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Internal Audit

Public Health Procurement

2026-27

Date of Issue: 21st September 2026

Assurance Level	Substantial

Contents

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Section1 Introduction

1.1 The audit of Public Health Procurement was designed to provide assurance on the Council's compliance with the Health Care Services (Provider Selection Regime) Regulations 2023, to support the completion of the Council's annual compliance declaration, and to help inform audit's overall conclusions on the Council's approach to procurement. The review covered four Provider Selection Regime (PSR) procurements undertaken by the Council during 2025-26, with detailed testing focused on the Integrated Substance Use Treatment and Recovery System Procurement.

Section 2 Background

2.1 The Health Care Services (Provider Selection Regime) Regulations 2023 came into effect on 1st January 2024 and introduced a procurement framework for healthcare services that provides commissioners with greater flexibility to award contracts through either direct award or competitive processes, reducing unnecessary competitive tendering where this is not considered necessary. Under the PSR, relevant authorities may select from five provider selection processes depending on the circumstances of the procurement;

- **Direct Award Process A:** Used where there is only one provider capable of delivering the required service.
- **Direct Award Process B:** Used where services are subject to patient choice requirements and patients may choose from multiple providers.
- **Direct Award Process C:** Used where the existing provider is delivering the service satisfactorily and a change of provider is not considered necessary.
- **Most Suitable Provider Process:** Used where the authority can identify the most suitable provider without undertaking a competitive process.
- **Competitive Process:** Used where competition is required to identify the provider best placed to deliver the service.

2.2 Under the PSR, relevant authorities are required to select the provider selection process most appropriate to the circumstances of the procurement and apply a number of statutory key criteria, including quality, value, integration, access, innovation and social value, when making procurement decisions. The regime also places specific requirements on authorities to maintain appropriate records, manage conflicts of interest, and comply with transparency and publication requirements throughout the procurement process.

2.3 The four PSR procurements undertaken by the Council during 2025-26 can be summarised as the following;

Contract Name	Provider Selection Process Used	Contract Value and Term
Integrated Substance Use Treatment and Recovery System	Competitive Process	£35,931,870 for 7 years, with an option for 3 additional years.
Long-Acting Reversible Contraception	Direct Award Process B	Awarded to all eligible GP Surgeries for a contract value of £220,000 for 4 years, with an option for 2 additional years.
Pharmacy Advice, Contraception and Testing	Direct Award Process B	Awarded to all eligible Pharmacies for an approximate contract value of £18,000 for 3 years.
Varenicline	Direct Award Process B	Awarded to all eligible Pharmacies for an approximate contract value of £27,000 for 1 year, with an option for 2 additional years.

Section 3 Scope

3.1 The scope of the audit is contained in the terms of reference as shown in Appendix 1. The audit was fully carried out in line with the scope.

Section 4 Summary of Finding and Conclusions

4.1 The Health Care Services (Provider Selection Regime) Regulations require publication of an annual summary of PSR contracting activity no later than 30th September 2026. Whilst no formal declaration of compliance is required by PSR, NHS Statutory Guidance states that relevant authorities are expected to monitor and report on their compliance with the regime as part of their governance arrangements.

4.2 Our audit evidenced good practice and effective controls across both Direct Award Process B procurements and the Competitive Process undertaken for the Integrated Substance Use Treatment and Recovery Service. For the three Direct Award Process B procurements, audit testing confirmed;

- Application of the appropriate provider selection process;
- Procurement decisions supported by appropriate governance, approvals, documentation and consideration of the statutory key criteria;
- Compliance with transparency and publication requirements;
- Effective identification and management of conflicts of interest, supported by appropriate due diligence;
- Robust contract management and monitoring arrangements, including performance oversight; and
- Payments to contracted providers in accordance with signed contractual agreements.

For the Integrated Substance Use Treatment and Recovery Service, additional testing of the Competitive Process confirmed;

- The rationale for selecting the Competitive Process was appropriately documented and supported;
- A robust Invitation to Tender and evaluation process was undertaken;
- Compliance with PSR transparency requirements throughout the procurement process;
- The standstill period and any representations received were managed appropriately; and
- Contract award and execution were completed in accordance with the procurement outcome.

No control weaknesses were identified through audit testing and therefore no recommendations have been raised.

4.4 Based on our findings, we can provide **substantial** assurance on the effectiveness of the control environment. This opinion is

based on the effective application of the Provider Selection Regime, supported by robust governance, procurement, contract management and payment controls.

Assessment of Internal Control

	Conclusion	Assessment of governance, risk and internal control
➔	**Substantial Assurance**	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
	Satisfactory Assurance	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
	Limited Assurance	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
	No Assurance	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

Priorities for actions	
Priority 1 (P1)	A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management.
Priority 2 (P2)	A significant system weakness, whose impact or frequency presents risks to the system objectives, which needs to be addressed by management.
Priority 3 (P3)	The system objectives are not exposed to significant risk, but the issue requires attention by management

Appendix 1: Objectives and scope

1 Objectives and Scope

1.1 Internal Audit carried out a review of the Public Health Procurement Provider Selection Regime (PSR) as part of the 2026/27 Audit Plan. The review was designed to provide assurance on the Council's compliance with the Health Care Services (Provider Selection Regime) Regulations 2023, and to support the completion of the Council's annual compliance declaration. The review covered four PSR procurements undertaken by the Council, with detailed testing focused on the Integrated Substance Use and Treatment Recovery System Procurement.

1.2 The audit assessed whether appropriate procedures and controls are in place for procurements undertaken under the Regulations and associated statutory guidance, including:

- they have been correctly applied and the appropriate provider selection process used;
- procurement decisions have been supported by appropriate governance, approvals, documentation and consideration of the statutory key criteria;
- transparency and publication requirements have been complied with and appropriate audit trails maintained;
- any conflicts of interest have been identified and effectively managed, and appropriate due diligence undertake; and
- robust contract management and monitoring arrangements are in place, including performance monitoring and issue resolution.

As the audit progresses the objectives and scope of the audit maybe subject to change should audit work identify this is necessary. We will inform the service of such changes should they occur.

1.3 The audit covered information relating to 2025/26.

1.4 The audit referred to legislation and national guidance such as The Health Care Services (Provider Selection Regime) Regulations 2023.

1.5 When carrying out the audit we would expect key staff and documents to be available within reasonable timescales. Full details of officer responsibilities in relation to audit are included in paragraph 11 of the audit charter. Delays in carrying out the audit may result in the escalation to the relevant Assistant Director or Director.

2 Key Contacts

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