Schools to the ECS Committee and request that the CRP be undertaken.**

2.3 The CRP is a three stage process:-

- Stage 1 is a report from the service on the issue identified and action taken;
- Stage 2 is a workshop with key officers and elected Members;
- Stage 3 is a formal investigation of the matter.

2.4 The ECS Committee at its meeting on 24 May 2018 considered the referral from Audit Committee and agreed to conduct a CRP in relation to the matter identified. This report is therefore submitted for consideration in accordance with Stage 1 of the CRP.

2.5 If having considered this Stage 1 report the ECS Committee is satisfied that it has received sufficient reassurance on the matter identified it can determine to take no further action, in which case a report will be submitted to Audit Committee at its meeting on 20 September 2018 confirming the decision. If at that stage the Audit Committee determine that the Stage 1 report does not provide sufficient reassurance then the Audit Committee may then progress the CRP and proceed to Stage 2. The Audit Committee will thereafter report its recommendations to the ECS Committee once it has concluded the CRP.

2.6 Alternatively if the information contained within this Stage 1 Report does not provide the ECS Committee with sufficient reassurance on the matter identified, the ECS Committee may agree to continue on to Stage 2 of the CRP, in which case an update on the progress of the CRP will be provided to the Audit Committee.

2.7 Appendix 1 lists all the support measures and documentation that are currently in place to support Secondary Head Teachers in complying with financial regulations. Appendix 2 shows the training slides used in the delivery of training to all Head Teachers and Administrators during May and June 18. The following link provides access to the [ECS Audit Compliance Documentation](#) which Head Teachers are required to complete in conjunction with their Business Support Officer. This should flag up areas requiring further support to be provided within a given time scale. The following link is to the [School Administrators Handbook](#).

2.8 Following on from the issues highlighted in the Primary and Secondary Schools Internal Audit Reports, a review of the audit compliance process has been undertaken. It is recognised that it is not necessarily the process that is the issue (although we are always striving for continuous improvement), it is more direct engagement with the Head Teachers' line managers (Head of Service) that may be required. The greater involvement of Heads of Service directly engaging with Head Teachers on compliance issues should emphasise the seriousness of compliance failures and encourage support to be sought where required.

2.9 The support mechanisms currently in place with regard to Schools in respect of audit compliance issues have been discussed with representatives of the ECS Committee. They have expressed their agreement that the ECS support mechanisms currently in place represent a reasonable and proportionate approach to supporting Secondary Schools. Furthermore, the recent review of the audit compliance processes as part of a continuous improvement process, and enhancing the involvement of the Head Teacher line managers in supporting the process is very much welcomed.

- 2.10 The ECS Business Support & Development Manager has recently established a Focus Group including Head Teacher (both Primary and Secondary), CSN Support Coordinators, BSO and Internal Audit representation. The purpose of this Group is to provide feedback on issues such as the compliance support process, training provision etc. with a view to agreeing refinements and improvements as necessary.
- 2.11 The Head of Finance and Monitoring Officer within Business Services have been consulted in the preparation of this report and had no comments to make and are satisfied that the report complies with the Scheme of Governance and relevant legislation.

### **3 Scheme of Governance**

- 3.1 The Committee is able to consider and take a decision on this item in terms of Section E.1.1.b of the List of Committee Powers in Part 2A of the Scheme of Governance as the matter relates to Education and Section E.7 as the matter relates to the scrutiny of an education related matter of service delivery identified for improvement.

### **4 Equalities, Staffing and Financial Implications**

- 4.1 An equality impact assessment is not required because the report is asking the Committee to discuss and comment on CRP and there will be no differential impact on any of the protected characteristics.
- 4.2 There are no direct staffing and financial implications arising from this report.
- 4.3 The following Risks have been identified as relevant to this matter in the [Directorate Risk Registers](#) being the ECS Schools Risk Register. Risk Ref. AS007 relating to failure to keep knowledge, skills and training up to date.

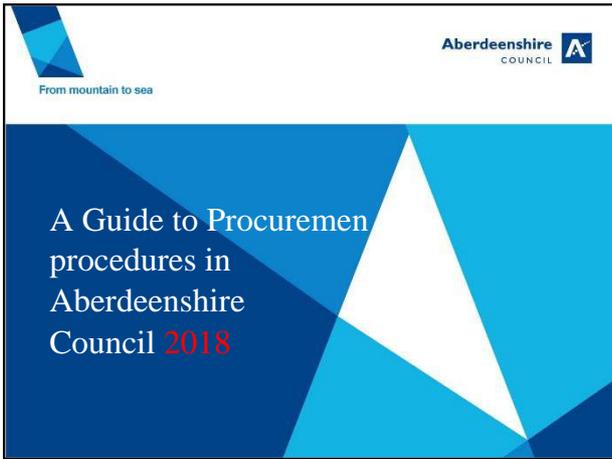
**Laurence Findlay**  
**Director of Education & Children's Services**

Report prepared by Edwin Duncan, ECS Business Support & Development Manager  
July 2018

**Support mechanisms in place for Secondary Schools relating to financial management and processes include the undernoted: -**

- Module within the Head Teacher induction programme is dedicated to financial management.
- Financial handbook available on Arcadia for Head Teachers and Administrators.
- Head Teacher handbook also available and is currently being reviewed.
- Annual 'audit compliance' visits which should identify areas where support is required. The compliance documentation has been compiled in conjunction with Internal Audit. Support actions required should be recorded with agreed timescales. Support requirements and actions should be documented with timescales for delivery.
- Financial/Procurement training delivered to Administrators and Secondary Head Teachers in their Network localities during the summer term. The training materials will be updated taking account of feedback received and will be available on ALDO as soon as possible in the new 18/19 session.
- Outwith formal training, Business Support Officers (BSOs) and CSN Support Services Coordinators can be contacted on an 'ad hoc' basis with support requests.
- A Focus Group has been established by the ECS Business Support & Development Manager including Head Teachers, CSN Support Services Coordinators and representation from Internal Audit. This Group will provide feedback on support mechanisms such as the Audit Compliance process, suitability of training materials etc. Recommendations from this Group will be implemented in terms of improving the support mechanisms available to support Academies.

Appendix 2



**Aberdeenshire COUNCIL**

From mountain to sea

This is a short introduction to procurement & financial regulations including where to find online training, videos and manuals that you can download and print.

---

There is also a group phone line number where you can get advice from Finance (01467 536200)

Commercial & Procurement Services have a group phone line/e-mail address to seek advice (01467 530600)  
[CPSSprocurement@aberdeencity.gov.uk](mailto:CPSSprocurement@aberdeencity.gov.uk)

These contact details are repeated again at the end

**Aberdeenshire COUNCIL**

From mountain to sea

Financial Regulations/Procurement

- This section of the training aims to provide information on the Council's financial regulations in order to ensure future compliance and reduce the number of breaches in financial regulations.
- Head Teachers are the budget holders for their Devolved Education Management and as such are responsible for any financial breaches in their establishments

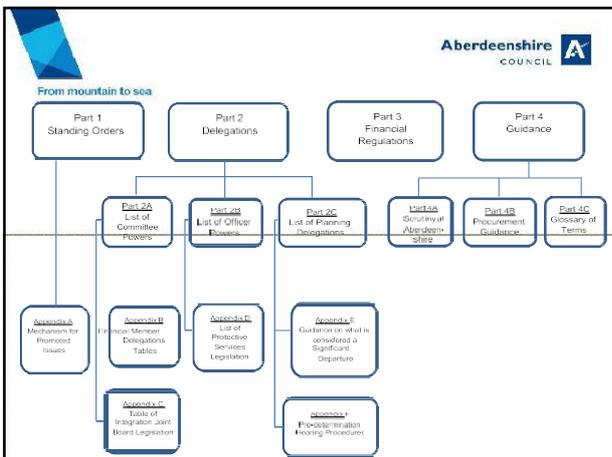
**Aberdeenshire COUNCIL**

From mountain to sea

Aberdeenshire Financial Regulations

The council follows clear procedures to ensure that all decisions are lawful, accessible and transparent.

These procedures are contained within the Scheme of Governance which is effective from 27th January 2017.



**Aberdeenshire COUNCIL**

From mountain to sea

**Governance of the Procurement Approval Process**

**Fact: - Financial regulation 5.3.12 – ALL Procurements of £10k and over need a Business Case and must be in budget.**

**You cannot initiate the tender process unless you have an approved business case.**

**Note Contract Extensions do not need a business case.**

 From mountain to sea

Aberdeenshire  
COUNCIL 

## Work Plan Co-ordinators

- Responsible for production, maintenance, updating and controlling the Directorate Work Plan
- The Work Plan is a useful operational tool when kept up to date with approvals and contract award dates
- Work Plan Co-ordinators liaise with other Directorates in relation to Cross Directorate Spend so there is a consistent approach when reporting to committees.
- Business Services – Debbie McGilvray

 From mountain to sea

Aberdeenshire  
COUNCIL 

## Committees approve expenditure of £50k or more

## Officers have delegated powers to spend up to £50k

 From mountain to sea

Aberdeenshire  
COUNCIL 

- 

### STAGE 1 - Committee Approval of Expenditure on a Procurement in a Work Plan

- Committees approve expenditure of £50k or more
- Officers approve expenditure up to £50k

### STAGE 2 – Approval of the Business Case

- Chief Officers and Committees have delegated powers to approve Business Cases where there is a spend of £50k up to £1m
- When a Committee receives a Work Plan, it can reserve the approval of the Business Case for items of 50k up to £1m
- Only Committees can approve Business Cases for spend over £1m

### STAGE 3 - Award of Final Contract

- Chief Officers award all Contracts up to £1m
- Committee can choose to reserve award of contract of matters over £1m

 From mountain to sea

Aberdeenshire  
COUNCIL 

## General Principles

- Policy Committees and Area Committees can only approve expenditure on procurements that have available budget.
- Policy Committees approve all cross area expenditure.
- Area Committees approve items specific to the area only
- If an Area Committee does not approve a Work Plan item or a Business Case it goes back to the relevant Policy Committee for final determination.
- Before a contract goes out to tender there must be approval on a Work Plan and an approved Business Case.
- Business Case approval for Cross Directorate/Service expenditure is dealt with by the appointed Lead Policy Committee. Any indication of a Cross Directorate Contract – inform the Directorate Work Plan Co-Ordinator, [Ann Overton](#) in L&G and the C&PSS officer.

 From mountain to sea

Aberdeenshire  
COUNCIL 

## 10k to 50k – TWO stage process

- No requirement to be on a work plan for approval
- Be aware of aggregation in terms of FR 5.3.8 i.e. where a contract is one of a series of similar contracts across the Council. Once over £50k then approval is required on appropriate work plans
- A business case is required for all procurements of £10k or over. Up to 50k this is approved by the Chief Officer
- Consultation with relevant service management team at

 From mountain to sea

Aberdeenshire  
COUNCIL 

## Procurement of Goods / Services or Works

Fact: -  
Put plainly if you are asking someone for something and it has to be paid for then you are “procuring” and it needs a purchase order form.



From mountain to sea

Aberdeenshire  
COUNCIL

### Procurement of Goods/Services or Works

- One of the recurring financial breaches in Education & Children's Services is that goods, services or works are being procured without a Purchase Order form being produced in advance.
- Even if an organisation does not accept Purchase order forms (booking training courses by telephone etc.) a Purchase order should always be produced and attached to any ensuing paperwork so an audit trail exists and your budget is marked as committed



From mountain to sea

Aberdeenshire  
COUNCIL

### Procurement of Goods/Services or Works

Public money should be spent with demonstrable probity and in accordance with the Council's policies. The Council has a responsibility to achieve best value through economy and efficiency whilst following the key principles of equal treatment, non-discrimination, transparency and proportionality.

The Council's procedures should help to ensure that Services obtain value for money from their purchasing arrangements whilst complying with legal obligations and procurement principles.



From mountain to sea

Aberdeenshire  
COUNCIL

### Procurement Approval Flowchart

The procurement approval flowchart can be found at the link below, the flowchart contains details of what approval processes apply for the following:

- Procurement – Under £10,000
- Procurement – Between £10,000-£50,000
- Procurement – Over £50,000

<https://aberdeenshire.sharepoint.com/sites/Arcadia/services/Pages/Busine ss%20Services/Legal%20and%20Governance/Governance/Governan ce-of-Procurement.aspx>



From mountain to sea

Aberdeenshire  
COUNCIL

### Estimating Contract Value

The estimated value of a procurement must include all spend over the lifetime of the contract, excluding VAT.

The estimated value should include any additional costs e.g. delivery, service/ongoing maintenance, and even the value of options to renew or extend the contract. The estimated value is subject to aggregation rules.



From mountain to sea

Aberdeenshire  
COUNCIL

### Aggregation Rules

If the Council makes multiple purchases of the same thing within a period (48 months typically), then the value of each purchase aggregates together to determine whether a procurement threshold is breached.

For example: If 3 budget holders purchase the same software package with the same specification within a 1 year period for £40,000 each, then the actual total contract value for the Council is £120,000.

Purchases from current Council contracts/frameworks already account for these rules.



From mountain to sea

Aberdeenshire  
COUNCIL

### Procurement Procedures – Under £10,000

Contracts less than £10,000

Where the Contract Value is estimated to be less than £10,000 the Procuring Officer must obtain a minimum of one written quote and be able to demonstrate that best value has been achieved. (See Note)



From mountain to sea

Aberdeenshire  
COUNCIL

Procurement Procedures – £10,000 - £50,000

Where the Contract Value is estimated to be £10,000 or more but less than £50,000

A Business Case must be prepared by the procuring officer and authorised by a Chief Officer (Head of Service) for approval after consultation with the relevant service management team (SMT).

A template is available [here](#): (right click then "open hyperlink")  
Once approval is received the supplier(s) can be notified.



From mountain to sea

Aberdeenshire  
COUNCIL

Procurement Procedures – £10,000 - £50,000

1. Competitive quotations must be sought and obtained in writing from at least four suppliers, including, where appropriate, internal service providers.
2. The Public Contracts Scotland website must be used for the advertisement of such Contracts, unless the Head of Commercial and Procurement Services has given express permission otherwise.



From mountain to sea

Aberdeenshire  
COUNCIL

Procurement Procedures – £10,000 - £50,000  
FR5.3.14 Form

3. Should the Procuring Officer be unable to obtain four written quotes, a request should be submitted to the Head of Commercial and Procurement Services (using the form approved by the Head of Commercial and Procurement Services for such purpose currently FR5.3.14) to obtain their prior consent to proceed with fewer than four quotations. (see notes)



From mountain to sea

Aberdeenshire  
COUNCIL

Procurement Procedures – Over £50,000  
Work Plan/Business Case

To seek approval to procure at a value of above £50,000 committee approval is required:

Contact the Work Plan Co-Ordinator for the Directorate, they will be able to provide guidance on how to seek approval.

A business case will be required following committee approval if between £50,000 - £1M, if above £1M the business case would be required to be approved at committee.



From mountain to sea

Aberdeenshire  
COUNCIL

Procurement Procedures – Over £50,000  
Procurement Process

If Cross Service/Cross Area check all required Committee approval in place.

Contact C&PSS in relation to seeking support in commencing the procurement procedure.



From mountain to sea

Aberdeenshire  
COUNCIL

Procurement Procedures – Over £50,000  
Award Report

Once the procurement process has been concluded and the supplier demonstrating best value identified, an award report (template available [here](#)) should be drafted and submitted to Chief Officer (Head of Service) seeking approval to award after consultation with the relevant service management team (SMT).

Once approval is received the supplier(s) can be notified.



From mountain to sea

**Aberdeenshire**  
COUNCIL 

### Contract Register (Borganised)

All contracts with a value of £10k or above including extension options (procured as per Aberdeenshire Council's Scheme of Governance) need to be entered in BOrganised. This includes: quick quote, direct award, tender, dispensations/exceptions, framework, external frameworks, mini-competitions, call-offs, service level agreements.

---

Services must obtain a contract reference number from BOrganised at the outset of any procurement with a value of £10k or above. Following contract award the Service should go into BOrganised to update the contract reference number record turning it into a complete contract record post contract award. Borganised guidance is available on the iProcurement home page.



From mountain to sea

**Aberdeenshire**  
COUNCIL 

### Contracted Suppliers

**A list of contracted suppliers is available via the iProcurement home page**

**See later slide for details**



From mountain to sea

**Aberdeenshire**  
COUNCIL 

### Contracted Suppliers

A framework agreement is a general term for agreements with suppliers which set out terms and conditions under which specific purchases (known as call-offs) can be made throughout the term of the framework agreement.

---

Where the Council has entered into a framework agreement with external suppliers covering the provision of goods, works or services for the whole Council, orders for such goods, works or services shall be placed with the contracted suppliers.

The approval of the Head of Commercial and Procurement Services must be sought before seeking alternative provision.



From mountain to sea

**Aberdeenshire**  
COUNCIL 

### Catalogues/Punch-Out

**For each of the suppliers on the list of Contracted Suppliers, catalogues will be available on iProc/Punch-Out Site as indicated on the list.**

---

**Where you are unable to find a particular item on the catalogue/punch-out, it is possible to contact the supplier directly to ask them if they can source the item on your behalf. Some of the contracted suppliers may also offer price matching on request.**



From mountain to sea

**Aberdeenshire**  
COUNCIL 

### Resolving Issues

**If you have a query relating to any order which has been raised to a contract supplier, please contact the supplier directly to discuss the matter.**

---

**If after speaking to the supplier the issue is not resolved, please email the relevant information to [CPSSprocurement@aberdeencity.gov.uk](mailto:CPSSprocurement@aberdeencity.gov.uk) and we will contact the supplier or escalate the matter accordingly within our Service.**



From mountain to sea

**Aberdeenshire**  
COUNCIL 

### Purchase Orders

**The purchase of all works, goods or services must be ordered or instructed on an official purchase order form, through the iProcurement system.**

---

**The supplier shall be requested to quote order numbers on all invoices.**

**This does not apply to supplies of metered services or periodical payments such as rent and rates. Or if the item is on the dispensation list**  
– see link on iProcurement homepage

**Aberdeenshire COUNCIL**

From mountain to sea

## iProcurement home page

Use this link to connect  
<https://aberdeenshire.sharepoint.com/sites/Arcadia/services/Pages/Business%20Services/Finance/Oracle/iProcurement.aspx>

Or

If you like to go the long route it's:  
 Arcadia>>Services>>Business Services Finance – under key information click on oracle financials and iProcurement>> scroll down to the blue circle marked iProcurement, select it and all the quick links will be there

**The place to go for links to Contracted suppliers list, Procurement advice, Financial**

**Aberdeenshire COUNCIL**

From mountain to sea

## Screen shot of iProcurement home page

This is a screenshot of the updated iProcurement homepage with additional links to Financial regulations / BOrganised / Contracted suppliers list and other shortcuts to procurement

**Aberdeenshire COUNCIL**

From mountain to sea

## Online training in procurement is available on ALDO

The following slides show how to access ALDO

**Aberdeenshire COUNCIL**

From mountain to sea

To access the online training first time go to ALDO and set up an account for yourself

**You will need to have ready:**

- Your payroll number (on your payslip) Your
- Full Name
- Your Email Address - this can be work or personal

Go to The Arcadia Home page and on the right hand side click on ALDO

Please contact [training.courses@aberdeenshire.gov.uk](mailto:training.courses@aberdeenshire.gov.uk) (tel: 01224 665700 or 01346 587000) if you have any problems with logging in.

**Aberdeenshire COUNCIL**

From mountain to sea

## This is the page you will see to login

**Aberdeenshire COUNCIL**

From mountain to sea

## Next enter your username and the password you chose and click Log in:

This screen will appear – type Iproc into the Search courses bar at the top and click on the magnifying glass

**Next enter your username and the password you chose and click Log in:**

From mountain to sea

This screen will appear — type iProc into the Search courses bar at the top and click on the magnifying glass

**Click on the Course Title (First time you will need to click an Enrol box)**

From mountain to sea

**This Screen Appears**

From mountain to sea The manuals are here – Click on the one you want to see

**Primary Schools no longer need to print electronic AP03's**

From mountain to sea The two catering ones don't apply to administration staff

**Video Demonstrations are here – Click on the one you want to see**

From mountain to sea

**Ongoing information and assistance**

- All of the information provided today is available as reference tools on ALDO
- Finance Advice – Group phone line (01467-536200)
- Commercial & Procurement Services advice:
  - Group phone line (01224 665652)
  - Group e-mail address [CPSSprocurement@aberdeencity.gov.uk](mailto:CPSSprocurement@aberdeencity.gov.uk)
- Information on the Contracted Suppliers is available on Arcadia:
  - [https://aberdeenshire.sharepoint.com/sites/Arcadia/services/Pages/Busine ss%20Services/Procurement/Contracted-Supplier-List.aspx](https://aberdeenshire.sharepoint.com/sites/Arcadia/services/Pages/Busine%20Services/Procurement/Contracted-Supplier-List.aspx) (see note)

