

AUDIT COMMITTEE

19 JANUARY 2012

REPORT OF HEAD OF RESOURCE MANAGEMENT

A.2 TENDER FOR THE PROVISION OF INTERNAL AUDIT SERVICES

(Report prepared by Karen Neath)

PART 1 – KEY INFORMATION

PURPOSE OF THE REPORT

To advise the Committee of the outcome of the tender process for internal audit services and to address the request to report back on resourcing for internal audit.

EXECUTIVE SUMMARY

At the meeting on 27 June 2011 approval was sought from the Committee to obtain external bids in relation to a tender process for the provision of internal audit services alongside a bid from the current in-house team. The process has now been completed and the evaluation undertaken and the successful bid has been submitted by the in-house team.

At the meeting on 22 September 2011 it was resolved that the Head of Resource Management look at the current understaffing of the Internal Audit section and report back to the next meeting of the Committee. The outcome from the tender process now provides the opportunity to address this issue through the recruitment of new members of the team.

RECOMMENDATIONS

(a) That members note the outcome of the tender process and the successful bid from the in-house team.

(b) That the Audit Manager be designated as Head of Internal Audit for the purposes of the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice.

PART 2 – IMPLICATIONS OF THE DECISION

DELIVERING PRIORITIES

FINANCE, OTHER RESOURCES AND RISK

Finance, Other Resources and Risk

The bid from the in-house team will deliver a saving to the council compared to the current cost of the service.

Risk

Detailed discussion has been had on the in-house bid to ensure that it is capable of delivering the appropriate level of assurance and meets the Council's needs. There is a risk that staff of appropriate skills and experience are not able to be recruited but officers are confident that, in the current market, that will not be the case. The staffing position across the authority will also need to be considered during this recruitment process.

LEGAL

It is a requirement under the Account and Audit Regulations 2011 that a local authority must undertake an adequate and effective internal audit.

The tender process has been undertaken in accordance within EU Procurement Directives.

OTHER IMPLICATIONS

Consideration has been given to the implications of the proposed decision in respect of the following and any significant issues are set out below.

Crime and Disorder / Equality and Diversity / Health Inequalities / Area or Ward affected / Consultation/Public Engagement.

There are no direct implications. However, sound audit will provide assurance that the council's delivery in these areas is good and robust.

PART 3 – SUPPORTING INFORMATION

BACKGROUND

At the meeting on 27 June 2011 approval was sought from the Committee to obtain external bids in relation to a tender process for the provision of internal audit services. The process was undertaken in accordance with European Procurement Rules and invited external organisations to bid alongside a bid from the existing in-house team. At that meeting an undertaking was made to report back to the Committee on the results of the tender process.

At the meeting on 22 September 2011 it was resolved that the Head of Resource Management look at the current understaffing of the Internal Audit section and report back to the next meeting of the Committee. The outcome from the tender process now provides the opportunity to address this issue.

CURRENT POSITION

The tender process and evaluation have now been completed. A total of four external bids were received. The evaluation scores for the external bids ranged between 70 and 76 (out of 100). The in-house bid scored 92. The in-house bid scored substantially more than the external bids due to the extremely competitive price put forward by the in-house team.

Discussions have been held to examine the in-house bid in detail to ensure that, given the much lower price, the bid is capable of delivering the necessary number of audit days to provide an acceptable level of assurance and that it meets the Council's needs. Those discussions have provided the necessary confidence that an acceptable service can be delivered in accordance with the in-house bid. Work is now underway to implement the bid.

The successful in-house bid provides the perfect opportunity to address the resourcing issues raised at the last meeting. There are currently 3 vacancies against the existing audit team structure. These vacancies have been held unfilled pending the outcome of the tender process, although additional resource has been provided through a secondment from another department and through a member of staff working additional hours. The in-house bid sets out a revised and updated staffing structure that will meet

the requirements of audit delivery. Due to the vacancies and other HR arrangements the opportunity exists to recruit new members to the team. This will address the resourcing issues as well as enabling a new ethos and approach to be embedded through the team that is in line with the spirit of the tender specification i.e. that there is a customer focussed approach to audit and a focus on overall assurance and risk management alongside the day to day audits. The opportunity is being taken, resulting from the bid process and from the wider FSR process, to better integrate wider governance and assurance arrangements with the audit service. The opportunity will also be taken to review the information provided to the Committee to ensure that it is appropriate to enable the Committee to fulfil their role.

The successful bid is based on a reduced number of audit days from those included in the current audit plan approved in March 2011. This has been achieved by removing overlaps, applying the latest auditing techniques and through efficiencies that can be achieved by restructuring the team. To ensure that a good service is provided performance indicators for the in-house team are being developed that, whilst not restrictive, enable the performance of the team to be monitored against the tender requirements.

An audit plan set within the parameters of this reduced number of days will be brought forward to the Committee in March. This will enable the appropriate audits to be undertaken to provide assurance during 2012/13. Further work will then be undertaken during the year to refine the audit programme taking account of wider reorganisations being carried out in all departments and the embedding of the new audit team and audit approach.

HEAD OF INTERNAL AUDIT

At the meeting on 27 June the Committee agreed to designate the Audit Manager as Head of Internal Audit for the purposes of the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice pending a decision on the future delivery of the internal audit function. Now that it is determined to retain an in-house team it is appropriate to confirm that the Audit Manager is designated as Head of Internal Audit on a permanent basis.

BACKGROUND PAPERS FOR THE DECISION

None

APPENDICES

None