

SHROPSHIRE COUNCIL AUDIT SERVICES

INTERNAL AUDIT REPORT

PROCUREMENT 2017/18

Assurance Level	Good
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Customer	West Mercia Energy
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Distribution	Nigel Evans – Director Jo Pugh – Finance Manager
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Auditor	Mark Seddon
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Fieldwork dates	31st October 2017
Debrief meeting	15th November 2017
Draft report issued	15th November 2017
Responses received	4th January 2018
Final report issued	4th January 2018

Introduction and Background

1. As part of the approved internal audit plan for 2017/18 Audit Services have undertaken a review of Procurement.
2. This audit has been conducted in accordance with the Public Sector Internal Audit Standards.
3. Audit Services would like to express their thanks to the officers who assisted during the course of the audit.

Scope of the Audit

4. The scope, incorporating the objectives of the audit, was agreed with key contacts at the commencement of the audit.

To review and give assurance that tendering and contract procurement in respect of the gas contract are operated in accordance with legislation and the West Mercia Energy Contract Procedure Rules.

5. Audit work was undertaken to give assurance on the extent to which the following management control objectives are being achieved:
 - Contract Procedure Rules are in place and are available to officers who procure goods, works and services.
 - 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.
6. The audit was delivered on time and within budget.

Audit Opinion

7. An opinion is given on the effectiveness of the control environment. This indicates the level of assurance that can be given based upon testing and evaluation of the system. This opinion will be reported to the Joint Committee and will inform the Annual Governance Statement which is included in the Annual Statement of Accounts. There are four levels of assurance; Good, Reasonable, Limited and Unsatisfactory.

As a result of the evaluation and testing of the controls that are in place in the areas examined, from work undertaken Audit Services are able to give the following assurance opinion:

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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8. Responsibility for the maintenance of a sound system of internal control rests with management. The audit process is designed to provide a reasonable chance of discovery of material weaknesses in internal control by means of sample testing. It cannot however guarantee absolute assurance against all material weaknesses, the overriding of management controls, collusion, or instances of fraud or irregularity.
9. Audit recommendations are rated Fundamental, Significant, Requires Attention or Best Practice according to their level of priority. Details are included in the Exception Report provided to management and the Action Plan attached at **Appendix 1**. Implementation of these recommendations will serve to address the risks identified and enhance the procedures that are currently in place. 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. The review identified the following areas where appropriate management controls were in place and operating satisfactorily and, upon which, positive assurance can be given:

✓	Contract Procedure Rules are in place and are available to officers who procure goods, works and services.
✓	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.

Audit Approach

11. The approach adopted for this audit included:
- Review and documentation of the system.
 - Identification of key controls.
 - Tests of controls to confirm their existence and effectiveness.
 - Evaluation of the controls and identification of weaknesses and potential risks arising from them.
12. Internal Audit report by exception; the exception report provided to management

identifies only those areas where control evaluation and audit testing revealed control weaknesses and/or errors. Recommendations to improve controls or enhance existing practice are detailed against each exception and the associated risk, and are also included in the Action Plan at **Appendix 1**. A more detailed report covering all of the work undertaken can be provided on request. This will be, available in a working paper format.

13. In accordance with the Public Sector Internal Audit Standards, recommendations will be followed up to evaluate the adequacy of management action that has been taken to address identified control weaknesses.

Ceri Pilawski
Head of Audit

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ACTION PLAN FOR PROCUREMENT 2017/18

Rec Ref.	Rec No.	Recommendation	Rec Rating	Accepted Yes/No/ Partially	Management Response	Lead Officer	Date to be Actioned
4.1	1	It should be ensured that a credit reference report is obtained and formal financial evaluation carried out in respect of the contracted suppliers in accordance with the Shropshire Council Contract rules.	Requires Attention	Yes	Agreed.	Gareth Maude	Immediately