



## **AUDIT & RISK COMMITTEE**

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**Meeting of 28 November 2019**

## AUDIT & RISK COMMITTEE

### NOTICE

There will be a meeting of the Audit & Risk Committee on Thursday 28 November 2019 at 1030 hours in the Boardroom, G10, at Aberdeen City Campus.

### AGENDA

Agenda Item		Paper
40-19	Apologies for Absence	
41-19	Declaration of any Potential Conflicts of Interest in relation to any Agenda Items	
42-19	Minute of Previous Meeting – 25 September 2019	X
43-19	Matters Arising from the Previous Meeting	
	<b>Matters for Decision</b>	
44-19	Annual Report of the Audit & Risk Committee to the Regional Board	X
45-19	Fixed Asset Management	X
	<b>Matters for Discussion</b>	
46-19	Annual Procurement Report AY2018-19	X
47-19	Student Activity Data Return AY2018-19	X
48-19	Student Support Funds (to follow)	
49-19	<b>Any Other Business</b>	
50-19	<b>Summation of Business and Date of Next Meeting</b>	
	<b>Reserved Item of Business</b>	
	<b>Matter for Decision (To be considered in conjunction with the Finance &amp; Resources Committee)</b>	
51-19	Financial Statements for the Year to 31 July 2019	
52-19	<b>Summation of Reserved Item of Business</b>	

**AUDIT & RISK COMMITTEE**

Draft Minutes of the meeting of the Audit & Risk Committee held on Wednesday 25 September 2019 at 1030 hours in G10, Aberdeen City Campus.

Agenda Item	
	<p><b>Present:</b> David Anderson – Chair Abdul Elghedafi Sheena Ross Andrew Russell – Vice Chair</p> <p><b>In attendance:</b> David Henderson, Henderson Loggie Peter Smith, Vice Principal Finance &amp; Resources Pauline May, Secretary to the Board</p>
	<p><i>The Committee Chair welcomed Sheena Ross to her first Regional Board Committee meeting.</i></p>
27-19	<p><b>Apologies:</b> Apologies were presented for Ann Bell, Anne Simpson, and Adrian Smith.</p>
28-19	<p><b>Declaration of any Potential Conflicts of Interest in relation to any Agenda Items</b> No potential conflicts of interest were declared</p>
29-19	<p><b>Minutes of Previous Meeting – 10 July 2019</b> The minutes were approved as a true and accurate record.</p>
30-19	<p><b>Matters Arising from the Previous Meeting</b> Members noted the matters arising report.</p> <p>A discussion was held around the previously noted proposal to include a risk in the Strategic Risk Register in relation to the appointment of the new Principal. A short discussion followed and it was agreed that this was not required as it was covered under existing risk 2.1.</p> <p>P Smith advised that a full data impact assessment would be undertaken for the new Student Information Portal (SIP).</p> <p>It was agreed that an item on the new weekly attendance reports would be included on the agenda for the meeting of the Committee scheduled for May 2020.</p> <p>It was agreed that the report on the effectiveness of marketing should be shared with the Committee earlier than proposed and also included on the agenda for the meeting in May 2020.</p> <p>No further matters were raised.</p>

	<b>Matters for Decision</b>
31-19	<p><b>Committee Terms of Reference</b></p> <p>The Committee noted a paper providing Members with an opportunity to review its Terms of Reference. Members confirmed that the Specific Duties continued to accurately reflect the Committee's main areas of focus. An error in the membership section was highlighted and Members were advised this would be corrected.</p> <p>The Committee agreed to readopt the Terms as presented, subject to the noted correction.</p>
32-19	<p><b>Programme of Business AY2019-20</b></p> <p>Members considered a paper detailing a proposed schedule of key items of Committee business throughout AY2019-20. It was agreed that the Programme was appropriate, noting that agenda items would be added as appropriate during the academic year.</p>
33-19	<p><b>Internal Audit Annual Plan 2019-20</b></p> <p>Members considered the latest version of the Annual Internal Audit Plan for AY2019-20 which had been updated to reflect feedback received from Members at the last meeting of the Committee.</p> <p>D Henderson introduced himself to the Committee and summarised Henderson Loggie's approach to internal audits, including the format adopted for internal audit reports and the development of a strategic plan and audit needs assessment.</p> <p>Members considered the proposed Annual Plan. The Committee was advised that the review of BYOD VFM would differ from the other scheduled reviews in that it would be a wider business process review and the format of report would be not be in the standard format. It was also reported that a specific member of Henderson Loggie's team with specialist IT expertise would undertake the audit of IT Operations.</p> <p>A discussion was held on areas identified as high priority which were not currently included in the Plan for AY2019-20. Members were advised that some of these areas had recently been audited and would therefore be considered again for the future years of the audit period AY2020-21 or AY2021-22. It was also noted that some of these areas would be covered as part of an AY2019-20 scheduled audit e.g. data protection would feature in the audit of IT operations.</p> <p>It was noted that 5 days remained unallocated for AY2021-22 and were currently assigned as a business process review. Members were reminded that the Plan would be revisited on an annual basis to ensure that the Committee is content with the areas of focus for each academic year.</p> <p>P Smith confirmed that College management had no concerns with the proposed scheduling of audits in AY2019-20 and that timings had been discussed with relevant managers to ensure critical periods in the academic calendar are avoided where possible to minimise any disruption.</p> <p>Members commented that the internal audit process needs to drive continuous improvement and to support the adoption of best practice.</p>

	<p>The Committee approved the Plan for AY2019-20, noting that there would be opportunities to address areas of high priority not included in the further two years of the planning period.</p> <p>The Chair thanked all those involved in the development of the comprehensive Plan.</p>
34-19	<p><b>Risk Management Policy</b></p> <p>The Committee considered a paper which highlighted proposed amendments to the College's Risk Management Policy in line with recommendations agreed following an audit of Risk Management undertaken by Wylie &amp; Bisset in June 2019.</p> <p>Members approved the amendments required to update the approach now adopted to the College's Risk Registers and noted the updating of reference to the Senior Management Team being updated to the Senior Executive Team.</p> <p>Members agreed that the review period for the Policy should be set at two years, with the next review scheduled for September 2021.</p>
35-19	<p><b>Fixed Asset Management</b></p> <p>Members noted a paper providing updates on work undertaken since the last meeting of the Committee to address the recommendations and management response to the recent Internal Audit of Fixed Asset Management.</p> <p>P Smith advised of actions implemented to update the College's Asset Register and to locate previously reported 'missing' assets. The Committee was advised that further missing items were expected to be located or records of their disposal identified. It was agreed that the final position regarding 'missing' assets would be reported at the next meeting of the Committee.</p> <p>Members noted a new procedure to improve the robustness of the procedure for small asset management, with P Smith advising that it replaced three former procedures and provided clarity of the various stages of asset management. A further amendment was requested by Members to bring forward the stage of the process at which the asset is to be recorded on the Asset Register. It was agreed that P Smith would consider how to 'close the loop' between the comprehensive registering of assets and the requisition process by exploring if key information can be shared with Mitie when items are purchased rather than at the point of being received on campus.</p> <p>Prior to the publication of the meeting papers on the College website, it was agreed that Appendix 2 – Small Asset Register Summary - should be edited to include an explanatory footnote in relation to 'value'.</p> <p>The Committee agreed that it was important to ensure past weaknesses of the small fixed asset management process have now been addressed and that the issues highlighted by the internal audit do not arise again in the future.</p> <p>After some discussion, the Committee agreed to retain the de minimis limit on the value of registered small assets as £200, and that this matter would be revisited at the Committee's next meeting once the 'final position' is known.</p>

	<b>Matters for Discussion</b>
36-19	<p><b>Draft Annual Report of the Audit &amp; Risk Committee to the Regional Board, 2019</b> Members noted a paper providing information on the requirement, under the SFC's Financial Memorandum (FM), for the Committee to provide an Annual Report to the Regional Board, and considered the draft Annual Report for 2019.</p> <p>P Smith advised that the format of the report had been amended in comparison to previous years to improve alignment with FM requirements.</p> <p>The Committee noted that section 8 of the Report may require to be revisited once the final position for fixed assets is confirmed.</p> <p>A short discussion was held on a delay with initiating the Committee's self-evaluation process. P May advised that the self-evaluation would be progressed for discussion at the next meeting of the Committee.</p>
37-19	<p><b>Strategic Risk Register</b> The Committee noted a paper providing information on the latest review of the Register by the Senior Executive Team. Members noted the Register and the two amendments made to current ratings.</p>
38-19	<p><b>Summation of Business and Date of Next Meeting</b> The Secretary gave a summation of the business conducted. The next meeting of the Audit &amp; Risk Committee will be held at 1030 hours on Thursday 28 November at Aberdeen City Campus.</p>
	Meeting ended 1150 hours

<b>Agenda Item</b>	<b>Actions from Audit &amp; Risk Committee 25/09/19</b>	<b>Responsibility</b>	<b>Deadline</b>
30-19	Prepare update on new weekly attendance reports for Committee meeting scheduled for May 2020.	L. Taylor	13 May 2020
30-19	Prepare report on effectiveness of marketing for Committee meeting scheduled for May 2020.	New Director of Marketing & Communications	13 May 2020
31-19	Correct error relating to Committee membership in Terms of Reference.	P. May	As soon as possible
34-19	Amend review date of updated Risk Management Policy to September 2021.	P. May	As soon as possible
35-19	Amend Small Fixed Asset Management procedure as agreed.	P. Smith	As soon as possible
35-19	Report final position in relation to 'missing' assets.	P. Smith	21 November 2019
35-19	Annotate Appendix 2 as agreed prior to publication on website.	P. May	As soon as possible
35-19	Revisit de minimis amount for registered small assets.	Committee	28 November 2019
36-19	Committee to consider final draft Annual Report of the Audit & Risk Committee to the Regional Board 2019.	P. Smith	21 November 2019

36-19	Progress self-evaluation of Committee.	P. May	21 November 2019
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**Signed:**.....

**Date:** .....

AUDIT & RISK COMMITTEE	
Meeting of 28 November 2019	
<b>Title: Annual Report of the Audit &amp; Risk Committee to the Regional Board</b>	
<b>Author:</b> Peter D Smith, Vice Principal – Finance & Resources	<b>Contributor(s):</b>
<b>Type of Agenda Item:</b> <b>For Decision</b> <input checked="" type="checkbox"/> <b>For Discussion</b> <input type="checkbox"/> <b>For Information</b> <input type="checkbox"/> <b>Reserved Item of Business</b> <input type="checkbox"/>	
<b>Purpose:</b> To enable the Committee to approve submission of its annual report to the Regional Board.	
<b>Linked to Strategic Goal:</b> <b>5. Optimise the use of our available resources to deliver financial and environmental sustainability.</b>	
<b>Linked to Annual Priority:</b>	
<b>Executive Summary:</b> The Report attached as Appendix 1 updates the draft presented to the Committee at its meeting of 25 September 2019, incorporating changes approved at that meeting and also the opinion of the External Auditor.	
<b>Recommendation:</b> It is recommended that the Committee approve submission of the Report to the Regional Board.	
<b>Previous Committee Recommendation/Approval (if applicable):</b> 25 September 2019	
<b>Equality Impact Assessment:</b> <b>Positive Impact</b> <input type="checkbox"/> <b>Negative Impact</b> <input type="checkbox"/> <b>No Impact</b> <input checked="" type="checkbox"/> <b>Evidence:</b>	



## NORTH EAST SCOTLAND COLLEGE

### Annual Report of the Audit and Risk Committee to the Regional Board – Activities Undertaken for the year ended 31 July 2019

#### 1. Introduction

- 1.1. Effective from 14 October 2008, current arrangements for Audit and Accounting are incorporated in the Financial Memorandum issued by the Scottish Further and Higher Education Funding Council (SFC).
- 1.2. The current Financial Memorandum was issued, effective 01 December 2014. This requires the preparation of an Annual Report from an institution's audit committee to the Regional Board.
- 1.3. This report details the activities of the Audit and Risk Committee for the year ended 31 July 2019.

#### 2. Committee Constitution and Terms of Reference

- 2.1. The following Committee members served during the year, together with possible and actual number of meetings attended: -

Name	Possible Attendance	Actual Attendance	Percentage Attendance
David Anderson	4	4	100%
Ann Bell	4	1	25%
Doug Duthie*	1	1	100%
Ian Gossip**	2	2	100%
Abdul Elghedafi	4	3	75%
Andrew Russell	4	3	75%
Anne Simpson	4	1	25%
Adrian Smith	4	2	50%

\*Term of office ended 31 October 2018

\*\*Term of office ended 28 February 2019

Committee Chair – Ian Gossip until 28 February 2019, David Anderson appointed 01 March 2019

Committee Vice Chair – David Anderson until 01 March 2019, Andrew Russell appointed 01 March 2019

- 2.2. The following Members of the Regional Board may attend and participate in meetings, but may not vote: -
- Chair of the Regional Board;
  - Chair of the Finance and Resources Committee; and
  - Principal and Chief Executive.

2.3. The Terms of Reference for the Audit and Risk Committee were reviewed by the Regional Board at its meeting on 19 June 2019, having due regard to the provisions of the Code of Good Governance for Scotland's Colleges. The Terms of Reference are attached at **Appendix A**.

### **3. Internal Audit Service**

3.1. The Regional Board appointed Wylie and Bisset as internal audit service provider in 2014. The contract provided that the appointment could be extended (for a further 2 years) after a period of 3 years. The Committee decided to exercise the option to extend the appointment and Wylie and Bisset continued to provide internal audit services until 31 July 2019.

3.2. The internal audit work carried out during the year was based on the College's Strategic Plan, Enhancement Plan and Strategic Risk Register, and approved at Audit and Risk Committee in September 2018. The Plan was systematically followed and the areas addressed during the year were: -

Purchasing and Procurement  
Corporate Governance  
IT Systems  
Aberdeen Skills and Enterprise Training Ltd  
Fixed Asset Management  
Student Records  
Marketing  
Estates Management  
Enrolment, Attendance and Applications  
Strategic and Business Planning  
Staff and Room Utilisation  
Payroll  
Risk Management  
NESCol@Fraserburgh  
NESCol@Altens  
Follow-up on Previous Audit Recommendations

3.3. Summaries of the issues arising in relation to each system or activity by the internal audit work in 2018-19 have been reported separately to the Audit and Risk Committee. All reports contained action plans detailing responsible officers and implementation dates. The reports were discussed and agreed with management prior to submission to the Audit and Risk Committee.

3.4. The internal auditor grades the areas reviewed as: -

- Strong – controls were satisfactory, no significant weaknesses were found, some minor recommendations were identified;
- Substantial - controls were largely satisfactory although some weaknesses were identified, recommendations for improvement were made;
- Weak - controls were unsatisfactory and major systems

weaknesses were identified that require to be addressed immediately.

- 3.5. In 2018-19, the internal auditor reviewed 16 areas (2017-18 – 15 areas) and graded the areas reviewed as: 'strong' in 13 areas (2017-18 – 11 areas); 'substantial' in 2 areas (2017-18 – 2 areas); and 1 area was graded as 'weak' (2017-18 – 2 areas).
- 3.6. The Committee and the internal audit service provider have established arrangements for grading recommendations arising from the programme of internal audit review. Recommendations are graded as 'high', 'medium' and 'low' priority (with 'high' representing matters requiring urgent attention).
- 3.7. In 2018-19, the internal auditor made 21 audit recommendations (2017-18 – 34 findings) and graded those as: 'high' in 2 areas (2017-18 – 3); 'medium' in 8 areas (2017-18 – 18); and 'low' in 11 areas (2017-18 – 13).
- 3.8. In addition, the internal audit service highlighted the existence of areas of good practice across all areas reviewed.
- 3.9. Overall input to the audit assignments was 70 days, including those for Audit Management, and Wylie and Bisset presented their Annual Report 2018-19 to the Audit and Risk Committee on 10 July 2019. A copy of that report is attached as **Appendix B**.
- 3.10. The auditors have reported that: -

*"We are satisfied that sufficient internal audit work has been undertaken to allow us to draw a conclusion as to the adequacy and effectiveness of the College's risk management, control and governance processes.*

*In our opinion North East Scotland College did have adequate and effective risk management, control and governance processes to manage its achievement of the College's objectives at the time of our audit work. In our opinion, the College has proper arrangements to promote and secure value for money. We have however raised a weak level of assurance around the Fixed Asset Management arrangements in place which should be followed up during the follow up review for 2019/20.*

*Our fieldwork was carried out between February 2019 and May 2019."*

- 3.11. Following a competitive tendering exercise, Henderson Loggie LLP have been appointed as internal auditors for the period from 01 August 2019 to 31 July 2022. The College will have an option to extend this arrangement for a further two years, subject to satisfactory performance.

## **4. External Audit Service**

4.1. With effect from 01 January 2002, Audit Scotland has been responsible for the audit of all incorporated further education colleges in Scotland. External audit services for the financial year ended 31 July 2019 were provided by their appointees, Ernst and Young LLP (EY). This was the third year of EY's appointment term. The audit started in early October, as planned. The auditors presented their Annual Report to the College's Audit and Risk Committee on 28 November 2019. No audit qualifications were necessary to the financial statements for the year to 31 July 2019. The opinion is summarised as follows: -

### **"Opinion on financial statements**

*In our opinion the accompanying financial statements:*

- *give a true and fair view in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council of the state of the affairs of the college and its group as at 31 July 2019 and of the deficit for the year then ended;*
- *have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and*
- *have been prepared in accordance with the requirements of the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 14 of The Charities Accounts (Scotland) Regulations 2006 (as amended).*

### **Conclusions relating to going concern basis of accounting**

*We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:*

- *the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or*
- *the board has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about its ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.*

### **Other information in the annual report and accounts**

*If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.*

### **Opinion on regularity**

*In our opinion in all material respects the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.*

### **Opinions on matters prescribed by the Auditor General for Scotland**

*In our opinion, the audited part of the Remuneration and Staff Report has been properly prepared in accordance with the Further and*

*Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council.*

*In our opinion, based on the work undertaken in the course of the audit:*

- the information given in the Performance Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council; and*
- the information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council.*

**Matters on which we are required to report by exception**

*We are required by the Auditor General for Scotland to report to you if, in our opinion:*

- adequate accounting records have not been kept; or*
- the financial statements and the audited part of the Remuneration and Staff Report are not in agreement with the accounting records;*
- or*
- We have not received all the information and explanations we require for our audit.*

*We have nothing to report in respect of these matters."*

4.2. The Board retains authority to appoint the external auditor of its wholly owned trading subsidiary – Aberdeen Skills and Enterprise Training Limited (ASET). Henderson Loggie LLP was appointed as external auditor of ASET for 3 years to 31 July 2020 as a result of the process agreed at the Annual General Meeting in 2018.

4.3. Henderson Loggie carried out the external audit of ASET, the Board's wholly owned subsidiary company, for the 12-month reporting period to 31 July 2018. As in previous years, Henderson Loggie issued an unqualified audit opinion on the financial statements of ASET.

## **5. Value for Money Programme**

5.1. The College had an approved Procurement Strategy covering the period to 31 July 2019, encompassing the principles of Value for Money assurance, including: -

- Collaborative Procurement
- Competitive Tendering
- Use of e-Procurement
- Contracts Register Maintenance
- Active Supplier Management
- Internal Audit Studies

- Performance and Practice Review

5.2. The internal audit programme for the period 1 August 2018 to 31 July 2019 also addressed value for money issues. The programme was designed to address arrangements to ensure that the College secures economy, efficiency and effectiveness in carrying out its activities. Most internal audit assignments contain an element of value for money review.

5.3. The Committee considered the College's Annual Procurement Report at its meeting of 17 April 2019.

5.4. The Committee is content that these measures enable the College to demonstrate achievement of value for money in its activities.

## **6. Risk Management**

6.1. The Committee reviewed the College's Risk Management Policy at its meeting of 26 September 2018 and discussed the College's Risk Register at subsequent meetings.

## **7. Governance**

7.1. The Committee reviewed compliance with the Code of Good Governance for Scotland's Colleges at its meeting of 10 July 2019.

## **8. Fraud and Impropriety**

8.1. No instances of fraud, theft or impropriety have been brought to the Committee's attention during the year or up to the date of approval of this report.

## **9. Self-Evaluation**

9.1 The Regional Board undertakes an annual self-evaluation, including a review of its effectiveness against the Code of Good Governance for Scotland's Colleges which is considered by the Committee.

9.2 The Committee undertakes an annual self-evaluation reflecting upon performance against remit and the provision of Executive support which also feeds into the Board's annual self-evaluation (still to be completed).

9.3 The Committee Chair is annually evaluated by the capturing of Members' observations of the office bearer's performance through the use of an anonymous online questionnaire. The questionnaire feedback is discussed at the Committee Chair's Annual Development Meeting with the Regional Chair.

## **10. Events since 31 July 2019**

- 10.1. There are no other matters which have been brought to the Committee's attention which would impact on the opinion expressed in this report.

## **11. Conclusion**

- 11.1. The Committee has obtained assurance that internal control systems are adequate and effective. This is based on the evidence provided by the results of the internal audit service provider in the 12 months to 31 July 2019 and the external auditor's unqualified opinion on the financial statements for the 12-month reporting period to 31 July 2018.
- 11.2. The Committee is satisfied that, on the basis of the information provided to it by internal auditors, arrangements operate to allow the College to secure value for money.
- 11.3. The Committee is satisfied that the Regional Board has complied with the 'mandatory requirements' set by the Scottish Further and Higher Education Funding Council and has discharged its responsibilities in relation to audit and accounting.
- 11.4. The Committee is satisfied with the performance of Ernst and Young as external auditor to the College for the 12-month reporting period to 31 July 2019 and Wylie and Bisset as internal auditor to the College for the 12 months to 31 July 2019.
- 11.5. The various reports and Committee minutes have been circulated to Board members.

David Anderson  
**Chair**  
**Audit and Risk Committee**  
28 November 2019

AUDIT & RISK COMMITTEE	
Meeting of 28 November 2019	
<b>Title: Fixed Asset Management</b>	
<b>Author:</b> Peter D Smith, Vice Principal – Finance & Resources	<b>Contributor(s):</b> David Simpson, Head of Facilities and Estates (Mitie), Mike Wilde, Facilities Client Services Manager
<b>Type of Agenda Item:</b> <b>For Decision</b> <input checked="" type="checkbox"/> <b>For Discussion</b> <input type="checkbox"/> <b>For Information</b> <input type="checkbox"/> <b>Reserved Item of Business</b> <input type="checkbox"/>	
<b>Purpose:</b> To enable the Committee to consider the updates to the management response to the Internal Audit of Fixed Asset Management and approve the increase to the de minimis small asset value.	
<b>Linked to Strategic Goal:</b> <b>5. Optimise the use of our available resources to deliver financial and environmental sustainability.</b>	
<b>Linked to Annual Priority:</b>	
<b>Executive Summary:</b> <p>At the meeting of 10 July 2019, the Committee asked for further details on management's approach to managing fixed assets in response to two high priority internal audit recommendations. The Committee agreed no change should be made to the de minimis limit of £200 meantime. The full internal audit report is attached as Appendix 1.</p> <p>A paper considered by the Committee in September 2019 included a breakdown of asset numbers involved, together with the updated procedure. Committee Members asked that work on tracing the assets be concluded before approving the de minimis change. This is now complete and an updated summary is provided as Appendix 2. In total, 2.12% of assets by value and 3.37% of assets by number were untraced and have been removed from the register.</p> <p>Periodic checks have now been re-instated and will be included as a KPI within the new Facilities Management contract.</p>	
<b>Recommendation:</b> <p>It is recommended that the Committee note the updated position and agree to raise the de minimis limit on the value of registered small assets to £500.</p>	



**Previous Committee Recommendation/Approval** (if applicable):

July 2019, September 2019

**Equality Impact Assessment:**

**Positive Impact** ☐

**Negative Impact** ☐

**No Impact** ☒

**Evidence:**

# North East Scotland College

## Internal Audit 2018-19

### Fixed Asset Management March 2019

#### Overall Conclusion

Weak

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*The matters raised in this report came to our attention during the course of our audit and are not necessarily a comprehensive statement of all weaknesses that exist or all improvements that might be made.*

*This report has been prepared solely for the North East Scotland College's individual use and should not be quoted in whole or in part without prior written consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any third party.*

*We emphasise that the responsibility for a sound system of internal control rests with management and work performed by internal audit should not be relied upon to identify all system weaknesses that may exist. Neither should internal audit be relied upon to identify all circumstances of fraud or irregularity should there be any although our audit procedures are designed so that any material irregularity has a reasonable probability of discovery. Every sound system of control may not be proof against collusive fraud. Internal audit procedures are designed to focus on areas that are considered to be of greatest risk and significance.*

## Overview

### Purpose of review

The purpose of this assignment was to review the systems and procedures in place for fixed assets, compliance with the systems and procedures in place and the overall controls in relation to the physical safeguarding of assets.

This assignment is part of the agreed 2018/19 Annual Internal Audit Plan for the College.

### Scope of review

Our objectives for this review were to ensure:

- The College's asset registers are accurate and up to date and provide sufficient information to assist with and enhance the security of assets.
- An inventory of "attractive" items (i.e. those vulnerable to theft) whose value falls below the capitalisation thresholds is maintained by the College.
- There are appropriate security arrangements in place to ensure safeguarding of the College's assets and equipment.
- Any new assets or attractive items of equipment are tagged and added to inventory lists as soon as practically possible on delivery.
- Appropriate authorisation is granted prior to any of the College's assets being disposed of.
- There are procedures in place to ensure that data is wiped prior to any IT equipment being disposed of.
- There is due consideration given to the environmental impact when disposing of electronic and electrical equipment.
- The College holds adequate insurance cover to protect against the loss, theft or damage of its assets.

- Where the fixed asset register is independent of the accounting system, there are processes in place to ensure that the information contained in the accounting system is accurate.

Our approach to this assignment took the form of discussion with relevant staff, review of documentation and where appropriate sample testing.

## **Limitation of scope**

There was no limitation of scope.

## **Background**

In order to operate efficiently, the College uses both IT equipment and non-IT equipment throughout all campuses. The College has ensured that all equipment, both non-IT and IT, is maintained and monitored within equipment registers. The Facilities Management (FM) Team are responsible for managing the non-IT equipment and the College's IT Team are responsible for managing the IT equipment.

### **Facilities Management – non-IT equipment**

The FM Team has been responsible for maintaining the non-IT equipment registers since taking it over from the Purchasing Manager in 2017. The FM Team record 5 equipment registers for the College for the following campuses:

- City Campus;
- Altens Campus;
- Fraserburgh & Peterhead Campuses;
- Clinterty Campus; and
- Ellon Campus.

There is a standardised format for each equipment register. The FAR includes the following information:

- College Asset Number;
- Mitie Asset Number;
- Description of the asset;
- Serial number;
- Value – Cost of asset;
- Location; and
- Department.

Upon receiving the responsibility of maintaining the equipment register, the FM Team completed a 100% audit of equipment on the register. The audit was completed by 31<sup>st</sup> July 2017 and the equipment register was updated to record the status of each item of equipment. The audit found the following:

- The total items of equipment within the City Campus was 4,036 while 324 items were not found.
- The total items of equipment within the Altens Campus was 917 while 226 items were not found.
- The total items of equipment within the Fraserburgh & Peterhead Campuses was 732 while 75 items were not found.
- All 35 items equipment at the Clinterty Capus were found.
- All 18 items of equipment at the Ellon Campus were found.

Following the audit, the FM Team then contacted members of faculties to locate the items. However, no further action had been taken since 2017 to locate the items as the equipment register highlights a total of 625 items not located within the College with a purchase cost of £316,568. The FM Team are planning a further 100% audit of equipment items during the College down time in 2019 (Easter holidays, Summer holidays and October holidays) and have made the 625 items priority during this audit. We have raised a high-grade recommendation regarding the missing equipment items, please see section 3 for further information.

The purchasing of non-IT equipment is the responsibility of the department making the purchase. When the purchase of equipment is over £200, the department should complete an Asset Entry Form and pass this to Facilities Management who will then tag and record the item on the equipment register. However, we were informed by the FM Team that they have not received any Asset Entry Forms since taking over responsibility of the equipment registers in 2017. We have raised a high-grade recommendation regarding the recording of equipment additions as a result, please see section 3 for further information.

## **IT Team – IT equipment**

The College's IT Team are responsible for the management of IT equipment within the College. The IT Team use the ManageEngine software to monitor IT equipment which includes what software is currently being used, the age of the equipment and its end of life. The ManageEngine software shows all active IT equipment within the College and what equipment is connected to the network. As with non-IT equipment all items over £200 are recorded on the equipment register. However, due to the nature of IT equipment, there are items below this recorded such as tablets/notebooks/laptops that require maintenance and monitoring. The ManageEngine equipment register records the following:

- Machine name;
- Manufacturer;
- Model;
- Service Tag;
- Barcode;
- Asset state;
- User;
- Site;
- Location;
- Department;
- Device Category; and
- Warranty Expiry date.

The ManageEngine system is used by the IT Team to plan budgets and maintenance work for the year. All IT additions are made by the IT Team either as part of the planned maintenance or by requests from staff members. The IT Team receive all IT equipment deliveries and record the appropriate information on the device prior to deployment. The IT Team are also responsible for all IT equipment disposals. When assets are disposed of an electrical waste recycling company is used who offer fair value for any equipment or part of equipment that is still usable. The recycling company also provide a certificate of destruction to confirm that all data has been disposed of.

## Work Undertaken

Our work for this review included the following:

- A review of the Colleges security arrangements with regards to fixed assets and equipment.
- A review of the processes in place at the College for recording equipment.
- Sample testing of 5 IT equipment additions to ensure the appropriate approval of purchases and that details have been accurately entered onto the equipment registers in a timely manner. We were unable to test non-IT equipment additions to the asset register, please see section 3 for further information.
- Testing of 5 IT equipment and 5 non-IT equipment disposals undertaken by the College to ensure appropriate approval of disposal and their details have been removed from the equipment registers in a timely manner.
- A review of the process in place for recording the location of movable assets.
- Physical verification testing of 6 (2 equipment each from 3 classrooms) IT equipment assets and 6 (2 equipment each from 3 classrooms) non-IT equipment assets listed on the College's equipment registers listings to ensure accuracy of details recorded.
- A review of the controls in place over the allocation of keys within the College and sample testing of 5 key allocation to ensure the College procedures were adhered to.



# 1 EXECUTIVE SUMMARY

- A review of the security arrangements in place throughout each College campus to determine the adequacy of the safeguarding of assets.
- A review of the insurance cover in place at the College to ensure it provides adequate cover for the replacement of fixed assets in the event of loss, damage or theft.

## Conclusion

### Overall conclusion

#### Overall Conclusion: Weak

From our review, we can only provide a weak level of assurance over the systems and procedures in place at the College for managing equipment. We have raised 4 recommendations for improvement including 2 high grade recommendations regarding the recording of non-IT equipment. Please see section 3 for further information.

### Summary of recommendations

#### Grading of recommendations

	High	Medium	Low	Total
Fixed Asset Management	2	0	2	4

The following is a summary of the recommendations we have graded as high

- Equipment Additions
- Missing non IT items

## Areas of good practice

The following is a list of areas where the College is operating effectively and following good practice.

1.	The College has appropriate and sufficient insurance cover for the replacement of fixed assets and equipment in the event of loss, damage or theft.
2.	The IT Team has a robust stock management process in place which ensures information for IT equipment such as make, model, software, useful life is captured and recorded. All IT equipment purchases, and disposal pass through the IT Team who appropriately record the details of the equipment before deployment or disposal.
3.	There are appropriate security arrangements in place at the College to ensure the physical security of equipment, including CCTV and security staff on site 24 hours a day. All IT equipment is tagged, and their location stored and recorded which allows for the asset to be monitored. The College procedure ensures that all non-IT equipment is tagged and recorded. However, for new non-IT equipment additions this has not been the case, see section 3 for further information.
4.	For a staff member to be provided a key to a room within the College, they must complete a Key Authorisation Form which must be signed by their line manager and submitted to the Health & Safety Team at the College. This is then approved by the Head of Health & Safety and Security prior to the key being issued. The Health & Safety Team maintain a register of keys issued by the College. We completed sample testing of the key register to ensure that all keys issued were done after the completion of the Key Authorisation Form and approval by the Health & Safety Team. We can confirm that all keys were issued in line with College procedures.
5.	The IT Team purchase all IT equipment while the Director of IT & Technical Services approves all purchases. When IT equipment is received, the IT & Technical Services Co-ordinator records the purchase and tags the equipment which allows for it to be monitored.

# 1 EXECUTIVE SUMMARY

The following is a list of areas where the College is operating effectively and following good practice.

- |    |  |
|----|--|
| 6. | The College has an electronic disposal form for the disposal of equipment. This form ensures that the disposal receives the appropriate approval before being authorised and disposed of. We completed sample testing of disposals of non-IT & IT equipment and found that all were disposed of in line with College procedures. We also found that all disposals were completed in line with the College Waste Electrical and Electronic Equipment (WEEE) ensuring they were disposed of in an environmentally friendly manner. |
| 7. | The responsibility for recording, monitoring and maintaining equipment in the College is split with the Facilities Management Team who maintain the equipment register for each campus and the College's IT Team that maintains the IT equipment register. Both registers are detailed and include asset numbers, location, description of the asset, serial number, departments.  |
| 8. | We completed sample testing of the equipment asset register and the IT asset register to ensure that they recorded the correct information such as asset number, location and description. No issues were highlighted in our sample testing and we can confirm that the College are recording the correct information.   |

## 2 BENCHMARKING

We include for your reference comparative benchmarking data of the number and ranking of recommendations made for audits of a similar nature in the most recently finished internal audit year.

### Fixed Asset Management

Benchmarking				
	High	Medium	Low	Total
Average number of recommendations in similar audits	0	1	2	3
Number of recommendations at North East Scotland College	2	0	2	4

From the table above it can be seen that the College has a higher number of recommendations compared to those colleges it has been benchmarked against.

### 3 DETAILED RECOMMENDATIONS

Equipment Additions			
Ref.	Finding and Risk	Grade	Recommendation
1.	<p>When making a purchase of equipment of over £200, staff members are required to complete an Asset Entry Form and submit this to the Facilities Management Team to inform them of the purchase. This would then allow the Facilities Management Team to record the item on the equipment register and tag the item.</p> <p>During our review, we were informed by the Facilities Management Team that there have been no additions to equipment register since January 2017 when the Facilities Management Team took over the maintenance of the equipment register and that they have not received an Asset Entry Form.</p> <p>As a result, we reviewed the College's "Materials, Equipment, Maintenance, Rental" nominal code from 1 August 2018 to March 2019 from the finance system to test if this was accurate. Our testing consisted of a review of the 45 highest priced items and if they were equipment purchases and recorded on the equipment register. Our testing found that there were 11 items out of the 45 tested (25%) that should be recorded on the equipment register. We note that the "Materials, Equipment, Maintenance, Rental" nominal code had 334 items purchased over £200, therefore judging by our sample there could be a total of 84 equipment</p>	High	<p>We recommend that the College remind all staff members of the procedure to complete and return an Asset Entry Form for all equipment purchases over £200. We also recommend that the College complete a review of the relevant nominal codes from the finance system for 2017/18 &amp; 2018/19 such as "Materials, Equipment, Maintenance, Rental" to find equipment purchased and update the equipment register as required. The College should also find the location of the equipment and tag the item in line with College procedures.</p> <p>We also recommend that the College consider implementing a further control through PECOS. When a purchase is made a notification should be sent to staff members such as the Facilities Client Services Manager or the Operations Manager, who will then make a decision, on a purchase, to chase the relevant staff members for the Asset Entry Form.</p>

### 3 DETAILED RECOMMENDATIONS

	<p>purchases to be added to the equipment register for 2018/19. We note that we did not review the code for 2017/18.</p> <p>There is the risk that equipment purchased could be stolen or misplaced as the College have not kept up to date records.</p>		
Management response			Responsibility and implementation date
<p><b>Agreed.</b> (A) E mail sent to all key stakeholders responsible for assets to remind them of the procedure and review and advise of any new purchased to March 2019 for inclusion in asset register &amp; tagged. (B) PECOS will changed to ensure the Facilities Client Manager is notified of all purchases and will scrutinise and forward appropriate assets for inclusion in the asset register and the item tagged.</p>			<p><i>Responsible Officer:</i> (A) Head of Estates and Facilities / (B) Facilities Client Manager</p> <p><i>Implementation Date:</i> (A) July 2019 / (B) April 2019</p>

### 3 DETAILED RECOMMENDATIONS

Missing non-IT items			
Ref.	Finding and Risk	Grade	Recommendation
2.	<p>The Facilities Management Team carried out a 100% audit of the College's non-IT equipment in 2017 and were unable to find 625 of the 5,685 items listed on the equipment register. The Facilities Management Team then contacted the departments to source the items.</p> <p>During our review, we were informed that no further work had been undertaken to find the missing items. We note that the Facilities Management Team are planning to complete another 100% audit of the equipment register during the College down time (Easter, Summer &amp; October week) and have made finding these items a priority. We were also informed that portable equipment is stored in classrooms and is moved regularly depending on where it is required.</p> <p>We do note that during our sample testing of an asset's physical location, all assets were located in their recorded location.</p> <p>There is the risk that College equipment has been stolen or is lost.</p>	High	We recommend that the College ensure further checks are carried out on all items not found during the previous 100% audit by the Facilities Management. We also recommend that where items are not subsequently found, the College consider removing these from the equipment register.
Management response			Responsibility and implementation date
<p><b>Agreed.</b> Stake holders with missing items all instructed to report with an end date of the 30/04/19 to ensure assets are correctly removed from asset list.</p>			<p><i>Responsible Officer:</i> Head of Estates and Facilities</p> <p><i>Implementation Date:</i> April 2019</p>



### 3 DETAILED RECOMMENDATIONS

Removal of Equipment Disposals			
Ref.	Finding and Risk	Grade	Recommendation
3.	<p>The equipment register is maintained by the Facilities Management Team and includes information such as asset numbers, cost, location, description of the asset, serial number, departments.</p> <p>During our review, we found that the equipment registers document 96 assets that have been disposed of without removing the item from the register. All equipment disposed of should be removed from the register ensuring it only records items held by the College.</p> <p>There is the risk that the College register does not provide a full current listing of the equipment held by the College.</p>	Low	We recommend that the College ensure all equipment disposed of is removed from the equipment register. The College could keep a list of items disposed of on a different excel sheet or tab within the asset register for completeness.
Management response			Responsibility and implementation date
<b>Agreed.</b> Disposals list will be created within the master control document.			<i>Responsible Officer:</i> Head of Estates and Facilities  <i>Implementation Date:</i> July 2019

### 3 DETAILED RECOMMENDATIONS

Equipment register limit			
Ref.	Finding and Risk	Grade	Recommendation
4.	<p>All equipment purchased of £200 or above should be included within the College's asset register.</p> <p>During our review, we discussed the £200 limit with Management at the College, and we believe that the limit of £200 is low and could be increased to £500 for example. However, we do recognise that IT equipment below this value such as laptops and iPads should continue to be included due to the nature of the equipment.</p> <p>There is the risk that nominal equipment items are included within the asset register.</p>	Low	We recommend that the College increase the value of equipment to be included within the asset register.
Management response			Responsibility and implementation date
<p><b>Agreed.</b> De Minimis of £500 per item will be applied.</p>			<p><i>Responsible Officer:</i> Vice Principal Finance and Resources</p> <p><i>Implementation Date:</i> July 2019</p>

## 4 AUDIT ARRANGEMENTS

The table below details the actual dates for our fieldwork and the reporting on the audit area under review. The timescales set out below will enable us to present our final report at the next Audit & Risk Committee meeting.

Audit stage	Date
Fieldwork start	4 March 2019
Closing meeting	15 March 2019
Draft report issued	26 March 2019
Receipt of management responses	17 April 2019
Final report issued	23 April 2019
Audit & Risk Committee	10 July 2019
Number of audit days	4

Wylie & Bisset appreciates the time provided by all the individuals involved in this review and would like to thanks them for their assistance and co-operation.

## 5 KEY PERSONNEL

We detail below our staff who will undertake the review together with the College staff we spoke to during our review.

### Wylie & Bisset LLP

Partner	Graham Gillespie	Partner	graham.gillespie@wyliebisset.com
Senior Manager	Stephen Pringle	Senior Internal Audit Manager	stephen.pringle@wyliebisset.com
Auditor	Scott McCready	Internal Audit Senior	scott.mccready@wyliebisset.com
Auditor	Damian Gray	Internal Audit Assistant	damian.gray@wyliebisset.com

### North East Scotland College

Key Contacts:	Pete Smith	Vice Principal: Finance & Resources	pe.smith@nescol.ac.uk
	Michael Wilde	Facilities Client Services Manager	m.wilde@nescol.ac.uk
	Paul Smith	Director of IT & Technical Services	p.smith@nescol.ac.uk
	David Simpson	Head of Facilities & Estates	d.simpson@nescol.ac.uk

Wylie & Bisset appreciates the time provided by all the individuals involved in this review and would like to thank them for their assistance and co-operation.

## APPENDICES

For each area of review we assign a level of assurance in accordance with the following classification:

Assurance	Classification
Strong	Controls satisfactory, no major weaknesses found, no or only minor recommendations identified.
Substantial	Controls largely satisfactory although some weaknesses identified, recommendations for improvement made.
Weak	Controls unsatisfactory and major systems weaknesses identified that require to be addressed immediately.
No	No or very limited controls in place leaving the system open to significant error or abuse, recommendations made require to be implemented immediately.

# A GRADING STRUCTURE

For each recommendation we assign a grading either as High, Medium or Low priority depending on the degree of risk assessed as outlined below:

Grading	Classification
High	Major weakness that we consider needs to be brought to the attention of the Audit & Risk Committee and addressed by senior management of the College as a matter of urgency.
Medium	Significant issue or weakness which should be addressed by the College as soon as possible.
Low	Minor issue or weakness reported where management may wish to consider our recommendation.

### Purpose of review

The purpose of this assignment is to review the systems and procedures in place for fixed assets, compliance with the systems and procedures in place and the overall controls in relation to the physical safeguarding of assets.

This assignment is part of the agreed 2018/19 Annual Internal Audit Plan for the College.

### Scope of review

Our objectives for this review are to ensure:

- The College's asset registers are accurate and up to date and provide sufficient information to assist with and enhance the security of assets.
- An inventory of "attractive" items (i.e. those vulnerable to theft) whose value falls below the capitalisation thresholds is maintained by the College.
- There are appropriate security arrangements in place to ensure safeguarding of the College's assets and equipment.
- Any new assets or attractive items of equipment are tagged and added to inventory lists as soon as practically possible on delivery.
- Appropriate authorisation is granted prior to any of the College's assets being disposed of.
- There are procedures in place to ensure that data is wiped prior to any IT equipment being disposed of.
- There is due consideration given to the environmental impact when disposing of electronic and electrical equipment.
- The College holds adequate insurance cover to protect against the loss, theft or damage of its assets.
- Where the fixed asset register is independent of the accounting system, there are processes in place to ensure that the information contained in the accounting system is accurate.



Our approach to this assignment took the form of discussion with relevant staff, review of documentation and where appropriate sample testing.

### **Limitation of scope**

There is no limitation of scope.

### **Audit approach**

Our approach to the review will be:

- Discussion with key staff to obtain documentation of the Colleges guidelines regarding procedures and controls, relating to fixed asset management.
- Discussion with key staff to identify the College's procedures and controls in place. To verify they are in compliance with the College's guidelines;
- Sample Testing of controls in place regarding the physical safeguarding of assets;
- Testing to confirm fixed assets are correctly stated in the financial records;

### **Potential key risks**

The potential key risks associated with the area under review are:

- Where asset registers are not accurate or up to date, there is no comprehensive list of the assets controlled by the College. There is therefore a risk that the College is unaware of what assets it holds and where these are held. and may therefore be unaware of any loss or theft.
- There is no record of "attractive" items which fall below the capitalisation threshold. The College may therefore be unaware of the theft of any of these items.

- The security arrangements in place are inadequate. As a result there is a lack of control maintained, increasing the risk of loss or theft to the College.
- New assets or attractive items of equipment are subject to loss or theft prior to being formally recorded on the College's systems.
- Assets are disposed of despite still being of use or value to the College.
- Where IT equipment is not wiped prior to being disposed of, confidential data may fall into the hands of unauthorised individuals. This could lead to a potential breach of the General Data Protection Regulations.
- Electrical and electronic equipment is not disposed of in an environmentally friendly manner.
- Where adequate insurance cover is not held, the College may not be fully recompensed in the event of loss, theft or damage to any of its assets.
- The fixed asset balances held within the accounting system are inaccurate.

Small Asset / Equipment Register Summary

**Agenda Item 45-19**  
**Appendix 2**

Sites	Items on Register at September 2019			Confirmed Disposed of		Items on Register at November 2019		Items not Traced to be removed			
	Gross Total	Net Total*	Net Value*	Number	Value	Number	Value	Number	Value	% Number	% Value
ABERDEEN CITY CAMPUS	1013	944	£787,823	3	£6,150	941	£781,673	31	£18,201	3.29%	2.33%
ALTENS CAMPUS	864	578	£1,811,092	72	£57,730	506	£1,753,362	7	£10,200	1.38%	0.58%
FRASERBURGH CAMPUS	580	665	£597,146	3	£3,080	662	£594,066	29	£35,990	4.38%	6.06%
PETERHEAD CAMPUS	23	23	£12,950	0	£0	23	£12,950	3	£2,200	13.04%	16.99%
ELLON CAMPUS	8	6	£3,650	0	£0	6	£3,650	2	£400	33.33%	10.96%
CLINTERTY CAMPUS	26	27	£31,000	0	£0	27	£31,000	1	£500	3.70%	1.61%
<b>Total</b>	<b>2514</b>	<b>2243</b>	<b>£3,243,661</b>	<b>78</b>	<b>£66,960</b>	<b>2165</b>	<b>£3,176,701</b>	<b>73</b>	<b>£67,491</b>	<b>3.37%</b>	<b>2.12%</b>

\* after removal of ITTS equipment and relocations confirmed

AUDIT & RISK COMMITTEE	
Meeting of 28 November 2019	
<b>Title:</b> Annual Procurement Report AY2018-19	
<b>Author:</b> Peter D Smith, Vice Principal – Finance & Resources	<b>Contributor(s):</b> Colin Brodie, Purchasing Manager
<b>Type of Agenda Item:</b> <b>For Decision</b> <input type="checkbox"/> <b>For Discussion</b> <input checked="" type="checkbox"/> <b>For Information</b> <input type="checkbox"/> <b>Reserved Item of Business</b> <input type="checkbox"/>	
<b>Purpose:</b> To enable the Committee to consider the College's Annual Procurement Report, covering the period 01 August 2018 to 31 July 2019, prior to publication.	
<b>Linked to Strategic Goal:</b> <b>5. Optimise the use of our available resources to deliver financial and environmental sustainability.</b>	
<b>Linked to Annual Priority:</b>	
<b>Executive Summary:</b> The Procurement Reform (Scotland) Act 2014 requires any public organisation with an estimated annual regulated spend of £5 million or more to develop a procurement strategy and then review it annually. This requirement took effect from 31 December 2016. Organisations (including HE and FE institutions) required to develop and publish a procurement strategy are also required publish an annual procurement report, reflecting on the relevant reporting period of the procurement strategy.  The Report attached as Appendix 1 covers the period 01 August 2018 to 31 July 2019.	
<b>Recommendation:</b> It is recommended that the Committee discuss the Annual Procurement Report.	
<b>Previous Committee Recommendation/Approval</b> (if applicable): None	
<b>Equality Impact Assessment:</b> <b>Positive Impact</b> <input checked="" type="checkbox"/>	

**Negative Impact** ☐

**No Impact** ☐

**Evidence:** The College's Procurement Strategy includes the use of national framework agreements wherever possible, and also competitive tendering for all significant contracts. Both these routes to market ensure suppliers have in place their own equalities policies.



## **ANNUAL PROCUREMENT REPORT**

01 August 2018 – 31 July 2019

## Executive Summary

The Procurement Reform (Scotland) Act 2014 (PRA) requires any public organisation which has an estimated annual regulated spend of £5 million or more to develop a procurement strategy and then review it annually. This requirement took effect from 31 December 2016.

Organisations (including HE and FE institutions) required to develop and publish a procurement strategy were also required publish an Annual Procurement Report (APR), reflecting on the relevant reporting period of the procurement strategy.

This report covers the period of 01 August 2018 to 31 July 2019 and addresses performance and achievements in delivering the North East Scotland College's organisational procurement strategy.

The development of the procurement strategy was the outcome of consultation and discussion with internal and external stakeholders who have an interest in the Colleges approach to procurement and its impact. Stakeholder engagement will also feature in the annual assessments of the achievement of regulatory compliance, strategic objectives of the College, value for money [defined as the best balance of cost, quality and sustainability] and delivery against the organisation's broader aims and objectives, in line with Scotland's National Outcomes. This process of review and reporting will inform any adjustments to the procurement strategy deemed necessary to secure future performance improvements and to respond to the economic, political and financial influences to which the College may need to adjust.

North East Scotland College has analysed third party expenditure and has identified that over the period(s) covered by this report the following expenditure has occurred:

- EU regulated procurements [goods and services worth more than £181,302; works worth more than £4,551,413<sup>1</sup>] amounted to £6,786,366. There were 4 such procurements completed<sup>2</sup>.
- Lower value regulated procurements' [goods and services worth more than £50,000, works worth more than £2 million] amounted to £2,757,783. There were 20 such procurements completed.

More detailed information on the regulated procurements, sorted into procurement categories, is provided in Sections 1 and 2 and in Annex 1A of this report.

North East Scotland College has over 1850 active suppliers, of which 547 were used by the College during the reporting period. The total procurement expenditure was £14,968,732 comprised of £11,807,437 of regulated expenditure (recorded on the Contracts Register) and £3,161,295 on non-regulated spend, of which £1,579,740 is non-influenceable spend.

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<sup>1</sup> Public contracts (EU) thresholds are revised every 2 years – next due on 01 /01/2020

<sup>2</sup> Completed when the award notice is published or where the procurement process otherwise comes to an end - covers contracts and framework agreements

Despite achieving an overall regulated influenceable spend total of 88.2% the College continues to strive to optimise its expenditure and utilises the use of national, sectoral, local or regional C1 collaborative contracts and frameworks where these will bring a benefit to the College. As well as bringing leverage-based savings, the burdens of risk, contract and supplier management are shared and the number of resource-intensive formal local tenders that need to take place is reduced significantly. 34.4% of the College's influenceable spend went through collaborative agreements, an increase of 13% on the previous year.

This report comprises five sections:

- Section 1: Summary of Regulated Procurements Completed
- Section 2: Review of Regulated Procurement Compliance
- Section 3: Community Benefit Summary
- Section 4: Supported Businesses Summary
- Section 5: Future Regulated Procurements Summary

**Report Approved: 21 November 2019**

**By: North East Scotland's Senior Management Team**

**Signed:**

**Position: Principal and Chief Executive**



## Section 1: Summary of Regulated Procurements Completed

North East Scotland College strongly believes in conducting its procurements in an open and inclusive manner with procurement objectives aligned to the College's Strategic Plan.

The detailed summary of regulated procurements completed is set out in Annex 1. That information, coupled with the publication of the institutional Contracts Register <http://www.apuc-scot.ac.uk/#!/institution?inst=32> and the systematic use of Public Contracts Scotland and Quick Quotes, provides complete visibility of the Colleges procurement activity over the reporting period.

In Annex 1, information is set out to show lower value regulated procurements completed and EU regulated procurements completed [if there have been any]. These are separated into contract categories and distinguish collaborative contracts from institutional ones. For each completed regulated procurement the information provided shows:

- the date of award
- the start dates
- the category subject matter
- the name of the supplier
- estimated value of the contract – total over contract period
- collaborative or institution owned
- the end date provided for in the contract or a description of the circumstances in which the contract will end.
- SME / supported business use

## Section 2: Review of Regulated Procurement Compliance

Where appropriate, North East Scotland College has made use of collaborative contracts to deliver improved contract terms, supported contract and supplier management, sustainable procurement outcomes and value for money (the best balance of cost, quality and sustainability).

In making its regulated procurements every care has been taken to ensure that the College awards the business to suppliers who are capable, reliable and who can demonstrate that they meet high ethical standards and values in the conduct of their business.

In the period covered by this report, the College has conducted all its regulated procurements in compliance with EU Treaty Principles of equal treatment, non-discrimination, transparency, proportionality and mutual recognition.

Successful delivery against the procurement strategy objectives is part of a customer valued, continual improvement process (CIP) that seeks incremental improvements to process and outcomes over time.

<b>Procurement Strategy Statement</b>	<b>Annual Report Commentary on strategy delivery/compliance</b>
To sustain and further develop partnerships within the sector, with other publicly-funded bodies, with professional bodies and appropriately with supply markets that will yield intelligence, innovation and deliver value to users of procurement services.	<p>The College Procurement Team engages with internal and external stakeholders and suppliers to gain valuable feedback which informs the Procurement team of possible necessary adjustments and improvements to the procurement strategy and processes.</p> <p>For each procurement, the College considers the community affected by the resultant contract and ensures that any affected internal or external stakeholders are consulted (such as students or other local procurement bodies). Such consultation will always be on a scale and approach relevant to the procurement in question.</p> <p>The College contributes to sector contracting plans and has coordinated procurement efforts on a regional basis with both the University of Aberdeen and Robert Gordon University to deliver local collaborative contracts.</p> <p>The College Procurement Manager attends and contributes to APUC-led Procurement Strategy Groups and actively engages with other bodies through HE and FE specific events and other Scottish public-sector events.</p>
To work with internal academic budget holders, professional support service colleagues and suppliers to deliver	<p>Each regulated procurement is assessed and a strategy is developed and agreed with the key stakeholders, end users and suppliers.</p> <p>This assessment is also used to deliver the most appropriate procurement route to market that yield best value outcomes The</p>

<p>innovation and best value to the learning, research and service support communities through the development of an effective and co-ordinated purchasing effort within the Institution.</p>	<p>College follows the guidelines set out in the <a href="#">Scottish Procurement Journey</a>.</p> <p>Procurement activities follow the guidelines set out in the Procurement Journey. This helps to manage the expectations of stakeholders, customers and suppliers alike and facilitates best practice and consistency with what other organisations do across the Scottish public sector.</p> <p>Following the Scottish Procurement Journey ensures that procurement operations align and support the College's strategic objectives.</p>
<p>To promote the delivery of value for money through good procurement practice and optimal use of procurement collaboration opportunities.</p>	<p>The best balance of cost, quality and sustainability is consistently used to assess value for money delivered and to identify sensible aggregation opportunities through collaborative contracting.</p> <p>The College sorts regulated procurements into procurement categories. How these goods, services and works are bought - joint purchasing, use of local, regional and national framework agreements, consolidated contracting – is subject to annual review with Advanced Procurement for Universities and Colleges (APUC) and, through user consultation, optimal category strategies are agreed, sensible aggregation opportunities are exploited, category and commodity strategies are developed, recorded, signed off and processed.</p>
<p>To seek out professional development opportunities to enrich and enhance experience and capability of procurement practitioners and to work with the supply chains to ensure continued value, managed performance and minimal risk throughout the life of contracts for the benefit of customers and students.</p>	<p>The defined procurement process is managed through an experienced and dedicated procurement team with access to competency based training, skills development programmes and career development opportunities. Devolved procurement competencies are assessed across the institution to secure optimum value delivery while managing supply side risks and opportunities.</p> <p>Post procurement reviews are carried out to check that tendering outcomes are delivering against category strategies/business case objectives, A "lessons learned" approach with stakeholders has seen a marked improvement in stakeholders approaching procurement well before their requirements are due.</p>

<p>To develop sound and useful procurement management information to measure and improve procurement and supplier performance in support of corporate planning conducted through fair and transparent process.</p>	<p>Internal governance procedures, policies and tools such as e-enabled workflow enhancements are introduced to effect improvements to procurement process and efficiency.</p> <p>Expenditure segmentation analysis and data located on the Hub, Hunter (including Contracts Registers).</p> <p>Where relevant, use is made of appropriate standards and labels in procurements to take account of fair and ethical trading considerations with due consideration given to equivalent tender offerings from suppliers. Use is made of PCS to publish procurement opportunities. Appropriate use is made of lotting, output based specifications and clear evaluation criteria to ensure that procurements are accessible to as many bidders (including SMEs) as possible.</p>
<p>To embed sound ethical, social and environmental policies within the Institution's procurement function and to comply with relevant Scottish, UK and EC legislation in performance of the sustainable procurement duty.</p>	<p>The College's procurement procedures clearly map out the routes to procurement in line with the Scottish Government's Procurement Journey. The College's procedures ensure that regulated procurements are only awarded to businesses that are capable, reliable and, where relevant, meet high ethical standards and values in the conduct of their business. The College is committed to contracting only with suppliers that comply with all appropriate and relevant legislation.</p> <p>Where appropriate and, on a contract by contract basis, the institution will assess the legislation applicable to a procurement and take steps to ensure bidders comply with it e.g. Health and Safety, Late Payment legislation. Where relevant, the Living Wage and fair work practices of suppliers are promoted in tender documentation. The College is a living wage employer.</p>

North East Scotland College has a procurement process and sign off arrangements that are consistent with the guidelines set out in the Procurement Journey and that have met the objectives and obligations set out immediately above.

### Section 3: Community Benefit Summary

For every procurement over £4m, North East Scotland College will consider how it can improve the economic social or environmental wellbeing of its area through inclusion of community benefit clauses, to assist with achieving sustainability in contracts activity, including targeted recruitment and training, small business and social enterprise development and community engagement. Where possible, relevant and proportionate, and where they are considered not to have a negative impact on the delivery of value for money, such clauses may be included in regulated procurements valued at below £4m.

The general College policy on identifying community benefit requirements would be to conduct risk and opportunities assessments through stakeholder consultation and engagement. Where relevant and proportionate to the subject matter of the procurement, the requirement is then built into the procurement specification and into the eventual conditions of contract performance.

Where applicable, as part of the tendering process, suppliers are invited to describe their approach to delivering community benefits or achieving social value through a contract. Relevant community benefits are cited such as:

- providing 'upskilling' opportunities (e.g. Toolbox talks) with students and staff,
- offering advice and assistance on the best practice methodology,
- employment, student work experience and vocational training opportunities,
- apprenticeships,
- local subcontractor opportunities available to SMEs, 3rd sector and supported businesses,
- direct involvement in community based schemes or programmes,
- equality and diversity initiatives,
- supply-chain development activity,
- educational support initiatives,
- to minimise negative environmental impacts, for example impacts associated with vehicle movements

Tenderers are invited to describe how such benefits will be successfully delivered through the contract and promoted to contract users. Where community benefits are included in a procurement (at or above the £4 million threshold), the award notice would include a statement of the benefits that are expected to be derived from the contract.

North East Scotland College has awarded no regulated procurement contracts over the reporting period. None of these were over £4 million in value.

## Section 4: Supported Business

Higher value procurements, regulated procurements (between £50k and OJEU threshold and those equal to and above the OJEU thresholds) are conducted in line with Routes 2 and 3 respectively of the Procurement Journey. Both Routes 2 and 3 mandate the use of the European Single Procurement Document (ESPD (Scotland)). The ESPD covers exclusion, selection and award criteria and includes questions relating to companies self-certifying themselves in terms of size (micro, small or medium), or whether they are supported businesses.

The College reviews each procurement to determine whether it could be fulfilled by a Supported Business, whilst remaining compliant with EU and Scottish Procurement Legislation and ensuring value for money for the institution (using the Supported Business [register](#) currently available and published by Ready for Business).

The College did not reserve any contracts for supported businesses in this period nor has it had any supported businesses bid through the standard open tendering route.

## Section 5 – Future Regulated Procurements

North East Scotland College is keen to encourage competition by promoting optimal participation in its procurement process and achieve better value for money in its procurements. One method of achieving this is to give notice to suppliers of tendering opportunities that are expected to commence over the next two financial years after the period covered by this report.

In preparing this forward projection of anticipated regulated procurements, it is difficult to be precise about providing details of actual requirements. Over a forecast period of two years it is very probable that circumstances and priorities will change so the list of projected individual regulated procurement exercises outlined in Annex 4 should be viewed with this caveat in mind.

The information provided in Annex 4 covers:

- the subject matter of the anticipated regulated procurement
- whether it is a new, extended or re-let procurement
- the expected contract notice publication date
- expected award date
- expected start and end date
- the estimated value of the contract.
- contract category A, B, C or C1

## Annex 1 List of Regulated Procurements Completed in the Reporting Period 8/18 – 7/19

### Compliant Procurement

Category Subject	Supplier name	Date of Award	Cat A/B or C?	Start Date	End Date	Value over contract period	SME status	Supported Business
Catering Services	Inspire Catering	16/05/2019	C	29/07/2019	28/07/2022	3896460	N	N
Supply of Electricity	EDF Energy	01/04/2019	A	01/04/2019	31/03/2021	2175000	N	N
Learning Opportunities Services	Aberdeen Foyer	20/12/2018	C	01/01/2019	31/07/2022	750000	Y	N
Lift Installation	Schindler Ltd	02/07/2019	C	01/08/2019	31/07/2020	466000	N	N
Technology Services 2	Esteem Services/Incremental	31/05/2018	B	31/08/2018	30/08/2021	368000	N	N
Nursery Service	One Parent Families Scotland	02/07/2019	C	26/08/2019	25/06/2021	346906	Y	N
NDNA Mini-Comp Award	HP Inc.	12/07/2019	B	01/08/2019	31/01/2020	179100	N	N
Signage	Service Graphics	15/07/2019	C	01/08/2019	31/07/2023	175000	Y	N
Sports Facilities Hire	Aberdeen Sports Village	12/07/2019	C	01/08/2019	31/07/2023	149000	N	N
Print Mini Comp	J Thomson Colour Printers	05/09/2018	B	11/09/2018	10/09/2021	122730	Y	N
Furniture	Azzurro	06/12/2018	B	01/01/2018	31/12/2022	120000	Y	N
Occupational Health	Iqarus	20/02/2019	C	01/04/2019	31/03/2022	105021	N	N
Employee Relations Legal Serv.	Ellis Whittam	01/10/2018	C	01/11/2018	31/10/2022	97832	Y	N
Grounds Maintenance Services	Countrywide Grounds Maint.	13/12/2018	C	01/01/2019	31/12/2022	88800	Y	N
Workshop Equipment Maint.	RS Machine Tools	19/06/2019	C	01/07/2019	30/06/2021	75000	Y	N
Kitchen Deep Clean	First Choice Cleaning Services	28/09/2018	C	01/10/2018	30/09/2021	63000	Y	N
Internal Audit Services	Henderson Loggie	04/04/2019	B	01/08/2019	31/07/2022	62700	Y	N
Fuel Cards	Allstar Business Solutions	01/08/2018	B	01/08/2018	31/07/2021	60000	N	N
Website Design & Hosting	Blue2 Digital	07/06/2019	C	07/06/2019	06/06/2022	58600	Y	N
IT Related Parts & Accessories	Academia	09/10/2018	B	09/10/2018	08/08/2020	45000	N	N
Lab Equipment One Stop Shop	Fisher Scientific	01/08/2018	B	01/08/2018	31/07/2020	40000	N	N



Water Quality Management	Chemtech Consultancy	28/09/2018	C	01/10/2018	30/09/2022	38000	Y	N
Fresh Fruit & Vegetables	TPS Fruit & Veg Ltd	17/01/2019	B	17/01/2019	16/01/2021	32000	Y	N
Network Services - Telephony	Daisy Inc	27/11/2018	B	03/12/2018	02/12/2020	30000	N	N

## Annex 2 List of Regulated Procurements with Community Benefit Requirements Fulfilled

There were no regulated procurements with community benefits requirements during the reporting period.

## Annex 3 List of Regulated Procurements placed with Supported Businesses

There were no regulated procurements placed with Supported Businesses during the reporting period.

## Annex 4 List of Regulated Procurements planned to commence in next two F/Ys 19/20 & 20/21

Category Subject	Cat A/B/C or C1	New. Extended or Re-Let Procurement	Contract Length	Expected Contract Notice Publication Date	Expected Date of Award	Expected Start Date	Expected End Date	Estimated Value Over Contract Period
Hair & Beauty Supplies	B	Re-Let	4	n/a Framework Award	15/01/2020	15/02/2020	14/02/2024	140,000.00
Water & Waste Water Services	A	Re-Let	3+2	n/a Framework Award	01/12/2019	01/03/2020	28/02/2023	825,000.00
Natural Gas	A	Re-Let	3+3	n/a Framework Award	01/12/2019	01/04/2020	31/03/2023	525,000.00
Temporary Lecturing Services	A	Extended	3+3	Extended	07/01/2020	04/05/2020	03/05/2023	5,800,000.00
Agency Staffing (Support Staff Only)	A	Re-Let	3+2	01/03/2020	03/02/2020	01/07/2020	30/06/2023	240,000.00
Distance Learning Materials	C	Extended	3+1+1	Extended	28/02/2020	01/08/2020	31/07/2021	200,000.00
Office, Computer and Library Supplies	B	Re-Let	3+2	n/a Framework Award	01/03/2020	01/08/2020	31/07/2025	91,000.00
Security & Janitorial Services	C	Extended	3+1+1	Extended	01/03/2020	01/08/2020	31/07/2021	1,010,000.00
Coach Hire Services	C	Re-Let	5+1	21/04/2020	01/03/2020	01/08/2020	31/07/2025	1,000,000.00

Facilities Management Services	C	Re-Let	5+2	01/02/2020	07/01/2020	01/08/2020	31/07/2025	6,500,000.00
Hospitality Uniforms and Equipment	B	Re-Let	3+2	n/a Framework Award	01/02/2020	01/08/2020	31/07/2023	165,000.00
Laboratory Equipment	B	Re-Let	2+2	n/a Framework Award	01/03/2020	01/08/2020	31/07/2022	80,000.00
Multifunction Device Tender	A	Re-Let	5	n/a Framework Award	01/02/2020	01/08/2020	31/07/2025	450,000.00
Sports Uniforms	C	Re-Let	4	01/04/2020	01/03/2020	01/08/2020	31/07/2024	96,000.00
Student Travel Services	B	Re-Let	3+2	n/a Framework Award	01/03/2020	01/08/2020	31/07/2023	100,000.00
TQFE Programme	C1	Extended	4+2	Extended	01/02/2020	01/08/2020	31/07/2022	50,000.00
IT Related Parts & Accessories	B	Re-Let	3	n/a Framework Award	01/04/2020	09/08/2020	08/08/2023	65,000.00
Student Accommodation Services	C1	Re-Let	3+3	Direct Award	01/04/2020	27/08/2020	26/08/2023	1,200,000.00
Desktop & Notebook NDNA	B	Extended	3+1	Extended	01/04/2020	01/09/2020	31/08/2021	250,000.00
Human Resources & Payroll System	C	Extended	3+2	Extended	01/05/2020	01/10/2020	30/09/2022	120,000.00
Fresh Dairy Products	B	Extended	2+2	Extended	01/05/2020	26/10/2020	25/10/2021	12,000.00
Servers & Storage	B	Re-Let	3+2	n/a Framework Award	01/05/2020	01/11/2020	31/10/2023	450,000.00
Offsite Reprographic Services	C	Re-Let	3+2	01/06/2020	01/04/2020	01/11/2020	31/10/2023	700,000.00
Software Licence Resellers	B	Re-Let	3+1	n/a Framework Award	01/05/2020	01/12/2020	30/11/2023	300,000.00
Industrial Gasses	B	Re-Let	3+2	n/a Framework Award	01/09/2020	05/01/2021	04/01/2024	215,000.00
Fresh Fruit & Vegetables	B	Extended	2+2	Extended	01/09/2020	17/01/2021	16/01/2023	32,000.00
Travel Services	A	Extended	3+1	Extended	01/10/2020	01/02/2021	01/02/2022	150,000.00
Trade Materials	B	Re-Let	3+2	n/a Framework Award	01/10/2020	17/02/2021	16/02/2024	105,000.00
VLE Hosting/Delivery (Blackboard)	B	Re-Let	2+2	n/a Framework Award	01/12/2020	07/03/2021	06/03/2023	200,000.00
Mobile Telephony	B	Re-Let	3+2	n/a Framework Award	01/12/2020	25/03/2021	24/03/2024	90,000.00
Electricity Supply	A	Extended	4+1+2	Extended	01/11/2020	01/04/2019	31/03/2022	750,000.00
Vehicle Hire	B	Re-Let	3+2	n/a Framework Award	01/12/2020	01/04/2021	31/03/2024	75,000.00
Apple Equipment & Services	B	Re-Let	2+2	n/a Framework Award	07/01/2021	03/04/2021	02/04/2023	160,000.00
Waste Collection & Disposal	B	Re-Let	3+2	n/a Framework Award	07/01/2021	09/04/2021	08/04/2024	186,000.00

Nursery Service - Fraserburgh	C	Extended	2+1	Extended	01/02/2021	26/08/2021	25/06/2021	346,906.00
Workshop Equipment Maintenance	C	Extended	2+1	Extended	01/03/2021	01/07/2021	30/06/2021	75,000.00
Student Records System Maintenance	B	Re-Let	3+2	n/a Framework Award	01/03/2021	28/07/2021	27/07/2024	230,000.00
Fresh Butcher Meat	B	Extended	2+2	Extended	01/04/2021	01/08/2021	31/07/2023	28,000.00
Fuel Cards	A	Extended	3+1	Extended	01/03/2021	01/08/2021	31/07/2022	60,000.00
Electrical Sundries	B	Extended	2+1	Extended	01/03/2021	01/08/2021	31/07/2022	25,000.00

## Annex 5 - Glossary of Terms

### **A, B, C and C1 Contracts** (*Who buys what?*)

Category A	Collaborative Contracts available to all public bodies <ul style="list-style-type: none"><li>• Scottish Procurement</li></ul>
Category B	Collaborative Contracts available to public bodies within a specific sector <ul style="list-style-type: none"><li>• Scottish Procurement</li><li>• APUC</li><li>• Scotland Excel</li><li>• NHS National Procurement</li></ul>
Category C	Local Contracts for use by individual public bodies
Category C1	Local or regional collaborations between public bodies

**APUC's Code of Conduct** - APUC and its client community of colleges and universities is committed to carrying out procurement activities in an environmentally, socially, ethically and economically responsible manner and to entering into agreements and contracts with suppliers that share and adhere to its vision. To demonstrate this commitment, current and potential suppliers are asked to acknowledge their compliance with the principles of the APUC Supply Chain Code of Conduct with respect to their organisation and their supply chain.

**BT14 – Sustainability Based Benefits** - sustainability benefits where costs are not normally relevant can be reported but will normally be described in narrative including but not limited to the following areas:

- Reduction in waste – packaging and / or further use of residue from processes etc.
- Reduction in consumption - use of raw materials (consumables, utilities etc.)
- Recycling and/or reuse of products
- Enhanced Reputation and/or marketing opportunities

- Community Benefits delivery

- Carbon Reduction

Social, equality and / or environmental improvements

**Category Subject** is a collection of commodities or services sourced from the same or similar supply base, which meet a similar consumer need, or which are inter-related or substitutable.

**Community Benefits** are requirements which deliver wider benefits in addition to the core purpose of a contract. These can relate to social-economic and or environmental. Benefits. Community Benefits clauses are requirements which deliver wider benefits in addition to the core purpose of a contract. These clauses can be used to build a range of economic, social or environmental conditions into the delivery of institutional contracts.

**Contracts Registers** these typically provide details of the procurement exercise to capture key information about the **contract** (the goods and services, values, date started, expiry date, procurement category etc.).

**Cost Avoidance** The act of eliminating costs or preventing their occurrence in the first place. It tends not to show up on, but materially impacts, the bottom-line cost and is normally referred to as a “soft” cost saving i.e. negating supplier requests to increase costs, procuring services/goods/ works under budget, obtaining prices lower than the market average/median.

**Contract management** or contract administration is the management of contracts made with customers, suppliers, partners, or employees. Contract management activities can be divided into three areas: service delivery management; relationship management; and contract administration.

**EU regulated procurements** are those whose values require that they are conducted in compliance with the Public Contracts (Scotland) Regulations 2015 and the Procurement Reform (Scotland) Act 2014.

**Flexible Framework** Self-Assessment Tool (FFSAT) enables measurement against various aspects of sustainable procurement.

**Hub (Spikes Cavell)** - The Scottish Procurement Information Hub is provided by Spikes Cavell as a spend analysis tool allowing organisations to: -

- Identify non-pay spend on external goods and services
- Identify key suppliers and how many transactions are made with each
- Highlight common spend across suppliers and categories
- Identify spend with SMEs and/or local suppliers

This information means that individual organisations and Centres of Expertise can identify where collaborative opportunities might exist and where transactional efficiencies could be made.

For more information, visit the Scottish Government's [Hub](#) page.

**Hunter** - Hunter has been developed by the eSolutions team. It is a database solution which uses standard Microsoft packages (Access and SQL Server) enabling organisations to effectively monitor and report on collaborative contracting activities.

As a solution, it is operational within the HE/FE sector in Scotland and is also being utilised by the HE consortia in England and Wales that also provide collaborative contracting services to the sector. Hunter has a multi-level structure which allows consortia to share collaborative agreements, make them visible to their member organisations, and in turn enabling them to record their own contracts.

**Institutional Dashboard** - is the area within the APUC Buyers Portal being developed by the APUC eSolutions team providing easy access to institutions' key management reporting data being recorded centrally through **Hunter**. The dashboard currently hosts key regulatory procurement information on Contracts Registers, forward contracting plans, expenditure reporting and APR Data. The list of reports is planned to expand to cover savings and PCIP dashboard data.

**Lotting** - the Public Contracts (Scotland) Regulations 2015 encourage the use of lots (regulation 47), to promote competitiveness and to facilitate the involvement of SMEs in the public procurement market, by considering the appropriateness of dividing contracts into lots to smaller contracts

**OJEU thresholds** OJEU is the Official Journal of the European Union, the gazette of record for the European Union. Around 2500 new notices are advertised every week - these include invitations to tender, prior information notices, qualification systems and contract award notices. The European public contracts directive (2014/24/EU) applies to public authorities and the following thresholds will apply to procurement carried out whose value equals or exceeds specific thresholds. The present thresholds are (net of VAT): - for Supply, Services and Design Contracts, £164,176, for Works Contracts £4,104,394. Public contracts (EU) thresholds are revised every 2 years – this is next due on 01/01/2018.

**Output Specification** requirements are set out in terms of what you want to achieve, leaving the tenderers to decide on how they will deliver those requirements. This can lead to innovation by the tenderers. The services detailed in the output specification should be capable of objective assessment so that the performance of the supplier can be accurately monitored.

**Prioritisation** - the Sustainable Public Procurement Prioritisation Tool which is a tool to aid all procuring organisations across the Scottish Public Sector designed to bring a standard structured approach to the assessment of spend categories.

**Procurement Journey** is public procurement toolkit with guidance and templates on the procurement process to facilitate a standardised approach to the market and contract and supplier management.

**Procurement & Commercial Improvement Programme (PCIP)** replaced the previous Procurement Capability Assessment (PCA) and focuses on the policies and procedures driving procurement performance and more importantly, the results they deliver.

**PCS (Public Contracts Scotland)** is the national advertising portal used to advertise all public sector goods, services or works contract opportunities.

**PCS-Tender** is the national eTendering system, and is centrally funded by the Scottish Government. The system is a secure and efficient means for buyers and suppliers to manage tender exercises online. The standard templates enable buyers to create consistent tender documentation.

**Segmentation** the division and grouping of suppliers or contracts in relation to spend and its criticality to business.

**Small and Medium Sized Enterprises (SMEs)** encompass –

Micro enterprises: enterprises which employ fewer than 10 persons and whose annual turnover and/or annual balance sheet total does not exceed £1.57 million.

Small enterprises: enterprises which employ fewer than 50 persons and whose annual turnover and/or annual balance sheet total does not exceed £7.86 million.

Medium enterprises: enterprises which are neither micro nor small, which employ fewer than 250 persons and which have an annual turnover not exceeding £39.28 million, and/or an annual balance sheet total not exceeding £33.78 million.

**Social Enterprises** are revenue-generating businesses with primarily social objectives whose surpluses are reinvested for that purpose in the business or in the community, rather than being driven by the need to deliver profit to shareholders and owners.

**Supply Chain** encompasses all activities, resources, products etc. involved in creating and moving a product or service from the supplier to the procurer.

**Supported business** means an economic operator whose main aim is the social and professional integration of disabled or disadvantaged persons, and where at least 30% of the employees of the economic operator are disabled or disadvantaged persons.

**Supported employment programme** means an employment programme operated by an economic operator, the main aim of which is the social and professional integration of disabled or disadvantaged persons, and where at least 30% of those engaged in the programme are disabled or disadvantaged persons.

**Sustain** - is the APUC supply chain sustainability web portal, a central hub where sector suppliers can complete and store sustainability compliance data. The portal is the core supply chain sustainability tool supporting HE and FE institutions and their suppliers in delivering a transparent, environmentally positive, ethical and socially responsible supply chain

**Sustainable Procurement** A process whereby organisations meet their needs for goods, services, works and utilities in a way that achieves value for money on a whole life basis and generates benefits, not only for the organisation but also to society, the economy and the environment.

**Third-Party Expenditure** is calculated based upon the total value of invoices paid per annum, excluding VAT, to all suppliers for the purchase of goods and services. It is defined as including: goods – tangible products such as stationery, which are often also known as supplies. Services – provision of an intangible product such as refuse collection, elderly home care, whether carried out internally or externally. Works – including construction works and utilities – energy costs. It excludes employee costs, non-cash expenditure (e.g. depreciation), grants, trust payments and other non-controllable payments to other publicly funded bodies but should include spending on agency staff, capital expenditure and programme spend on commodities and services.



# Annual Procurement Report template

[NOTE: reference to contract is also to be construed as meaning a Framework Agreement]

<b><u>1. Organisation and report details</u></b>	
a) Contracting Authority Name	North East Scotland College
b) Period of the annual procurement report	01/08/18 to 31/07/19
c) Required by s18 Procurement Reform (Scotland) Act 2014 to prepare an annual procurement report? (Yes / No)	Yes
<b><u>2. Summary of Regulated Procurements Completed</u></b>	
a) Total number of regulated contracts awarded within the report period	24
b) Total value of regulated contracts awarded within the report period	£9,554,149
c) Total number of unique suppliers awarded a place on a regulated contract awarded during the period	24
i) how many of these unique suppliers are SMEs	13
ii) how many of these unique suppliers how many are Third sector bodies	2
<b><u>3. Review of Regulated Procurements Compliance</u></b>	
a) Number of regulated contracts awarded within the period that complied with your Procurement Strategy	24
b) Number of regulated contracts awarded within the period that did not comply with your Procurement Strategy	0
<b><u>4. Community Benefit Requirements Summary</u></b>	
<b>Use of Community Benefit Requirements in Procurement:</b>	
a) Total number of regulated contracts awarded with a value of £4 million or greater.	0
b) Total number of regulated contracts awarded with a value of £4 million or greater that contain Community Benefit Requirements.	0
c) Total number of regulated contracts awarded with a value of less than £4 million that contain a Community Benefit Requirements	0

**Key Contract Information on community benefit requirements imposed as part of a regulated procurement that were fulfilled during the period:**

d) Number of Jobs Filled by Priority Groups ( <i>Each contracting authority sets its own priority groups</i> )	N/A
e) Number of Apprenticeships Filled by Priority Groups	N/A
f) Number of Work Placements for Priority Groups	N/A
g) Number of Qualifications Achieved Through Training by Priority Groups	N/A
h) Total Value of contracts sub-contracted to SMEs	N/A
i) Total Value of contracts sub-contracted to Social Enterprises	N/A
j) Total Value of contracts sub-contracted to Supported Businesses	N/A
k) Other community benefit(s) fulfilled	N/A

**5. Fair Work and the real Living Wage**

a) Number of regulated contracts awarded during the period that have included a scored Fair Work criterion.	0
b) Number of unique suppliers who have committed to pay the real Living Wage in the delivery of a regulated contract awarded during the period.	7
c) Number of unique suppliers who are accredited Living Wage employers and were awarded a regulated contract awarded during the period.	6
d) Number of unique suppliers who have signed up to the Scottish Business Pledge and were awarded a regulated contract awarded during the period.	3

**6. Payment performance**

a) Number of valid invoices received during the reporting period.	8065
b) Percentage of invoices paid on time during the period ("On time" means within the time period set out in the contract terms.)	78%
c) Number of regulated contracts awarded during the period containing a contract term requiring the prompt payment of invoices in public contract supply chains.	15
d) Number of concerns raised by sub-contractors about the timely payment of invoices within the supply chain of public contracts.	0

**7. Supported Businesses Summary**

- a) Total number of regulated contracts awarded to supported businesses during the period
- b) Total spend with supported businesses during the period covered by the report, including:
- i) spend within the reporting year on regulated contracts
  - ii) spend within the reporting year on non-regulated contracts

0
0
0
0

**8. Spend and Savings Summary**

- a) Total procurement spend for the period covered by the annual procurement report.
- b) Total procurement spend with SMEs during the period covered by the annual procurement report.
- c) Total procurement spend with Third sector bodies during the period covered by the report.
- d) Percentage of total procurement spend through collaborative contracts.

£14,968,732
£6,014,457
£495,215
34.4%

- e) Total targeted cash savings for the period covered by the annual procurement report
- i) targeted cash savings for Cat A contracts
  - ii) targeted cash savings for Cat B contracts
  - iii) targeted cash savings for Cat C contracts

£818,153
£179,530
£124,416
£514,207

- f) Total delivered cash savings for the period covered by the annual procurement report
- i) delivered cash savings for Cat A contracts
  - ii) delivered cash savings for Cat B contracts
  - iii) delivered cash savings for Cat C contracts

£515,839
£153,025
£26,156
£336,658

- g) Total non-cash savings value for the period covered by the annual procurement report

1,557,757
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**9. Future regulated procurements**

- a) Total number of regulated procurements expected to commence in the next two financial years
- b) Total estimated value of regulated procurements expected to commence in the next two financial years

40
£23,097,000

## NOTES

- Reference to contract is also to be construed as also meaning a Framework Agreement.
- Please provide exact figures wherever possible, rather than estimations.
- A 'regulated contract' is a one that is within scope of the Procurement Reform (Scotland) Act 2014.

**1. Organisation and report details**

- Enter the name of the contracting authority to which the report refers.
- Enter the actual period of the report (*e.g. 1 April '18 to 31 March '19 or 1 August '18 to 31 July '19.*)
- Has the report been prepared because there is a requirement to do so under Section 18 of the 2014 Act?

**2. Summary of regulated procurements completed**

- This is the total number of all regulated contracts that were awarded during the reporting period as a result of regulated procurements.
- This is the total estimated value (exc. VAT) of all regulated contracts that were awarded during the reporting period as a result of regulated procurements.
- This is the total number of unique suppliers that were awarded a place on a regulated contract which was awarded during the reporting period (where a supplier has been awarded more than one framework or contract only one instance should be recorded).
  - Number of unique SME suppliers that were awarded a place on a contract awarded during the reporting period (*SME means an enterprise which employs less than 250 staff*).
  - Number of unique Third Sector suppliers that were awarded a place on a contract awarded during the reporting period.

**3. Review of regulated procurements compliance**

- Total number of regulated contracts awarded within the reporting period that complied with the commitments and policies set out in your corporate procurement strategy.
- Total number of regulated contracts awarded within the reporting period that did not comply with commitments and policies set out in the corporate procurement strategy.

**4. Community benefit requirements summary**

- Total number of individual regulated contracts awarded within the reporting period with a value of £4 million or greater.
- Total number of individual regulated contracts awarded within the reporting period with a value of £4 million or greater that contain Community Benefit requirements.
- Total number of regulated contracts with a value of less than £4 million that contain that contain Community Benefit requirements.
- Total number of jobs filled by individuals within a priority group during the period of the report.
- Total number of apprenticeships filled by priority groups during the period of the report.
- Total number of work placements delivered for priority groups during the period of the report.
- Number of qualifications achieved during the period of the report through training by priority groups.
- Total value of contracts subcontracted to SMEs during the period of the report
- Total value of contracts subcontracted to Social Enterprises during the period of the report.
- Total value of contracts subcontracted to Supported Businesses during the period of the report.
- Other community benefits that were fulfilled during the period of the report that do not fall into one of the preceding categories.

## 5. Fair Work and the real Living Wage

- a) Number of regulated contracts awarded during the reporting period where it was relevant to include a scored Fair Work criterion.
- b) Total number of unique suppliers that have committed to pay the real Living Wage to persons involved in producing, providing or constructing the subject matter of regulated procurements; this number will include suppliers who are awarded onto a framework agreement and will also reflect those suppliers who are accredited as Living Wage employers.
- c) Number of unique suppliers who are accredited Living Wage employers and were awarded a regulated contract during the period of the report.
- d) Number of unique suppliers signed up to the Scottish Business Pledge and were awarded a regulated contract during the period of the report.

## 6. Payment performance

- a) Total number of valid invoices received during the period of the report.
- b) The percentage of valid invoices received during the period of the report that were paid on time (*i.e. within the time period set out in the contract terms*).
- c) Total number of regulated contracts awarded during the period of the report that contained a contract term requiring the prompt payment of invoices in the supply chains of that contract.
- d) Total number of concerns raised by sub-contractors delays in the payment of invoices.

## 7. Supported businesses summary

- a) Total number of all regulated contracts that were awarded to supported businesses during the reporting period (*this includes contracts reserved for supported businesses*)
- b) Total amount of spend with supported businesses during the reporting period (*through regulated and non-regulated contracts*).
  - i) Total spend with supported businesses during the reporting period through regulated contracts (*including spend within the period on contracts placed before the period*).
  - ii) Total spend with supported businesses during the reporting period through non-regulated contracts (*including spend within the period on contracts placed before the period*).

## 8. Spend and savings summary

- a) Total amount of procurement spend during the reporting period.
- b) Total amount of procurement spend with SMEs during the reporting period.
- c) Total amount of procurement spend with Third Sector bodies during the reporting period.
- d) Percentage of total procurement spend during the reporting period that is through collaborative contracts.
- e) Total amount of cash savings that was targeted / forecast for the period of the report.
  - i) Total amount of cash savings that was forecast for the period of the report through Cat A (National) contracts.
  - ii) Total amount of cash savings that was forecast for the period of the report through Cat B (Sectoral) contracts.
  - iii) Total amount of cash savings that was forecast for the period of the report through Cat C contracts.
- f) Total amount of cash savings delivered for the period of the report.
  - i) Total amount of cash savings delivered during the period of the report through Cat A (National) contracts.
  - ii) Total amount of cash savings delivered during the period of the report through Cat B (Sectoral) contracts.

- iii) Total amount of cash savings delivered during the period of the report through Cat C contracts.

**9. Future regulated procurements**

- a) Total number of all regulated contracts that are expected to commence in the next two financial years.
- b) Total estimated value of all regulated contracts that are expected to commence in the next two financial years.