



SHROPSHIRE COUNCIL AUDIT SERVICES

"ADDING VALUE"

FINAL INTERNAL AUDIT REPORT WME PROCUREMENT 2023/24

Assurance Level | **Good**



Audit Data

Customer:	West Mercia Energy (WME)
Report Distribution:	Nigel Evans, Director
Auditor(s):	Catherine Young
Fieldwork Dates:	February 2024
Debrief Meeting:	28th February 2024
Draft Report Issued:	15th February 2024
Responses Received:	26th February 2024
Final Report Issued:	28th February 2024

Introduction and Background

1. As part of the approved internal audit plan for 2023/24 Audit Services have undertaken a review of Procurement.
2. This audit has been conducted in accordance with the Public Sector Internal Audit Standards.
3. Maintenance of the control environment is the responsibility of Management. The audit process is designed to provide a reasonable chance of discovering material weaknesses in internal controls. It cannot however, guarantee absolute assurance against all weaknesses including overriding of management controls, collusion, and instances of fraud or irregularity.
4. Audit Services would like to thank officers who assisted during the audit.
5. The audit was delivered on time and within budget.

Scope of the Audit

6. The following scope was agreed with key contacts at the beginning of the audit:
To review the tender and evaluation process for the Framework Agreement for the Supply of Electricity on a Flexible Basis and the Provision of Associated Services (WME 002) which was undertaken between October 2022 and July 2023.
7. Audit work was undertaken to give assurance on the extent to which the following management control objectives are being achieved. Objectives with a √ demonstrate that appropriate management controls are in place and upon which positive assurance can be given. Objectives with an X are those where the management controls are not being achieved:
 - √ There is an appropriate evaluation process prior to the project being tendered.
 - √ There is a satisfactory system to ensure tender documents are completed in accordance with Contract Procedure Rules.
 - √ There is an adequate system of tender appraisal so that selection is based on an accurate evaluation of the tender information.
 - √ Successful and unsuccessful tenderers are notified promptly; unsuccessful tenders are retained in case of default / re-negotiation / for future information.
 - √ Contract documents are completed on a timely basis and include key conditions to protect West Mercia Energy from liability in respect of contractor's actions.

Assurance Level and Recommendations

8. An opinion is given on the effectiveness of the control environment reviewed during this audit. The level of assurance given is based upon sample testing and evaluation of the controls in place. This will be reported to the Joint Committee and will inform the Annual Governance Statement which accompanies the Annual Statement of Accounts. There are four levels of assurance; Good, Reasonable, Limited and Unsatisfactory.

Audit Services can give the following assurance level on the area audited:

Good	There is a sound system of control in place which is designed to address relevant risks, with controls being applied consistently.
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9. Recommendations are made where control weaknesses, risks or areas for improvement have been identified and are of sufficient importance to merit being reported to you in accordance with auditing standards. There are four categories of recommendation; Best Practice, Requires Attention, Significant and Fundamental. Detailed findings and a definition of the recommendation categories are included in the Exception Report at **Appendix 1**. The following table summarises the number of recommendations made in each category:

Total	Fundamental	Significant	Requires Attention	Best Practice
1	0	0	1	0

10. A summary of the recommendations, together with the agreed management responses are included at **Appendix 2**. Implementation of these recommendations will address the risks identified and improve the controls that are currently in place.

Audit Approach

11. The approach adopted for this audit included:
- Review and documentation of the system.
 - Identification of the risks to achieving the business outcomes and associated key controls.
 - Testing of controls to confirm their existence and effectiveness.
 - Identification of weaknesses and potential risks arising from them.
12. As Internal Audit report by exception, only those areas where control weaknesses and/or errors have been identified are included in this report (**Appendix 1**). Recommendations to improve controls or enhance existing practice are detailed against each finding and the associated risk. Your Action Plan is included at **Appendix 2**. A more detailed report covering all the work undertaken can be provided on request.
13. In accordance with the Public Sector Internal Audit Standards, recommendations will be followed up to evaluate the adequacy of management action taken to address identified control weaknesses.

Barry Hanson
Head of Policy and Governance

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INTERNAL AUDIT EXCEPTION REPORT FOR WME PROCUREMENT 2023/24

Fundamental	Significant	Requires Attention	Best Practice
Immediate action required to address a major control weakness which, if not addressed, could lead to material loss.	A recommendation to address a significant control weakness where the system may be working but errors may go undetected.	A recommendation aimed at improving the existing control environment.	Suggested action which aims to improve best value, quality or efficiency.

Audit Ref	Finding/ Observation	Implications/Risks	Rec No.	Rec Rating	Recommendation
Management Control Objective: There is an adequate system of tender appraisal so that selection is based on an accurate evaluation of the tender information.					
4.1	<p>The tenders submitted following negotiation were not received in line with the Standing Orders. A specific inbox was set up to receive tenders with access restricted to the Senior Energy Market Analyst and Utilities Manager. As the Senior Energy Market Analyst was responsible for the tender process they should not have had access prior to the deadline.</p> <p>The Standing Orders state that all procurement shall be undertaken using Shropshire Council e-tendering system and that tenders will be opened in accordance with Shropshire Council's formal receipt and opening of tenders process within the e-tendering systems. There is no allowance within the Standing Orders to deviate from the use of the e-tendering process.</p>	<p>Non-compliance with Standing Orders.</p> <p>A lack of transparency in the procurement process and potential for challenge where the organisation cannot evidence that the tenderbox was not accessed before the close date. Using an Outlook inbox reduces the audit trail available for review should items be deleted or amended.</p>	1	Requires Attention	Tenders should be submitted following the process detailed in the Standing Orders and officers involved in the procurement exercise should have no access to the tenderbox before the close date.

ACTION PLAN FOR WME PROCUREMENT 2023/24

Rec Ref.	Rec No.	Recommendation	Rec Rating	Proposed Management Action	Lead Officer	Date to be Actioned
4.1	1	Tenders should be submitted following the process detailed in the Standing Orders and officers involved in the procurement exercise should have no access to the tenderbox before the close date.	Requires Attention	Usually the Open Procedure is used for all procurement activity and managed through Shropshire Councils Delta portal, ensuring segregation of procurement activities. In future should the “negotiated” procedure be used where tenders are received directly at WME, WME staff will have no access to the procurement inbox until the procurement deadline has passed, thereby ensuring Standing Orders are adhered to in relation to receipt of tenders.	Gareth Maude	Agreed and on going.