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Planning

## **Tender for Audit Services: National Energy System Operator**

NATIONAL ENERGY SYSTEM OPERATOR LIMITED

F01: Prior information notice

Prior information only

Notice identifier: 2024/S 000-036446

Procurement identifier (OCID): ocids-h6vhtk-04b588

Published 11 November 2024, 2:57pm

### **Section I: Contracting authority**

#### **I.1) Name and addresses**

NATIONAL ENERGY SYSTEM OPERATOR LIMITED

St. Catherines Lodge

WOKINGHAM

RG415BN

#### **Contact**

Annabel Barry

#### **Email**

[annabel.kaurbarry@nationalenergyso.com](mailto:annabel.kaurbarry@nationalenergyso.com)

#### **Telephone**

+44 7775634839

**Country**

United Kingdom

**Region code**

UKJ11 - Berkshire

**Companies House**

11014226

**Internet address(es)**

Main address

<https://www.neso.energy/>

Buyer's address

<https://www.neso.energy/>

**I.3) Communication**

Additional information can be obtained from the above-mentioned address

**I.4) Type of the contracting authority**

Body governed by public law

**I.5) Main activity**

Other activity

Energy

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## Section II: Object

### II.1) Scope of the procurement

#### II.1.1) Title

Tender for Audit Services: National Energy System Operator

Reference number

Tender for Audit Services: National Energy System Operator 001

#### II.1.2) Main CPV code

- 79212000 - Auditing services

#### II.1.3) Type of contract

Services

#### II.1.4) Short description

National Energy System Operator (NESO) makes sure that Great Britain has the essential energy it needs by ensuring supply meets demand every second of every day.

The UK's 2023 Energy Act established an independent system planner and operator to help accelerate Great Britain's energy transition; creating NESO.

NESO is built on our previous experience as the National Grid Electricity System Operator (ESO), where we had extensive expertise in balancing electricity supply and demand 24/7, whilst making sure the networks we operated and the markets we served were prepared for the future.

NESO was sold by National Grid to the UK Government on 1st October 2024, becoming a public sector organisation from this date. We require comprehensive financial audit services compliant with International Standards of Supreme Audit Institutions (ISSAI). The objective is to ensure NESO's financial, performance, and regulatory operations are conducted with transparency, accountability, and efficiency. This specification provides the framework for the required audit services, including scope, planning, reporting, accountability, and SLAs.

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4. Scope of Services (Detailed)

The audit firm is responsible for delivering the following detailed services:

#### Financial Audit

- o Provide reasonable assurance over NESO's financial records in accordance with applicable accounting standards (IFRS ).
- o Verify that financial statements are free from material misstatements due to fraud, error, or irregularities.
- o Evaluate internal financial controls, focusing on risks associated with financial misreporting, operational inefficiencies, or compliance failures.
- o Provide an audit opinion on the true and fair representation of NESO's financial position, performance, and cash flow.
- o Conduct testing of key accounts to provide reasonable assurance over the financial assertions.
- o Update NESO leadership and Audit & Risk Committee (ARC) regarding relevant changes in legislation and regulation.
- o Report on external audit progress to NESO leadership, including attendance at bi-monthly ARC meetings and other board or committee meetings as required.
- o Provide guidance to NESO leadership in particular the Chief Financial Officer (CFO), chair of ARC, director of financial control, and the accounting & reporting lead on accounting and financial matters.
- o Liaise and coordinate with the CFO, director of financial control and accounting & reporting lead via a monthly progress meeting to ensure full exchange of information.
- o Produce an annual SOC1 report evaluating the effectiveness of NESO financial controls in relation to transmission revenue charging, for external distribution to UK transmission owners, including National Grid Electricity Transmission (NGET).

#### **II.1.5) Estimated total value**

Value excluding VAT: £5,000,000

#### **II.1.6) Information about lots**

This contract is divided into lots: No

## **II.2) Description**

### **II.2.2) Additional CPV code(s)**

- 79212000 - Auditing services

### **II.2.3) Place of performance**

NUTS codes

- UK - United Kingdom

### **II.2.4) Description of the procurement**

1. Prior Information Notice
2. PQQ Launch
3. PQQ Return
4. PQQ Evaluation and Moderation
5. RFP Launch
6. RFP Return
7. RFP Evaluation
8. Negotiations
9. Award and Standstill

## **II.3) Estimated date of publication of contract notice**

16 December 2025

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## Section IV. Procedure

### IV.1) Description

#### IV.1.8) Information about the Government Procurement Agreement (GPA)

The procurement is covered by the Government Procurement Agreement: Yes

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## Section VI. Complementary information

### VI.3) Additional information

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## 5. Roles of the Three Parties Involved

1. The Auditor: The selected audit firm responsible for conducting audits and ensuring all findings are based on sufficient evidence, professional scepticism, and due care.

2. NESO (Responsible Party): NESO management must cooperate with the auditor, provide access to necessary records, and implement audit recommendations.

3. Intended Users: NESO's Board, public stakeholders, and regulatory authorities will use audit reports to guide governance and regulatory decisions.

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## 6. Subject Matter and Criteria

- Subject Matter: NESO's financial records, operations, and compliance with laws and policies.

- Criteria: Audits will be evaluated against benchmarks, including IFRS, and internal controls over financial reporting

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## 7. Types of Engagement

- Attestation Engagement: The auditor evaluates NESO's financial statements and provides

an opinion.

- SOC1 Type 2 Report: The auditor evaluates NESO's financial controls in relation to transmission revenue charging and provides an opinion

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## 8. Confidence and Assurance

The auditor will provide reasonable assurance that NESO's operations comply with relevant criteria, offering confidence to stakeholders.

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## 9. Form of Providing Assurance

- Opinions and Conclusions: Financial audits will culminate in an audit opinion for inclusion in the annual submission to companies house.

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## 10. Level of Assurance

- Reasonable Assurance: The highest level of assurance provided by an audit based on comprehensive procedures.

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## 11. Professional Judgement, Due Care, and Scepticism

The auditor must apply professional scepticism and judgement throughout the audit, ensuring that conclusions are based on objective evidence and that the audit is conducted with due care.

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## 12. Audit Risk

The auditor must take all necessary steps to mitigate audit risk, which is the risk that the auditor expresses an inappropriate opinion when the financial statements are materially misstated.

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### 13. Risk Assessment and Problem Analysis

Auditors must conduct a thorough risk assessment, identifying and prioritizing high-risk areas within NESO's financial operations

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### 14. Materiality

Auditors must evaluate materiality at both the individual transaction level and in aggregate. The threshold for materiality should be established based on NESO's financial size, operational scope, and stakeholder expectations.

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### 15. Audit Planning, Scope, and Approach (Detailed)

The audit firm must develop a comprehensive audit plan addressing the following:

#### 1. Audit Scope

- o Clearly define the subject matter for each audit, including financial, operational, and compliance aspects.
- o The scope must consider all areas of high risk, materiality, and public interest.
- o Ensure that audit procedures are sufficiently detailed to cover all critical areas, including procurement, IT systems, risk management, and internal controls.

#### 2. Objectives

- o Establish clear objectives, such as assessing NESO's financial health,

#### 3. Methodology

- o Identify audit methods for data collection, including sampling, testing, analytical procedures, inspections, interviews, and document reviews.
- o Use risk-based approaches to focus on areas of higher importance or complexity, ensuring adequate testing of financial transactions, and compliance processes.

#### 4. Timeline

- o Develop a detailed timeline for the audit process, including planning, execution, reporting,

and follow-up. The timeline must align with NESO's operational cycles, reporting deadlines, and governance meetings.

## 5. Resources

- o Assign the necessary expertise and resources for each audit, ensuring that specialists in financial reporting, regulatory compliance, and performance management are involved.

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## 16. Audit Evidence (Detailed)

The auditor must gather sufficient and appropriate audit evidence to support the audit findings:

### 1. Data Collection

- o Collect financial records, internal and external reports, and regulatory filings.
- o Conduct interviews with key NESO personnel and external stakeholders to validate financial procedures and decision-making processes.

### 2. Testing Procedures

- o Perform detailed testing of financial transactions, control processes, and compliance with legal and statutory requirements.
- o Use sampling methods to test a representative portion of NESO's transactions while focusing additional attention on high-value and high-risk areas.

### 3. Reconciliations and Confirmations

- o Conduct reconciliations of financial data with external statements and reports.
- o Obtain third-party confirmations from banks, regulators, suppliers, and other stakeholders as needed.

### 4. Document Review

- o Review policies, contracts, and governance documentation to ensure adherence to laws, regulations, and internal policies.

### 5. Reliability and Sufficiency of Evidence

o Evaluate whether the evidence is reliable, relevant, and sufficient to support the conclusions. Any gaps in the evidence must be identified, and additional procedures must be executed as necessary.

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## 17. Conclusions and Audit Findings

The audit provider must deliver clear and actionable conclusions based on the evidence gathered. Conclusions should be concise, address key objectives, and provide specific recommendations for improvements in financial management, operational efficiency, or regulatory compliance.

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## 18. Audit Report: Short Form, Long Form, Auditor's Report (Detailed)

- Short Form Reports: Summarize audit findings in an executive summary format, highlighting critical issues for immediate action.
  - Long Form Reports: Provide comprehensive detail, including methodologies, in-depth analysis, audit scope, and extended recommendations for strategic improvements.
  - Auditor's Report: For financial audits, a formal opinion on NESO's financial statements in accordance with IFRS
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## 19. Audit Opinion

The audit firm will issue an opinion based on findings:

- Unmodified Opinion: When NESO's financial statements are compliant.
  - Modified Opinion: Includes qualified, adverse, or disclaimed opinions based on the severity of issues identified.
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## 20. Follow-Up

The audit provider must conduct follow-up audits to verify that NESO has implemented the recommendations provided in previous audit cycles. These follow-ups will:

- Track Implementation: Confirm whether remedial actions have been taken.
- Escalation: Report any unresolved or critical issues to NESO's Board and relevant authorities.
- Continuous Monitoring: Ensure that NESO's corrective measures are sustainable and aligned with audit findings.

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## 21. Transition from Existing Provider

The transition from the current financial audit provider to the new one must be seamless, ensuring no disruption in NESO's audit cycle.

### Transition Plan

The new audit provider must submit a detailed transition plan within 10 working days of contract signature, including:

- A timeline for shadowing the existing provider and assuming full audit responsibilities.
- A knowledge transfer strategy covering historical audit data, ongoing audit cycles, and future scheduling.
- Identification of key risks during the transition and mitigation strategies to avoid disruption to NESO's governance and operations.