

SHROPSHIRE COUNCIL AUDIT SERVICES

INTERNAL AUDIT REPORT

WEST MERCIA ENERGY

PROCUREMENT 2015/16

Assurance Level	Good
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Customer	West Mercia Energy
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Distribution	Nigel Evans – Director
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Auditor	Mark Seddon
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Fieldwork dates	16 th April 2015
Debrief meeting	16 th April 2015
Draft report issued	Not Applicable
Responses received	Not Applicable
Final report issued	22 nd April 2015

Introduction and Background

1. As part of the approved internal audit plan for 2015/16 we have undertaken a review of Procurement.
2. This audit has been conducted in accordance with the Public Sector Internal Audit Standards developed jointly by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Chartered Institute of Internal Auditors (CIIA).
3. The Auditor would like to express his 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 follow up the recommendation made during the previous procurement audit and to carry out a review of the processes in respect of the procurement of the electricity contract.

5. Audit work was undertaken to give assurance on the extent to which the following management control objectives are being achieved:
 - The recommendation made in the previous procurement audit has been implemented.
 - 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 budget.

Audit Opinion

7. An opinion is given on the effectiveness of the control environment which indicates the level of assurance that can be taken based upon our 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 audit work undertaken we 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 consistently applied.
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8. Responsibility for the maintenance of a sound system of internal control rests with management. The audit process is designed so that any material weaknesses in internal control have a reasonable chance of discovery through sample testing, it cannot guarantee or give absolute assurance against all material weaknesses, the overriding of management controls, collusion, instances of fraud or irregularity.
9. Our review identified the following areas where appropriate management controls were in place and operating satisfactorily upon which positive assurance can be given:

✓	The recommendation made in the previous procurement audit has been implemented.
✓	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.

10. We reviewed the previous recommendations made at the last audit which were accepted by management, the results of which are shown in the following table:

Number of recommendations accepted by management at the last audit	1
Recommendations implemented	1
Recommendations partially implemented	0
Recommendations superseded	0
Recommendations not actioned	0

Good progress has been made in the implementation of the previous recommendation.

Audit Approach

11. The approach adopted for this audit included:
 - Review and documentation of the system.
 - Identification of key controls.
 - Follow up of the previous recommendation.
 - 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 only by exception. A more detailed report covering all of the work undertaken can be provided on request, but this is only available in a working paper note format.

Ceri Pilawski
Audit Services Manager