

FAREHAM

BOROUGH COUNCIL

EXECUTIVE MEMBER DECISION MAKING (POLICY & RESOURCES)

Date: Tuesday, 9 June 2015

Time: 5:00 pm

Venue: Executive Meeting Area - Civic Offices

Executive Member: Councillor S D T Woodward, Executive Leader



1. Report Published

To consider the following matters for decision for which reports have been published:-

Non-Key Decision(s)

(1) Award of Contract - Internal Audit Services Supplier (Pages 1 - 6)

P GRIMWOOD
Chief Executive Officer

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1 June 2015

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BOROUGH COUNCIL

Report to the Executive Member for Policy and Resources for Decision

Portfolio:	Policy and Resources
Subject:	Internal Audit Services Supplier 2015/16
Report of:	Director of Policy and Resources
Strategy/Policy:	A dynamic, prudent, progressive and best value Council.
Corporate Objective:	

Purpose:

To seek approval to extend the contract with the Internal Audit services provider for one year, plus an optional additional year.

Executive Member Summary:

The Council uses an external contractor to deliver its internal audit “opinion work”. The current contractor is currently finishing work from the 2014/15 Audit Plan which is the last year of the contract as it stands. It is proposed to extend the contract for a reduced number of days to cover the 2015/16 Audit Plan and optionally the 2016/17 Audit Plan.

After that consideration will be given as how to best obtain the “opinion work” in accordance with the Council’s needs.

Recommendation:

That the Council continues to use the current Internal Audit Services supplier to deliver the plan of internal audit “opinion work” for 2015/16 and optionally 2016/17.

Reason:

To allow continuity of the service provision at a competitive cost whilst we continue to explore the implications to the service of the organisation moving to a “systems thinking approach”; and to allow consideration of collaborative working models which may become available in the future.

Cost of Proposals:

Confidential Appendix A provides financial information.

Appendix A: Confidential Executive Briefing Paper – Financial Implications

Background papers: Report to the Executive 8 March 2010- Internal Audit Supplier
Report to the Audit and Governance Committee 16 April 2015 –
Internal Audit Strategy and Annual Plan

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Executive Briefing Paper

Date: 9 June 2015

Subject: Internal Audit Services Supplier 2015/16

Briefing by: Director of Finance and Resources

Portfolio: Policy and Resources

INTRODUCTION

1. The Council has a statutory requirement under the Accounts and Audit Regulations *'to maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper internal audit practices'*.
2. Since July 2005 the internal audit service has been provided jointly by a small in-house team and an external contractor. The current contractor is Mazars Public Sector Internal Audit Limited who acquired Deloitte and Touche Public Sector Internal Audit Limited in 2014. The latter were awarded the contract in 2010 following a Fareham Borough Council-only tender carried out in accordance with the Public Contracts Regulations. The 2014/15 Audit Plan is the last to be covered by this contract and is expected to be completed in the next few months.
3. The Internal Audit Strategy has recently been updated and approved by the Audit and Governance Committee. This proposes continuing with the use of an external supplier to deliver the opinion work which feeds directly into the Annual Head of Audit Opinion, in order to maintain independence. However, the amount of opinion work is to be reduced and the resources moved to the in-house team to deliver more of the wider audit services.
4. This report sets out the proposals for procuring the external work for 2015/16.

PROPOSAL

5. The Council has started on a journey to adopt "systems thinking" principles in the way that services are provided. In 2014/15, some changes were introduced to the protocol that the current audit contractor works to, in order to start adapting to the new ways of delivering services at the Council. There are therefore advantages with continuing with the current contractor whilst we continue to test how the Audit Strategy can best meet the changing needs of the organisation.
6. The organisational changes also mean that it is not an appropriate time to go out to the market as we are not yet clear on what specification and model will best fit the organisation over the coming years.

7. It is understood that there may be opportunities on the horizon to buy from a framework as a wider collaboration between public sector bodies which will drive more competitive rates than this council could secure alone. There may also be opportunities in a couple of years to enter into partnership with neighbouring authorities for the delivery of opinion work.
8. It is therefore proposed that the Council modifies the current contract with Mazars Public Sector Internal Audit Limited such that it is extended to cover the Audit Plan of opinion work for 2015/16 and optionally 2016/17.

FINANCIAL IMPLICATIONS

9. The rates to be paid for the contract extension are considered to be competitive as laid out in Appendix A.

LEGAL IMPLICATIONS

10. Under the Public Contract Regulations 2015 72 (1) (e), contracts can be modified without a new procurement procedure where the modifications are not substantial as defined in 72(8). The proposal is not considered a substantial modification to the original contract and is very unlikely to have caused any changes in behaviour in the actual or potential candidates if the extension was known at the time of the original tender.
11. Normally the Council's Contract Procedure Rules require a minimum of 3 tenders to be invited for services procured over £50,000. However, a waiver to the Rules can be agreed by the relevant Executive Member under CPR 18.1 provided that *no such waiver shall permit a breach of any relevant domestic or European legislation*. Given that this work has previously been tendered to test the market a waiver is considered appropriate given the reasons outlined in the report.

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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