Aberdeenshire
C O U N C I L   **Business Services**

REPORT TO BUSINESS SERVICES COMMITTEE – 15 SEPTEMBER 2022

COMMITTEE REVIEW PROCESS STAGE 2: PROCUREMENT COMPLIANCE

1   Executive Summary/Recommendations

1.1   This report offers a detailed assessment of Procurement Compliance and an overview of information presented at a workshop, held on 18 August 2022, in seeking to provide assurance to members within the agreed framework of the Stage 2 scrutiny process. Members are asked to consider recommendations and agree future improvement actions.

1.2   **The Committee is recommended to:**

1.2.1   Consider the information presented during the Workshop as detailed in Appendix 1;

1.2.2   Agree output from the Stage 2 Workshop provides sufficient assurance to the committee;

1.2.3   Agree that a report will be brought back to this committee in 6 months to provide an update on implementation of the planned actions outlined in the workshop; and

1.2.4   Agree that a report will be presented to the next meeting of the Audit Committee to advise on the decision made in respect of the Committee Review Process.

2   Decision-Making Route

2.1   Members, having received a referral from Audit Committee and having agreed to initiate the Committee Review Process on 11 November 2021, considered a Stage 1 scrutiny report on 24 February 2022 relating to Procurement Compliance and requested that, in terms of the Committee Review process, a Stage 2 Workshop be held allowing for further exploration of the issue and identification of potential actions.

2.2   A Stage 2 workshop was scheduled for 26 April 2022, but this was postponed due to availability of members on that date. A workshop took place on 18 August 2022 and brought together key officers and elected members from the Business Services Committee to consider improvement actions already implemented and consider planned actions in relation to Procurement Compliance.

3   Discussion

3.1   The workshop offered an overview of the background, an overview of issues relating to procurement compliance, actions implemented and scrutiny to date. The workshop then went onto consider the planned actions and how the planned actions would be implemented through collaborative working across Services, the information provided was intended to provide assurance

to Members that the effectiveness and the robustness of procedures are in place to ensure procurement compliance. The format of the workshop included presentation from officers and opportunities for question and answer at two points during the workshop. The presentation from the workshop is attached as **Appendix 1** of the report.

3.2   The main suggestions raised by members in the discussion points were around:

     a) That officers ensure that where breaches occurred that these are raised with delegated procurers at the time the breach occurs (or is discovered) and ensuring that there is ability to track breaches to identify patterns and escalate if required.

     b) That officers consider maximising use of automation/digitisation to enhance controls to ensure compliance.

3.3   Assurance was provided during the workshop that where breaches occur and are identified through compliance processes that these are raised with delegated procurers and data is retained to allow for identification of patterns and escalation as required. Officers within the Commercial & Procurement team will continue to work in conjunction with Internal Audit to develop the procurement compliance processes and reporting to ensure breaches are captured at an early stage.

3.4   It has also been agreed following the workshop that the consideration of maximising use of automation/digitisation to enhance controls to ensure compliance will be incorporated into the Financial Regulations Review project.

4   Council Priorities, Implications and Risk

4.1   This report helps deliver the Strategic Priority "Our People" and the underpinning principle of "responsible finances".

Pillar	Priority
Our People	Education
	Health & Wellbeing
Our Environment	Infrastructure
	Resilient Communities
Our Economy	Economy & Enterprise
	Estate Modernisation

4.2   The table below shows whether risks and implications apply if the recommendations are agreed.

Subject	Yes	No	N/A
Financial		x	
Staffing		x	
Equalities and Fairer Duty Scotland		x	
Children and Young People's Rights and Wellbeing		x	
Climate Change and Sustainability		x	
Health and Wellbeing		x	
Town Centre First		x	

4.3   An integrated impact assessment is not required as 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.

4.4   The following Risks have been identified as relevant to this matter on a Corporate Level Corporate Risk Register

- ACORP001 Budget Pressures

5   Scheme of Governance

5.1   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.

5.2   The Committee is able to consider and take a decision on this item in terms of Section G.2.2.b of the List of Committee Powers in Part 2A of the Scheme of Governance as the matter relates to the scrutiny of a Business Services matter of service delivery identified for improvement.

5.3   The Business Services Committee should determine whether it is sufficiently assured by this report and, if not, it can recommend moving to Stage 3 of the Committee Review Process.

5.4   This scrutiny report originated from a referral from the Audit Committee and, therefore, it will be updated on the progress and outcomes from this Committee.

Ritchie Johnson
Director of Business Services

Report prepared by Melanie Mackenzie, Strategic Commercial Manager
Date: 19 August 2022

List of Appendices:

Appendix 1 – Workshop Presentation

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APPENDIX 1 - WORKSHOP PRESENTATION

18 August 2022

Procurement Compliance Workshop
Stage Two Committee Review Process

Workshop Agenda

Agenda Item	Timings
Welcome/Introductions/Agenda	5 minutes
Background/Workshop Aim	5 minutes
Procurement Model Aberdeenshire Council	15 minutes
Issues of Non-Compliance	15 minutes
Actions Implemented to Date	10 minutes
Questions, Discussion, Comments	15 minutes
Short Break	20 minutes
Planned Actions	30 minutes
Tracking, Monitoring & Reporting	15 minutes
Member Feedback	30 minutes
Session Close/Thanks	5 minutes

Slide 1

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Background

Audit Committee Referral for Committee Review Process considered by Business Services Committee in November 2021

Decision to seek a Stage One report during Nov meeting which was presented to February Business Services Committee

Decision taken during Feb meeting to hold a Stage Two Workshop

Slide 2

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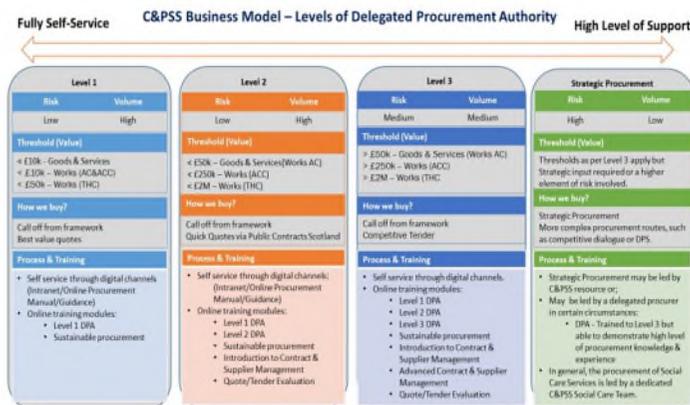From mountain to sea

Aim of the Workshop

To provide assurance to members around the robustness of procedures in place to ensure Procurement Compliance

To provide assurance around reporting where there are instances of non-compliance and how these will be addressed

To provide information on future plans to improve compliance

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Procurement Model

C&PSS Business Model – Levels of Delegated Procurement Authority

Fully Self-Service ← → High Level of Support

Slide 4

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Delegated Procurement Authority (Level 1-2)

Level 1 DPA (Fully SelfServe) - Threshold under £10k Goods/Services/Works
- DPA (Buys from existing framework or contract/adopts framework/seeks quotes)
- Budget holder – Approval of procurement/sign contract/purchase order
- Contract Owner - Manages contract delivery/contract issues for duration of contract/issues extension/variation (with support if required)
- C&PSS provide guidance/information/templates/online training– Intranet/Procurement Manual/Website

Level 2 DPA (Fully SelfServe) - Threshold under £50k Goods/Services/Works
- DPA (Drafts business case for approval, buys from existing framework or contract/adopts framework/seeks quotes)
- Budget holder – Approval of procurement/purchase order
- Executive Chief Officer– Approves award of contract/signs contract
- Contract Owner - Manages contract delivery/contract issues for duration of contract/issues extension/variation (with support if required)
- C&PSS provide guidance/information/templates/online training– Intranet/Procurement Manual/Website

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Delegated Procurement Authority (Level 4)

Level 3 DPA (Self Serve with support) - Threshold over £50k Goods/Services/Works

- DPA (Drafts business case for approval/buys from existing framework/adopts framework/conducts procurement)
- Committee Approval for Procurement Workplan all procurement above £50k (Chief Officer signs business cases between £50k- £1M)
- Chief Officer – Approves award of contract/signs contract
- Budget holder – Approval of purchase order
- Contract Owner - Manages contract delivery/contract issues for duration of contract/issues extension/variation (with support if required)
- C&PSS provide guidance/information/templates/online training – Intranet/Procurement Manual/Website
- C&PSS – provide additional support where required to less experienced DPA's

Strategic Procurement High Risk/Value - Thresholds as per Level 3

- Roles/Responsibilities all as per Level 3 but C&PSS Lead Procurement (may be led by DPA Level 3 with sufficient experience/knowledge & C&PSS support)
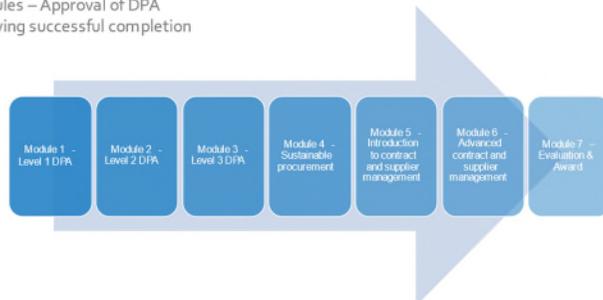

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E-Learning for DPA's

Pathway to becoming any level of DPA set number of Procurement E-Learning Modules – Approval of DPA following successful completion

Module 1 – Level 1 DPA | Module 2 – Level 2 DPA | Module 3 – Level 3 DPA | Module 4 – Sustainable procurement | Module 5 – Introduction to contract and supplier management | Module 6 – Advanced contract and supplier management | Module 7 – Evaluation & Award

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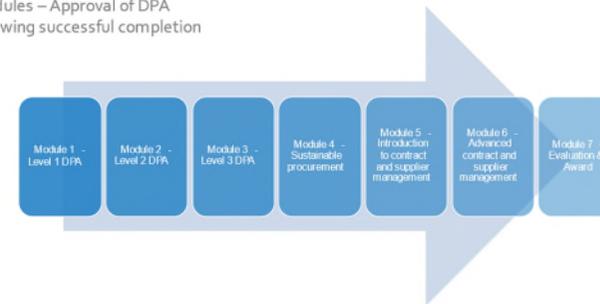
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DPA Guidance & Tools

Procurement Manual

- Hosted in OneNote on Arcadia and contains guidance for all levels of procurement
- Templates included for procurement types i.e. Quote/Tender packs including invitation to quote or tender documents, evaluation documents, award documents and Terms & Conditions for Goods/Services
- How to guides for use of Contract Register System (Borganised) / Public Contracts Scotland

Intranet Page

- Contract Register/Available contracts
- Contract user guides for specific contracts
- Useful Forms i.e. New Supplier

Procurement Governance

- Intranet page within Legal & Governance including workplan template, procurement approval form template, award report template and flowchart

Additional Support

- C&PSS generic mailbox
- C&PSS generic phone line

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Issues Non-Compliance

1. Non-DPA's carrying out procurement activity

2. Procurement activity not always well planned or appropriately consulted upon

3. Approval of procurement is not being sought on all occasions in line with requirements of the Scheme of Governance.
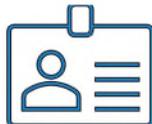
4. Changes in Policy/Legislation and updates to guidance/templates

5. Records are not always stored or maintained in line with regulations

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Consequences of Non-Compliance

1. Achievement of Best Value

- Paying higher pricing than under contract
- Contracts not managed appropriately may incur additional cost

2. Risks

- Breach Legislation Risk of Challenge from Suppliers
- Reputational Risk
- No protection of contract terms

3. Contract delivery

- Establishment of off contract agreements with suppliers may lead to desired outcomes not being achieved

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Actions implemented to date

1. Review of DPA's –all Services have been reminded of the need DPA Approval prior to carrying out any procurement activity

2. Consultation on Procurement Workplans and PAF's

3. CPSS Communication Plan – Updates issued to DPA's

4. Procurement Compliance Reports/C&PSS KPI Reports

5. Contract Register Process (Monthly)

6. Public Contracts Scotland Process (Monthly)

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Questions, Discussion Comments?

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Planned Actions

1. Further Review of DPA's with Services

2. Ongoing consultation with Services Procurement Planning (Quarterly Meetings)

3. Review of Procurement Manual/Guidance

4. Review of DPA E-Learning

5. Further Contract Management Training

6. Review of Financial Regulations

7. C&PSS/Internal Audit Collaboration on Compliance Improvement

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Compliance Reports

Focus on areas below:

- Procurement Compliance Internal Audit Recommendations;
- Contract Status;
- Contract Register;
- Procurement thresholds;
- Publication of Contract Award Notices
- Aggregation; and
- Approval Routes.

As these are further developed this will allow for development of trend data on compliance.

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Tracking, Monitoring & Reporting

- Procurement Compliance reports now issued to the Senior Leadership Team each quarter

- Internal Audit has provided support to C&PSS to demonstrate sample testing of procurements undertaken based on aggregate expenditure on similar supplies with the same supplier.

- This has helped inform C&PSS sample testing of suppliers looking at aggregate spend, whilst also picking up on other areas of compliance for the purposes of compliance reporting

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KPI Monitoring

Overall KPI's and targets

No.	Key Performance Indicators	Target
	Local indicators (measured for each individual council)	
1	**Community Benefit and Sustainable Procurement**	
a	% Spend with Local Businesses	>30%
b	% of contracts with community benefits clause included	>95%
c	% of contracts with fair work practices (includes living wage) included	>95%
d	% of contract with carbon reduction clause included	>75%
2	**Efficiency Savings**	
a	Efficiency savings – cashable (% of Addressable Spend)	>0.5%
3	**Contract Compliance**	
a	% Spend covered by contract (Total including collaborative contract & framework spend)	>80%
b	% Contract Spend which is covered by collaborative contracts (excluding frameworks)	>10%
c	% Contract Spend which is covered by spend on Category A* or Category B* frameworks	>10%

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Aberdeenshire COUNCIL

SCOTLAND EXCEL

The Highland Council Comhairle na Gàidhealtachd

Commercial & Procurement Shared Service

Compliance Statistics
Q4 2021-2022
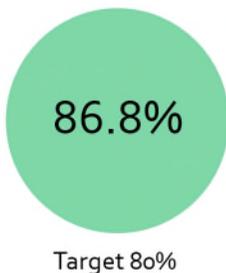
Feedback, Questions,
Discussion, Comments?