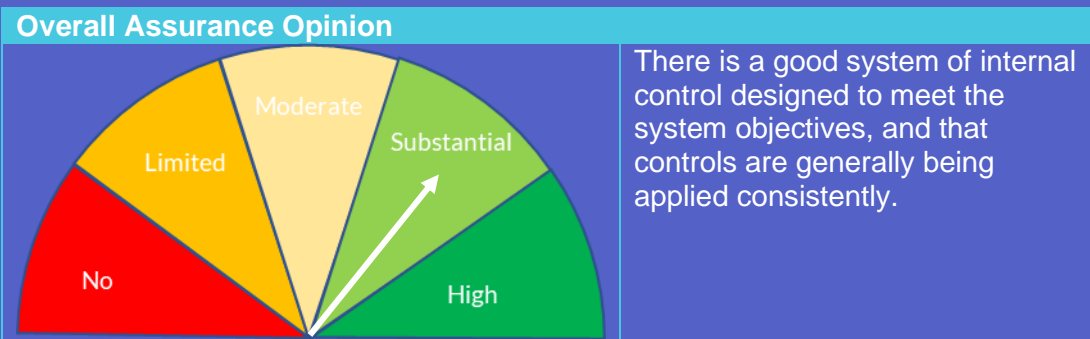


Procurement Review

Assignment Report 2024/25 (Final)

North Wales Fire & Rescue Service

304NWFRS_2425_008



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MIAA would like to thank all staff for their co-operation and assistance in completing this review.

This report has been prepared as commissioned by the organisation and is for your sole use. If you have any queries regarding this review, please contact the Engagement Manager. To discuss any other issues then please contact the Director.

1 Executive Summary

Overall Audit Objective: The overall audit objective was to evaluate the effectiveness of the procurement processes in place including the use of tenders and waivers.

Scope Limitation: The scope of this review focused on the objectives described in Appendix B and was limited to the controls in operation at the organisation.

Key Findings/Conclusion

Overall, the review identified that controls were designed and operating effectively, noting some areas of improvement. The main areas of good practice related to the policies and procedures in place in relation to procurement and these were found to be in accordance with regulatory requirements.

MIAA testing of a sample of purchase orders and contracts identified that procurement activity had been supported by purchase orders and contracts for goods and services in line with financial procedures and that these had been approved in line with the current Scheme of Financial Delegation (SoFD) and authorisation limits set up within the finance processing system.

However, our review identified a number of areas to further improve the control environment in place. These related to the enhancement of the contract register to assist in the monitoring of contracts, retention of documentation to support the review of contract validation and the automation of contract authorisation.

Objectives Reviewed	RAG Rating
Policies and Procedures	Green
Orders and Approvals	Green
Contracts and Monitoring	Amber
Contracts Register / Database	Amber
Tendering Processes	Amber
Tender Waivers	Green
Overall Assurance Rating	Substantial

Recommendations		
Risk Rating	Control Design	Operating Effectiveness
Critical	0	0
High	0	0
Medium	0	2
Low	1	0
Total	1	2

Areas of Good Practice

- The Service has a number of policies and procedures in place covering the required procurement processes to be followed which were found to be in date and available to all staff on the Hwb Tân intranet site and external website.
- Audit testing confirmed that orders and contracts have been raised for goods and services in line with financial procedures and have been approved in line with the Scheme of Financial Delegation (SoFD).
- Authorisation limits for purchase orders have been set up within the approval hierarchy which is maintained within the finance processing system Technology One (TechOne) which ensures adequate segregation of duties between the requisitioner and the approver.
- The Service has developed adequate validation checks for new contracts as part of the tendering process.
- Where tendering requirements have been waived, there was robust audit trails in place to confirm that a transparent decision-making process had been followed which had been appropriately authorised and reported.

Key Findings – Issues Identified	
Medium	<p>1.1 Audit review of the contracts register identified that, whilst the contract start and end dates had been recorded, there was no record of when or how frequently the contract should be reviewed and monitored, or the forum in which this should take place.</p> <p>1.2 Testing of a sample of 10 contracts and tenders highlighted that for one contract evidence was not available to confirm that appropriate validation checks had been completed and that the tender process had been undertaken in line with the Contract Procedure rules procedure. In addition, we could not confirm whether the supplier had been monitored to ensure quality in their goods or services provided.</p>
Low	<p>1.3 It was noted that all procurement activity requiring a purchase order is undertaken using TechOne. However, at the time of the review the process for the authorisation of contracts was very much reliant on a manual register and as a result, non-automated authorisation controls.</p>

2 Findings and Management Action

1. Contracts register and monitoring		Risk Rating: Medium
Operating Effectiveness		
<p>Key Finding – Audit review of the contracts register identified that, whilst the contract start and end dates had been recorded, there was no record of when or how frequently the contract should be reviewed and monitored, or the forum in which this should take place.</p>	<p>Specific Risk – Contracts may not be subject to appropriate monitoring or review.</p>	<p>Recommendation – The contracts register should be updated to include the review date and the forum at which the contract should be reviewed and monitored.</p>
<p>Management Response - Work is on-going to develop the Contracts and Sourcing modules within the Financials System (TechOne) and this is something we can implement within the system. This will trigger review dates and alert the contract lead & Procurement and Contracts Manager that a review is due.</p> <p>The Procurement and Contracts Manager currently meets with departments on regular intervals and has developed a procurement pipeline which does include review dates. The contracts register and pipeline register will be maintained until we have the Contracts and Sourcing Modules fully operational.</p> <p>Responsible Officer – Procurement and Contracts Manager / Department Heads</p> <p>Implementation Date – April 2025</p>		<p>Evidence to confirm implementation – Updated contracts register</p>

2. Validation processes		Risk Rating: Medium
Operating Effectiveness		
<p>Key Finding – Testing of a sample of 10 contracts and tenders highlighted that for one contract evidence was not available to confirm that appropriate validation checks had been completed and that the tender process had been undertaken in line with the Contract Procedure rules procedure. In addition, we could not confirm whether the supplier had been monitored to ensure quality in their goods or services provided.</p>	<p>Specific Risk – Inappropriate suppliers are being used with risks to the reputation of the Service.</p> <p>Lack of compliance with documented and approved procedures, breaching best practice and failure to achieve best value.</p>	<p>Recommendation – The Service should ensure that the following is held centrally for all contracts:</p> <ul style="list-style-type: none"> • Evidence of contract validation checks undertaken; • Evidence of the tender process followed; and, • Evidence of the monitoring arrangements undertaken of the suppliers to ensure quality in their goods and services provided.
<p>Management Response - Historical contracts have been undertaken by the Procurement team at North Wales Police (via SLA). Now that NWFRS has a dedicated officer and procurement processes are now run in house, contracts will not progress until all documentation/evidence has been completed, and all processes correctly followed. This is particularly important with the upcoming change in regulation.</p> <p>The Procurement and Contracts Manager will continue to work with NWP to ensure NWFRS has access to appropriate records (handover still in progress).</p> <p>The Procurement and Contracts Manager will support contract managers to monitor and review contracts (previously no arrangements in place)</p> <p>Responsible Officer – Procurements and Contracts Manager / Head of Finance and Procurement</p> <p>Implementation Date – December 2024</p>		<p>Evidence to confirm implementation – Evidence of the contract validation checks, tender process and monitoring arrangements.</p>

3. Manual process for contracts		Risk Rating: Low
Control Design		
<p>Key Finding – It was noted that all procurement activity requiring a purchase order is undertaken using TechOne. However, at the time of the review the process for the authorisation of contracts was very much reliant on a manual register and as a result, non-automated authorisation controls.</p>	<p>Specific Risk – Lack of automated compliance checks may result in non-compliance being missed.</p>	<p>Recommendation - The lack of automated authorisation control for contract procurement expenditure should be reviewed with a view to incorporating contracts into TechOne.</p>
<p>Management Response - Work is on-going to develop the Contracts and Sourcing modules within the Financials System (TechOne), however there is no proposed change to the authorisations/scheme of delegation. Until this is developed, tested, and implemented, NWFRS will continue to utilise the current spreadsheet to monitor procurement activity.</p> <p>Now that NWFRS has a dedicated officer, contracts will not progress until all documentation/evidence has been completed and approved by the appropriate officer. The Procurement and Contracts Manager will continue to support departments fully through the whole procurement process.</p> <p>Responsible Officer – Procurement and Contracts Manager / Deputy Head of Finance and Procurement</p> <p>Implementation Date – April 2025</p>		<p>Evidence to confirm implementation – TechOne.</p>

Appendix A - Detailed Findings

Objective One: Policies and Procedures

Our review found that policies and procedures were in place in relation to procurement. These included the Contract Procedure rules dated November 2021 (which were due for review in November 2024) and Financial Regulations dated March 2022 (which were due for review in March 2025).

The Standing Financial Instruction's (SFI's) and Scheme of Financial and Delegation (SoFD) which were updated in March 2023, also provided guidance relating to procurement, tenders and waivers. Standing Financial Regulations (SFRs) were in place which set out the respective roles and responsibilities of staff. This was supported by an employee approval hierarchy which is maintained within TechOne to ensure that authorisation limits are complied with for purchase orders.

The policies and procedures of the Service were found to be compliant with the EU Procurement Directives. MIAA review confirmed that the procurement related policies and procedures were made available to all staff on the Hwb Tân intranet site and external website.

An annual report is provided to the Audit Committee with details of conformance with the Service's Financial Regulations for 2023/24. MIAA review of the 2023/24 report presented in June 2024 highlighted that the report provided an appropriate update to the Audit Committee on procurement regulatory compliance including details of the approved and rejected waivers in year. It was also noted that the Financial Conformance Report 2023/24 had also been reported to the Budget Monitoring and Performance Committee prior to this.

Objective Two: Orders and Approvals

MIAA review confirmed procurement activity requiring a purchase order is undertaken using the TechOne system which includes system user hierarchy authorisation limits and automated approval as part of user responsibility for purchase order control.

MIAA review of a sample of 10 purchase orders for goods and services raised since April 2023 highlighted that in all cases, approval had been provided as per the SoFD and TechOne authorisation limits, with adequate segregation of duties in place.

Objective Three: Contracts and Monitoring

It was identified that validation checks are undertaken on new contracts as part of the tendering process and that suppliers are reviewed to confirm quality of their goods and services.

It was noted that all procurement activity requiring a purchase order is undertaken using TechOne. However, at the time of the review the process for the authorisation of contracts was reliant on a manual register and non-automated authorisation controls. **(Low Risk Recommendation 3)**

It is also recommended that the contract register is enhanced to support the Service in its validation and monitoring of new contracts (see further details below). **(Medium Risk Recommendation 1)**

Objective Four: Contacts Register/Database

MIAA review evidenced a current (as of June 2024) contracts register is in place which captures current contracts in place identifying the total budget, annual costs, contract length and start and finish contract term dates.

The contracts register details the type of tender process that has been followed e.g. for Framework contracts which allows a call off order or where a mini tender exercise has been undertaken in accordance with the

terms of the agreement. However, it is recommended that the contracts register should be enhanced to include the review date and the forum at which the contract should be reviewed and monitored. **(Medium Risk Recommendation 1)**

MIAA review of a sample of 10 contracts following a tender exercise found that in one case the contract was not available for review to ensure that appropriate validation checks had been undertaken on the contract and that the supplier had been monitored for the quality of their goods and services. **(Medium Risk Recommendation 2)**

Objective Five: Tendering processes

The Service has an up-to-date procedure (included in the Contract Procedure rules procedure) which is required to be followed for all tenders. We found that a business planning process is required to be followed before undertaking a procurement exercise. This process includes the appropriate scoping of goods/service requirements, ensuring that there was an approved budget for such expenditure and the route to market was compliant with the procedure rules.

MIAA testing of a sample of 10 tenders highlighted in 9 cases there was evidence available to specify the nature and/or quantity of goods, work or services required and any contract or agreed prices. In these 9 cases, relevant quotes/estimates had been uploaded to the purchasing system detailing the contract or framework reference and all had a budget limit agreed. In these cases we confirmed that the tendering processes complied with the SoFD and other regulations. **See Medium Risk Recommendation 2** for the remaining case where we were unable to confirm whether a formal tender process had been followed.

MIAA review noted that the tendering processes complied with the SoFD, Financial procedures and other regulations and, where applicable, appropriate evidence had been retained to demonstrate compliance.

Objective Six: Tender waivers

The Contract Procedure rules allow for Contracts (other than those specified) to seek an exemption (tender waiver) from applying the contract procedure rules in exceptional circumstances.

MIAA review of a sample of tender waivers (undertaken in 2023/24) highlighted where tendering requirements had been waived, there was a full audit trail in place that demonstrated a transparent decision-making process detailing the reason for waiver.

The sampled waivers (totaling £656,971) evidenced that each had been appropriately authorised (by the Head of Finance & Procurement or the Assistant Chief Fire Officer- Finance and Procurement) as per the SoFD.

During the review it was noted that there was a minimal number of tender waivers completed by the Service, with 7 approved tender waivers during 2023/24 with a contract value totaling £742,562.

MIAA review of papers identified that tender waivers have been reported to the Audit Committee in June 2024 as part of a wider Financial Conformance Report (full year 2023-24) which is provided on an annual basis.

The use of tender waivers is overseen by the Budget Monitoring and Performance Committee, which meet on a quarterly basis. A waiver process compliance update is provided as part of the financial regulations (procurement procedure) conformance report. At the May 2024 meeting, data related to Quarter 1 (April to June) of 2024/25 had been reported and discussed.

Appendix B: Engagement Scope

Scope

The overall objective was to evaluate the effectiveness of the procurement processes in place including the use of tenders and waivers.

The following sub-objectives were considered:

- The effectiveness of the procurement Policies and Procedures which ensure compliance with the EU and other requirements and sound practices. Policy and guidance is made available to all appropriate staff.
- Orders are raised for all goods and services in line with financial procedures and are approved in line with the Scheme of Financial Delegation and authorisation limits.
- Appropriate validation checks are undertaken on new contracts and suppliers are monitored for the quality of their goods and services.
- A robust Contracts register/database is in place which captures all contracts in place identifying the review date of contracts.
- Tendering processes comply with the SoFD, Financial procedures and other regulations and, where applicable, appropriate evidence is retained to demonstrate compliance.
- Where tendering requirements have been waived, there is a full audit trail in place that demonstrates a transparent decision-making process which has been appropriately authorised and reported.

The limitations to scope are as follows: The scope of this review focused on the objectives described in Appendix B and was limited to the controls in operation at the organisation.

The matters raised in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required. Whilst every care has been taken to ensure that the information in this report is as accurate as possible, based on the information provided and documentation reviewed, no complete guarantee or warranty can be given with regards to the advice and information contained herein. Our work does not provide absolute assurance that material errors, loss or fraud do not exist.

Responsibility for a sound system of internal controls and the prevention and detection of fraud and other irregularities rests with management and work performed by internal audit should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity. Effective and timely implementation of our recommendations by management is important for the maintenance of a reliable internal control system.

Appendix C: Assurance Definitions and Risk Classifications

Level of Assurance	Description
High	There is a strong system of internal control which has been effectively designed to meet the system objectives, and that controls are consistently applied in all areas reviewed.
Substantial	There is a good system of internal control designed to meet the system objectives, and that controls are generally being applied consistently.
Moderate	There is an adequate system of internal control, however, in some areas weaknesses in design and/or inconsistent application of controls puts the achievement of some aspects of the system objectives at risk.
Limited	There is a compromised system of internal control as weaknesses in the design and/or inconsistent application of controls puts the achievement of the system objectives at risk.
No	There is an inadequate system of internal control as weaknesses in control, and/or consistent non-compliance with controls could/has resulted in failure to achieve the system objectives.

Risk Rating	Assessment Rationale
Critical	Control weakness that could have a significant impact upon, not only the system, function or process objectives but also the achievement of the organisation's objectives in relation to: <ul style="list-style-type: none"> the efficient and effective use of resources the safeguarding of assets the preparation of reliable financial and operational information compliance with laws and regulations.
High	Control weakness that has or is likely to have a significant impact upon the achievement of key system, function or process objectives. This weakness, whilst high impact for the system, function or process does not have a significant impact on the achievement of the overall organisation objectives.
Medium	Control weakness that: <ul style="list-style-type: none"> has a low impact on the achievement of the key system, function or process objectives; has exposed the system, function or process to a key risk, however the likelihood of this risk occurring is low.
Low	Control weakness that does not impact upon the achievement of key system, function or process objectives; however implementation of the recommendation would improve overall control.

Appendix D: Report Distribution

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