



Internal Audit Report

Community Services

Review of Purchasing

February 2010

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1 INTRODUCTION

This report has been prepared as a result of the Internal Audit review of Purchasing within Community Services - Secondary Education as part of the 2009/2010 Internal Audit programme.

Within Secondary Education a number of different methods of acquiring goods are in operation. These include; Pecos, purchase cards, accounts with local retailers, imprest account.

PECOS is the purchasing system operated by Argyll and Bute Council and can be used to order goods at any point during the day. It is available for the whole of the Scottish Public Sector. Each public sector body that signs up to the system must perform some customisation to meet their own requirements, for example local suppliers who are out-with normal framework agreements will need to be added to the system.

Purchase Cards have only recently been introduced within Argyll and Bute Council and there are about 100 of these cards in existence throughout the authority, three quarters of these were held in schools. Internal Audit visited two schools within the authority; Oban High School and Lochgilphead Joint Campus

2 AUDIT SCOPE AND OBJECTIVES

The broad objectives of the review were to ensure:

- There are appropriate procedures in place for the purchase of goods and that they are operated in accordance with Argyll & Bute Council's Financial & Security Regulations.
- Orders are appropriately authorised within limits set in accordance with Argyll & Bute Council's Financial & Security Regulations.
- There is an adequate audit trail available to support the ordering, receipt, authorisation and payments of purchases made through both Pecos and purchase cards.
- There are complete, accurate and up-to-date records kept of all Pecos/purchase card users and that system access levels and authorised expenditure limits are specified.

3 RISK ASSESSMENT

The risk register was reviewed to identify any areas that needed to be included within the audit.

There were no areas found on the Risk Register to be included within the audit.

4 CORPORATE GOVERNANCE

There are no Corporate Governance issues to be reported as a result of this audit.

5 MAIN FINDINGS

There have been 5 significant findings resulting from this report. There have been recommendations made on all these issues to further enhance controls and the operational efficiency of the service.

The main findings resulting from this audit are as follows:

- There are appropriate, robust procedures in place for the purchase of goods through the Pecos system. Internal Audit found that there have been significant time delays in the payment of purchases, largely due to the mismatching of invoices on Pecos.
- Internal audit found that there are no formal written procedures in place with regards to the appropriate and acceptable use of Purchase Cards and that there are no formal written procedures in place with regards to the processing of transactions using Purchase Cards.
- Internal Audit found that in one school purchases could be made using the Purchase cards with no formal authorisation process in place. Internal Audit found that in this school there was an inadequate audit trail available to support ordering, receipt, authorisation and payment of purchases made using the Purchase Card.
- Internal Audit found that items being purchased using the Purchase Card could include VAT, the amount being paid to Natwest is paid gross. In order to reclaim VAT Creditors must receive VAT receipts. Internal Audit found that schools are not insisting on collecting VAT receipts, resulting in income being lost through Argyll & Bute Council being unable to reclaim VAT.
- Internal Audit found that the records kept of all Pecos and Purchase Card users had not been updated. It was also found that there was no

complete records available identifying Purchase Card holder spending limits, responsibilities, authorisation and categories.

6 RECOMMENDATIONS

Five recommendations were identified as a result of the audit, two of high priority, two of medium priority and one of low priority. The recommendations are shown in the action plan below.

7 AUDIT OPINION

Based on the findings we can conclude that there are variations in the ways secondary schools are using the purchase cards and Pecos systems.

Recommendations arising from the audit work should be implemented by the nominated responsible officer within the agreed timescale.

Recommendations not implemented will require explanation to the Audit Committee. This could lead to findings being reported in the Internal Control Statement produced by the Council in support of the Annual Accounts.

8 ACKNOWLEDGEMENTS

Thanks are due to the Head of Secondary Education, Creditor's Supervisor and the Area Finance Assistants for their co-operation and assistance during the Audit and the preparation of the report and action plan.

Argyll & Bute Council's Internal Audit section has prepared this report. Our work was limited to the objectives in section 2. We cannot be held responsible or liable if information material to our task was withheld or concealed from us, or misrepresented to us.

This report is private and confidential for the Council's information only and is solely for use in the provision of an internal audit service to the Council. The report is not to be copied, quoted or referred to, in whole or in part, without prior written consent.

APPENDIX 2 ACTION PLAN

No.	FINDINGS	PRIORITY	RECOMMENDATION	RESPONSIBLE OFFICER	IMPLEMENTATION DATE
1	Internal audit found that there were no written procedures surrounding the appropriate use of the purchase cards.	High	Consideration should be given to writing a detailed set of procedures covering guidance on the appropriate and acceptable use of Purchase Cards. This should emphasise that Purchase Cards should be used only when the goods or services are unavailable through Pecos or where there is a significant price difference. The Procedures should include controls on segregation of duties with regard to who holds the purchase card and provide an adequate audit trail for Purchase Card transactions.	Head of ICT and Financial Services	Completed
3	Internal Audit found that there could be time delays between receiving goods at the front office and receipting on them on	Medium	Consideration should be given to setting up a system that when goods arrive at the school they are checked by staff as convenient	Head of Secondary Education	31 March 2010

No.	FINDINGS	PRIORITY	RECOMMENDATION	RESPONSIBLE OFFICER	IMPLEMENTATION DATE
	Pecos.		against the delivery note. A copy of the delivery note should be passed to the relevant Faculty. The goods should be receipted no later than close of business the day following delivery (any delays in the process should be reported to the Head Teacher).		
4	Internal Audit found that items being purchased using the Purchase Card could include VAT, the amount being paid to Natwest is paid gross. In order to reclaim VAT Creditors must receive VAT receipts. Internal Audit found that schools are not insisting on collecting VAT receipts, therefore there is a potential loss of income due to Argyll & Bute Council being unable to reclaim VAT	High	Consideration should be given to writing a detailed set of procedures covering guidance on the processing of VAT receipts to the Creditors Section.	Head of ICT and Financial Services	Completed

No.	FINDINGS	PRIORITY	RECOMMENDATION	RESPONSIBLE OFFICER	IMPLEMENTATION DATE
5	Internal audit found that there were variations in procedures for purchasing perishables within the Home Economics Faculty.	Medium	Consideration should be given to setting up a written set of procedures in each of the schools in Argyll & Bute for purchasing perishables for the Home Economics Faculty that provides an adequate Audit trail from ordering to invoicing.	Head of Secondary Education	31 March 2010