



# West Midlands Combined Authority

## Internal Audit Report: WMCA Procurement Exemption Arrangements 2022 – 2023

**Report Date:** 21 June 2023

**Report Distribution:** Linda Horne, Executive Director of Finance  
Ian Martin, Director of Investment and Commercial Activities  
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## 1. Executive summary

### Introduction

An audit of the procurement exemption arrangements was undertaken as part of the approved internal audit plan for 2022-2023.

Reference to WMCA's procurement exemption processes are covered under the Contract Procedure Rules contained within the Constitution.

Specific details around the exemption process are set out in WMCA's Purchasing Procedures and Contracts Manual, which officers of the organisation are required to follow. Under section 2.4 of this manual, it sets out the exceptions and exemptions to the procurement process. This includes details of the circumstances where exemptions can be applied, the process for applying for exemption via Business World, and approval levels.

### Objectives, potential risks, and scope of audit work

Our audit was conducted in conformance with the Public Sector Internal Audit Standards and considered the following:

Objectives:	A review of the policies and procedures for Exemption forms, ensuring compliance with Delegations of Authority, Public Procurement Regulations, and financial obligations with contractor supply.
Potential Risks:	<ul style="list-style-type: none"><li>• WMCA cannot demonstrate that is achieving value for money in terms of procurement spend;</li><li>• Failure to comply with contract procedure rules and procurement legislation; and</li><li>• Reputational risk to the organisation.</li></ul>
Scope:	<p>The scope of the review will entail auditing the following areas:</p> <ul style="list-style-type: none"><li>• Review of policies, procedures, and guides for the completion of exemption requests.</li><li>• Review monitoring systems for tracking the status of exemption requests.</li><li>• Review approved exemption requests to ensure they have been approved in accordance with Contract Procedure Rules and delegated approval limits.</li><li>• The process for reporting on exemptions approved during the year.</li><li>• Process for monitoring procurement spends to ensure that exemption limits or expiry dates are not exceeded.</li></ul>
Limitations to the scope of our audit:	Our review focussed on the process where exemptions had been applied for.

### Overall conclusion

Our audit provides **Limited** assurance over the adequacy of the controls reviewed as part of the process to mitigate risks to an acceptable level.

No Assurance	Limited	Satisfactory	Substantial
Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.	<b>Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.</b>	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.

### Key issues identified

We rate each issue identified based on the following:

<b>Red</b> Action is imperative to ensure that the objectives for the area under review are met	<b>Amber</b> Action is required to avoid exposure to significant risks in achieving objectives	<b>Green</b> Action is advised to enhance risk control or operational efficiency
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We have identified one **red** and two **amber** issues where improvements could be made, arising from the following:

- WMCA’s published contract procedure rules are out of date and do not correlate with the actual processes and procedures set out in the Purchasing Procedures and Contract Manual.
- There appeared to be no monitoring undertaken of multiple exemption requests for the same supplier. Testing also identified suppliers were recorded using different names therefore making it difficult to identify duplicate suppliers.
- Currently purchasing card data is not accessible to procurement in order to identify potential spends that have bypassed the exemption process.

### Acknowledgement

Several employees gave their time and co-operation during this review. We would like to record our thanks to all the individuals concerned.

## 2. Findings and recommendations

**Action is imperative to ensure that the objectives for the area under review are met**  
**Red**

### 1. Updating of Contract Procedure Rules

#### Findings:

WMCA have a Purchasing Procedures and Contract Manual (version 3) which was last reviewed and updated in April 2020. This manual sets out the detailed processes employees should follow when procuring goods and services on behalf of the organisation.

Under section 2.4 (Exceptions/Exemptions to the Procurement Process) it sets out the procedure for applying for exemptions. It also specifies the approval limits for exemptions i.e. the Head of Procurement for values under £25,000 and the Head of Governance for anything over £25,000. It also makes reference to exemptions being processed through Business World, however at the time of this review exemptions were still being processed through a Sharepoint solution. Therefore, officers are still having to electronically attach the exemption to the respective requisition in Business World. It is understood that the intention is to migrate the exemption process to Business World in the future.

A comparison of Contract Procedure Rules with the Purchasing Procedures and Contract Manual identified inconsistencies. For example, the under and over £25,000 approval limits that are specified in the manual were not captured in the Contract Procedure Rules. It was also noted that the EU threshold limits under section 8.5 of the Contract Procedures Rules do not reflect the current limits.

#### Implications:

- Published procurement procedures do not accurately reflect current processes.
- Conflicting guidance to employees of the organisation

#### Recommendations:

- (i) WMCA's Contract Procedure Rules, contained within the Constitution, should be reviewed and amended to reflect the current processes and procedures followed under the Purchasing Procedures and Contract Manual. This should include the updating of EU threshold limits.
- (ii) WMCA's Purchasing Procedures and Contract Manual should be reviewed to ensure it reflects current practices and EU threshold limits.

#### Agreed Actions:

- (i) Agreed. The 'Contract Procurement Rules' available online is no longer applicable and therefore will be removed from the web whilst a review is in progress to avoid any misinterpretation of our rules and regulations in the intervening period.
- (ii) Agreed. This was an action that had been identified prior to the Audit and is in progress, this includes an update of GPA thresholds (UK is no longer governed by EU thresholds) to current limits.

**Action is imperative to ensure that the objectives for the area under review are met**  
**Red**

**Responsible Officer:**

- (i) Head of Governance
- (ii) Head of Procurement

**Target Date:**

30 September 2023

**Action is required to avoid exposure to significant risks in achieving objectives**  
**Amber**

**2. Multiple exemptions for one supplier****Findings:**

A review of exemption requests raised since 1 April 2022 identified a number of instances where multiple exemptions had been raised for the same supplier. An analysis of exemption request data identified a number of instances where there were variances in name for the same supplier i.e. Venn, Venn Group, or Venn Group – Agency.

Currently there are no exception reports produced from the Sharepoint solution to identify multiple exemptions for the same supplier. This is currently reliant on the Procurement Officers identifying this when they undertake their checks of exemption requests.

**Implications:**

- Inaccurate management information around exemption requests.
- Contract Procedure Rules and authorisation levels could be circumnavigated through the splitting of exemptions.

**Recommendations:**

- (i) A data cleansing exercise should be undertaken of exemption request data to ensure supplier names are accurately recorded prior to migrating data across to the Business World system.
- (ii) As part of the future development work an alert should be developed, where previous exemptions have been raised for the same supplier

**Agreed Actions**

Agreed. Both these recommendations will be address when the exemption process is migrated across to Business World. Supplier names would already be stored within Business World for PO/invoicing actions, compared to requesters currently inputting free text within the SharePoint form. The Finance team, who maintain and manage Business World for the CA, carry out periodic checks and reviews on suppliers who are setup on the system to prevent duplicate suppliers being created.

**Responsible Officer:**

Head of Procurement

**Target Date:**

31 December 2023

### 3. Circumnavigation of the Exemption Process

**Findings:**

With regards to the use of procurement cards, the control of which currently sits outside Procurement, no accumulative spend analysis is carried out between card spends per supplier and supplier spends from Business World.

**Implications:**

- Non-compliance of contract procedure rules may not be detected.

**Recommendations:**

Purchase card data should be periodically compared to procurement information held in Business World to ensure the exemption process is not being circumnavigated.

**Agreed Actions:**

A working group has already been established with senior representatives from both Finance and Procurement which identifies irregularities and provides a forum to discuss ownership and processes related to card spend.

**Responsible Officer:**  
Head of Procurement

**Target Date:**  
Implemented

**Action is advised to enhance risk control or operational efficiency**  
**Green**

**4. Exemption requests that are still open****Findings:**

Based on the exemptions report, showing all exemptions raised between 1 April 2022 to 9 March 2023, it was identified that there were 52 exemptions that were still showing as in progress. Some of these dated back to April 2022. On raising these with officers from the Procurement Team they explained that these were likely to have been declined and the status had not been updated to reflect this.

**Implications:**

- In accurate management information around exemption requests.

**Recommendations:**

Prior to exemption data being migrated across to the Business World system a data cleansing exercise should be completed to identify exemption requests that required declining and those requests that still remained as in progress.

**Agreed Actions:**

Agreed. This issue has been caused by users raising requisitions using 'Chrome' which then cannot be progressed. The Procurement Administrators identify this up upon receipt and advise the user to raise an exemption in the correct way. The original Exemption should then be deleted. This information will be cleansed prior to moving over to 'Business World'.

**Responsible Officer:**

Head of Procurement

**Target Date:**

31 October 2023

**5. No expiry period for exemptions****Findings:**

We understand that once an exemption is approved there is no specified expiry date in terms of its use. Therefore, in theory a requisition could be raised a number of months after it had been approved.

**Implications:**

- Exemptions requests become out of date in terms of supplier price changes or terms and conditions.

**Recommendations:**

- (i) The standard expiry period should be specified in the Purchasing Procedures and Contract Manual.
- (ii) Once an exemption request has been approved an agreed expiry period should be applied.

**Agreed Actions:**

- i) Reference to expiry period of approved exemptions will be included within the revised purchasing manual as per recommendation 1 above.
- ii) This will be considered as part of the new form being developed within Business World.

**Responsible Officer:**  
Head of Procurement

**Target Date:**  
31 December 2023



## Limitations inherent to the internal auditor's work

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- Internal control systems, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgement in decision making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

### Responsibilities of management and auditors

- It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance for the prevention and detection of irregularities and fraud. Internal audit work should not be a substitute for management's responsibilities for the design and operation of these systems.
- Internal audit endeavours to plan audit work so that it has a reasonable expectation of detecting significant control weakness and if detected, will carry out additional work directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected.
- Accordingly, these examinations by internal auditors should not be relied upon solely to disclose fraud or other irregularities which may exist.

Stage	Date
Draft issued	26 May 2023
Exit meeting	19 June 2023
Final issued	21 June 2023
ARAC reporting date	30 June 2023
ARAC meeting date	19 July 2023