



Creditors and Procurement

Peak District National Park Authority

Internal Audit Report

Business Unit: Finance
Responsible Officer: Head of Finance
Service Manager: Senior Finance Officer & Senior Legal Officer
Date Issued: 16 January 2023
Status: Final
Reference: P3030/001

	P1	P2	P3
Actions	0	0	1
Overall Audit Opinion	Substantial Assurance		

Summary and Overall Conclusions

Introduction

The procurement of, and payment to suppliers for goods and services are a key service within the Peak District National Park Authority (PDNPA). Controls should be in place to mitigate the risks associated with creditors payments, including bank mandate fraud and overpayments to suppliers.

A sound procurement process will ensure that the Authority are awarding contracts in line with the Public Contracts Regulations 2015 and that all tenders are treated equally, fairly, and transparently. Good procurement procedures will also ensure that best value is being achieved, something which has become increasingly significant with rising inflation rates.

The PDNPA currently use the Exchequer finance system and have been increasingly making procurement and creditors processes electronically, to enable officers to process orders remotely.

Objectives and Scope of the Audit

The purpose of this audit was to provide assurance to management that procedures and controls within the system ensure that:

- Payments for supplies and services are suitably ordered, authorised, and received.
- Invoices are paid within an appropriate timescale.
- Procurements are compliant with the contract procedures set out in the Standing Orders.
- Requests to change supplier details are carefully evaluated before any information is changed on the Authority's records.

Key Findings

Overall, the processes in place for managing creditors payments and the procurement of goods are functioning as expected. A sample of 20 invoices processed between October 2021 to October 2022 were reviewed and we found that they are being provided by suppliers and sent to the relevant officers to confirm that goods are being received. Invoices were approved for payment in line with delegated authorities.

Payments were made following confirmation that goods have been received and authorisation had been given. Most payments were paid on time, however we found 3 out of the 20 payments sampled were paid late. 2 of these were a result of a delay in authorisation by the budget holder and the other was due to the Finance Team carrying out checks on bank details as they differed to the ones on the authorities record. Whilst late payments to suppliers should be avoided, these examples do demonstrate the authority does not make payments until proper authorisations and checks have been completed.

For the most part, quotations and tenders are being sought in accordance with the Standing Orders. There was some evidence that best value exercises are carried out for lower value orders. The Standing Orders require at least 1 written quotation for orders between £501-£5,000. There was evidence that this was being done, however, in 1 instance a written quote has not been presented upon request during the audit. Anything below £500 does not have any formal requirements for best value, however, it would be consistent with best practice if officers continued to apply best value to all their orders, regardless of whether it is formally required or not.

Orders over £5,001 should have 3 written quotations, and contracts with a value of £25,001 or more are subject to tender processes. 7 orders that were sampled from the list above and the contracts register dated to September 2022, fell within this threshold. Invitations to quote/tender were provided for 6 of the 7 and the 1 outstanding for an IT contract was exempted from Standing Orders. In 2 instances, only 1 quote/tender was returned, despite the authority issuing an invitation. Consistent with best practice, contracts were not simply awarded for lowest price, and evaluation criteria was established for each contract to identify best value that factored in price and quality. The criteria were scored and weighted and were published in tender invitations for each individual contract. The results of the tender have been approved by Heads of Services and in line with the Standing Orders, contracts worth more than £150,000 have been awarded in consultation with the Chair of the Committee.

6 procurements reviewed had a value of over £25,000 and have been presented as a written contract. In line with Standing Orders Part s.8, the written contracts were signed for by the CEO, Head of Law or Assistant Solicitor. Information included on the written contracts consistently included the services and goods to be provided, timescales, and legislative requirements.

A contract register is produced, with details consistent with those required in Standing Order Part 2 s.5.13. However, the wording of section 5.13 of Standing Orders Part 2 appeared to be inconsistent with current arrangements, implying that all orders over £5,000 would be included on the Contracts Register. In practice, only written contracts are included and any order over £250 in value are published separately on a monthly basis. The Senior Legal Officer advised this will be revised during the next review of the Standing Orders.

All organisations are vulnerable to bank mandate fraud attempts, when fraudsters pose as suppliers to change bank details, resulting in organisations paying out money to someone other than the supplier. The authority currently has a sound process in place to manage the risks of fraud. At present, when a change of bank details request comes through the Finance Team will initially try calling the supplier with the details that they currently hold. When unable to contact the supplier via phone, an email will be sent to an existing address, requesting confirmation of changes in the bank details. These were evidenced during the audit by notes on actions taken that are recorded on the Exchequer system and from email trails for change of bank detail requests

The Finance Team confirmed that they always check with the supplier when new bank details are sent, however do not consistently check for changes in contact details. Whilst checking with suppliers about new bank details is the most important action to reduce the risk of bank mandate fraud, it is noteworthy that fraudsters are becoming aware of these measures and finding methods to work around them. It would be consistent with best practice if any changes in supplier details are checked and confirmed before adding them onto the

Authority's system. This should prevent fraudsters sending the Authority any new contact details and then posing as the supplier when the Authority wants to confirm change in bank details.

Overall Conclusions

A sound system of governance, risk management and control exist, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited. Our overall opinion of the controls within the system at the time of the audit was that they provided Substantial Assurance.

1 Standing Orders Wording

Issue/Control Weakness

Wording within the Standing Orders does not accurately reflect the requirements and practices of the Authority relating to the Contract register.

Risk

Incorrect guidance can result in contract and order information being inappropriately published and recorded.

Findings

CP5.13 and CP9.3 of part 2 in the Standing Orders says that "details must be added to the Authority's Contracts Register in respect of all Contracts and Orders exceeding £5,000 in value on the day of the award of Contract".

Senior Legal Officer said that this reflects the requirements of the Local Government Transparency Code 2015, which requires the publication of the information set out in Standing Orders. The Code does not stipulate that this information should be in a 'Contracts Register'. In practice, the Authority has published on the Contracts Register details of all Written Contracts, rather than Purchase Orders. The Authority separately publishes details of all expenditure over £250, monthly. Therefore, it appears the Authority has complied with the requirements of the Code, but by referencing the 'Contracts Register' rather than 'publication', there is an anomaly in the Standing Orders reference to the Contracts Register.

Agreed Action 1.1

The Standing Orders will be amended at the next opportunity to reflect the code by saying the information will be "published" rather than referencing the Contracts Register.

Priority

3

Responsible Officer

Senior Legal Officer
(Projects)

Timescale

Completed

Audit Opinions and Priorities for Actions

Audit Opinions

Our work is based on using a variety of audit techniques to test the operation of systems. This may include sampling and data analysis of wider populations. It cannot guarantee the elimination of fraud or error. Our opinion relates only to the objectives set out in the audit scope and is based on risks related to those objectives that we identify at the time of the audit.

Our overall audit opinion is based on 4 grades of opinion, as set out below.

Opinion	Assessment of internal control
Substantial Assurance	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable Assurance	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited Assurance	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No Assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

Priorities for Actions

Priority 1	A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management.
Priority 2	A significant system weakness, whose impact or frequency presents risks to the system objectives, which needs to be addressed by management.
Priority 3	The system objectives are not exposed to significant risk, but the issue merits attention by management.

Where information resulting from audit work is made public or is provided to a third party by the client or by Veritau then this must be done on the understanding that any third party will rely on the information at its own risk. Veritau will not owe a duty of care or assume any responsibility towards anyone other than the client in relation to the information supplied. Equally, no third party may assert any rights or bring any claims against Veritau in connection with the information. Where information is provided to a named third party, the third party will keep the information confidential.