Southway Housing Trust

Assurance Review of Procurement

February 2025

Final

Executive Summary

OVERALL ASSESSMENT

ASSURANCE OVER KEY STRATEGIC RISK / OBJECTIVE

Not achieving best value from Procurement.

KEY STRATEGIC FINDINGS

The Procurement Policy, Financial Regulations, Procurement Procedure and Guidance were all confirmed to be in place.

Testing of waivers showed no segregation of duties in place as same person filled in and signed off exemption forms.

Approval for 6 out of the 7 sampled contracts could not be evidenced as the standard procurement forms were not filled.

Adequate reporting to the Board was confirmed to be in place with sufficient details provided on procurement activities.

GOOD PRACTICE IDENTIFIED

Forward planning by the Procurement Team is in place to ensure that contracts due to expire are identified on time.

SCOPE

The review considered the processes in place for procuring goods and services. The review considered the application of the Trust's procurement policy and delegated powers, the identification of procurement routes, frameworks and preferred supplier lists, what checks are undertaken on potential suppliers and the tender waiver process.

ACTION POINTS

Urgent	Important	Routine	Operational
0	2	1	0

Assurance - Key Findings and Management Action Plan (MAP)

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
1	Directed	From the Trust's Procurement register, seven samples were selected to test compliance with the Procurement Policy. It was confirmed that signed contracts were in place, quotes had been received and the tender process evidenced where applicable. However, only one out of the seven contracts had the standard procurement form completed and it was not possible to evidence approval for the remaining six. Also, in line with the Procurement Procedure and Guidance, contracts routed via direct appointment are to be treated as a waiver and hence, an exemption form is to be completed, however, two out of the seven samples were by direct appointment and testing showed no exemption form was in place for either.	Procurement forms, including waiver exemptions, to be completed and signed off for all contracts.	2	*Southway's Procurement Policy and procedure includes a series of gateways to ensure all necessary approvals are in place before a procurement can be signed off. We will ensure that this is properly enforced in future before a procurement can advance.* *We will also produce a business case to further explore implementing an e-Procurement portal which will enable us to check completeness of all requirements in a timely manner before a procurement is considered 'complete'. Additional benefits of an e-procurement system could include tracking of savings for the business, alerts to notify us ahead of any contract expiry and a generated programme of upcoming requirements and timeframes.*	*February 25* *April 25*	*Procurement Manager*

PRIORITY GRADINGS

1	**URGENT**	Fundamental control issue on which action should be taken immediately.
2	**IMPORTANT**	Control issue on which action should be taken at the earliest opportunity.
3	**ROUTINE**	Control issue on which action should be taken.

Rec.	Risk Area	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
3	Directed	Seven samples were selected to test compliance with the Procurement Policy for the contract waivers. Appropriate justification was provided for all sampled waivers with Exemptions forms completed, dated and signed, except for one contract which was neither dated nor signed off by relevant budget holder nor an Executive Director. However, this was confirmed to have been reported to the Audit and Risk Committee in the April 2024 meeting. Also, it was identified during testing that the lead officer who filled the exemption form for two of the waivers also signed the waiver off in their capacity as the relevant budget holder.	To ensure appropriate segregation of duties is in place, approval of a waiver form to be done by a separate individual than the office that has requested the waiver and submitted the form.	2	*The exceptions referenced relate to the Chief Executive. Going forward if a project is required by the CEO, it shall be led by someone else in the organisation, to segregate from the CEO's role as approver. All exceptions will continue to be reported to Committee as standard.* *A process improvement has been implemented whereby the new Procurement Manager will review and challenge any exception submitted before these are sent to the CEO.*	*February 25*	*Procurement Manager*
2	Directed	It was identified during testing that a contract had been classified wrongly on the Contracts Register as the contract was found to have been procured via direct appointment as against via quotes stated on the register.	Information on contract registers to be checked and confirmed accuracy to prevent wrong classification of contracts.	3	*We will carry out a full review of the register to ensure that this was a one-off due to human error. Checks will be undertaken periodically to ensure accuracy.*	*February 25*	*Procurement Manager*

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Operational - Effectiveness Matter (OEM) Action Plan

Ref	Risk Area	Finding	Suggested Action	Management Comments
No operational effectiveness matters were identified.				

ADVISORY NOTE

Operational Effectiveness Matters need to be considered as part of management review of procedures.

Findings

Directed Risk:

Failure to properly direct the service to ensure compliance with the requirements of the organisation.

Ref	Expected Key Risk Mitigation		Effectiveness of arrangements	Cross Reference to MAP	Cross Reference to OEM
GF	**Governance Framework**	There is a documented process instruction which accords with the relevant regulatory guidance, Financial Instructions and Scheme of Delegation.	In place	-	-
RM	**Risk Mitigation**	The documented process aligns with the mitigating arrangements set out in the corporate risk register.	In place	-	-
C	**Compliance**	Compliance with statutory, regulatory and policy requirements is demonstrated, with action taken in cases of identified non-compliance.	Partially in place	1, 2, & 3	-

Other Findings

The Trust has a Procurement Policy in place, which outlines the purpose, scope, statement of principles, procurement guidelines, procurement thresholds, issues to consider, waivers and exceptions and development procurement. The Policy also contains appropriate references to relevant legal and statutory requirements such as the Public Contracts Regulations 2015, the Public Services (Social Value) Act 2012, the Modern Slavery Act 2015, the Procurement Regulations 2024 amongst others. Last approved in September 2024 by the Board, the Procurement Policy is due for review in June 2027.

In addition, a Procurement Procedure and Guidance was confirmed to be in place. The Procedure highlights roles and responsibilities of officers handling procurement activities, step by step guidance on how to complete a Procurement Form, reporting and record keeping for procurement and contracts, seeking tenders and quotes and applying for procurement exceptions.

The Financial Regulations of the Trust was also confirmed to be in place. These were last approved in June 2024, the Executive Director-Finance and Business Development has the responsibility to ensure that the Financial Regulations are adhered to.

The Financial Regulations set out the financial management and control arrangements of the Trust including procurement, approval and execution of contracts, incurring expenditure and schedule of authorities. The Financial Regulations are due for review in June 2025.

Other Findings

Discussions with the Procurement Team confirmed that there are two forms to be filled for a new supplier to be set up on the system, an internal and external one. The internal form is completed by the staff requesting the setup and then emailed to the Financial Services Team. After receiving the internal form, the external form is emailed to the Supplier by the Finance team directly with the request for the supplier to also send the bank details in a headed paper. Both forms were reviewed during the audit and found to be sufficient and detailed.

A sample of five new suppliers added onto the system was reviewed to confirm adherence to the process and all found to have been processed accordingly, with the exception of one in which case the supplier could not present an official letter head to convey the company's bank details which is part of verification required before adding a new supplier. Email exchanges showing that the request was made to the supplier and the supplier's response that they do not have company headed letter was seen during the audit. Evidence to show that the external forms were sent directly by the Finance team to the sampled suppliers and details provided by the suppliers have been checked, verified and signed off before adding onto the system, were provided and found to be satisfactory.

The Trust recognises the risk of 'Not achieving best value from procurement' which could result in 'unnecessary costs incurred, challenge from unsuccessful bidder and regulatory downgrade due to procurement breach'. Existing mitigation controls in place include procurement exception and annual report to the Audit and Risk Committee, Social Value Statement to support effective procurement, an up-to-date Procurement Policy and exercise being undertaken to review value of ongoing and soon to expire contracts. All controls were confirmed to be in place. In addition, a risk of 'inefficient use of resources and poor value for money' has also been identified with appropriate controls put in place.

Delivery Risk:

Failure to deliver the service in an effective manner which meets the requirements of the organisation.

Ref	Expected Key Risk Mitigation		Effectiveness of arrangements	Cross Reference to MAP	Cross Reference to OEM
PM	**Performance Monitoring**	There are agreed KPIs for the process which align with the business plan requirements and are independently monitored, with corrective action taken in a timely manner.	In place	-	-
S	**Sustainability**	The impact on the organisation's sustainability agenda has been considered.	In place	-	-
R	**Resilience**	Good practice to respond to business interruption events and to enhance the economic, effective and efficient delivery is adopted.	In place	-	-

Other Findings
Four Procurement Update reports presented to the Audit and Risk Committee by the Management for February, April, July and October 2024 were reviewed. The reports feature details on current and planned procurement, tender activities, exemptions to the Procurement Policy and the Social Value statement. The legal, financial, human resources, governance, quality and diversity impacts of procurements are also clearly highlighted in the Reports.
Evidence of forward planning by the Procurement team to identify contracts that are due to expire was provided during the audit. Emails and meeting invitations to different teams involved in procurement (Sales, HR, Property and Asset services, Communities, Housing Management and Support) were evidenced.
The Trust has a Strategy document in place titled 'Zero Carbon 2038 Strategy'. The document itemises the key priority areas to ensure that the Trust becomes a zero-carbon organisation by 2038, with a five-year working plan covering 2020 to 2025, confirmed to be in place. Review of the Procurement Reports also showed that the Trust is considering introducing scoring for carbon reduction initiatives as part of relevant tenders.
Discussion with the Management confirmed that a dedicated Procurement Manager has recently been appointed. Evidence of training provided by suitably qualified personnel in October 2024 for staff currently handling Procurement was seen during the audit and found to be appropriate.

EXPLANATORY INFORMATION

Appendix A

Scope and Limitations of the Review

1. The definition of the type of review, the limitations and the responsibilities of management in regard to this review are set out in the Annual Plan. As set out in the Audit Charter, substantive testing is only carried out where this has been agreed with management and unless explicitly shown in the scope no such work has been performed.

Disclaimer

2. The matters raised in this report are only those that came to the attention of the auditor during the course of the review and are not necessarily a comprehensive statement of all the weaknesses that exist or all the improvements that might be made. This report has been prepared solely for management's use and must not be recited or referred to in whole or in part to third parties without our prior written consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any other purpose. TIAA neither owes nor accepts any duty of care to any other party who may receive this report and specifically disclaims any liability for loss, damage or expense of whatsoever nature, which is caused by their reliance on our report.

Effectiveness of Arrangements

3. The definitions of the effectiveness of arrangements are set out below. These are based solely upon the audit work performed, assume business as usual, and do not necessarily cover management override or exceptional circumstances.

In place	The control arrangements in place mitigate the risk from arising.
Partially in place	The control arrangements in place only partially mitigate the risk from arising.
Not in place	The control arrangements in place do not effectively mitigate the risk from arising.

Assurance Assessment

4. The definitions of the assurance assessments are:

Substantial Assurance	There is a robust system of internal controls operating effectively to ensure that risks are managed and process objectives achieved.
Reasonable Assurance	The system of internal controls is generally adequate and operating effectively but some improvements are required to ensure that risks are managed and process objectives achieved.
Limited Assurance	The system of internal controls is generally inadequate or not operating effectively and significant improvements are required to ensure that risks are managed and process objectives achieved.
No Assurance	There is a fundamental breakdown or absence of core internal controls requiring immediate action.

Acknowledgement

5. We would like to thank staff for their co-operation and assistance during the course of our work.

Release of Report

6. The table below sets out the history of this report:

Stage	Issued	Response Received
Audit Planning Memorandum:	17th May 2024	24th May 2024
Draft Report:	24th January 2025	6th February 2025
Final Report:	11th February 2025	