

## EXECUTIVE DECISION RECORD SHEET

<b>Name of decision maker:</b>	<b>Cllr Nicholas Tiley</b>
<b>Portfolio:</b>	<b>Portfolio Holder for Finance &amp; Resources</b>
<b>Date of Portfolio Holder Decision:</b>	<b>15 August 2008</b>

**Title of Decision:**

Award of Internal Audit Contract 2008/9 (part year) to 2010/11

**Decision made and reasons:**

That the Internal Audit Contract be awarded to Deloitte and Touche Public Sector Internal Audit Ltd with effect from a date to be fixed by the S.151 Officer in August 2008 to 31 March 2011.

The reason for the decision is that their tender was evaluated to be the most economically advantageous of the four tenders that were received.

**Reports considered: ( here reference can be made to specific documents)**

Report to Cabinet 29 July 2008 – Tender for Internal Audit

**Officers/Councillors/Ward Councillors/Stakeholders Consulted:**

Portfolio Holder Finance and Resources

Chair of Audit Committee

Director of Finance and Corporate Services (s151 Officer)

Head of Legal Services (Monitoring Officer)

**Monitoring Officer Comments:**

The Monitoring Officer comments have been incorporated into the report.

**Chief Financial Officer Comments:**

This is a Chief Financial Officer report

**Implications:****Risk:**

Internal audit is an assurance function that primarily provides an independent and objective opinion to the organisation on the degree to which the internal control environment supports and promotes the achievement of the organisations objectives. The requirement for Internal Audit is set out in the Accounts and Audit Regulations 2006, the award of this contract will enable the Council to fulfil its requirements and therefore, avoid the risk of the Council not being compliant with the regulations.

**Value for Money:**

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The award of the contract is the result of a competitive tender. An evaluation of the tenders has been conducted and included a presentation from the three highest scoring tenders. The award of the contract is proposed to be made on the basis of the most economically advantageous tender, which is also the lowest cost.

The overall cost of the contract can be met from within the existing internal audit budget provision within the current financial year (2008/9).

### **Options Considered and reasons for rejection:**

The option to retain an in-house provision was considered prior to the commencement of the tendering procedure, however, in light of difficulty in recruiting and retaining suitably qualified and experienced members of staff, the Interim Director of Finance felt the most appropriate option was to tender the service. The tenderers were required to tender for providing a full time internal audit presence with the remaining member of staff being retained by the Council but working with the new contractor.

### **Portfolio Holders Signature:**

**Date:**

### **Details of any interests declared and any dispensations given by the Standards Committee:**

The Portfolio Holder for Finance and Resources declared a personal interest. The nature of his interest is that his daughter is employed by Deloitte and Touche as a trainer based in their London office. She is not involved in the Groups Audit Activities, has no connection with this contract and this decision will not affect her financial position.

### **For Member Support Officer use only**

Date Decision Record Sheet received from portfolio holder: 22/08/08

Date Decision Published: 22/08/08 Decision No: PH/043/08

Date of Expiry of Call-In Period: 01/09/08

Date any Call-In received or decision implemented:

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### 1. BACKGROUND

The Accounts and Audit Regulations 2006 sets out the requirement for internal audit. Internal audit is an assurance function that primarily provides an independent and objective opinion to the organisation on the degree to which the internal control environment supports and promotes the achievement of the organisations objectives.

### 2. REPORT DETAIL

At the Audit Committee on 28 May 2008, Members considered the longstanding issue of the difficulty in recruiting and retaining internal audit staff. The early retirement of the Senior Manager (Internal Audit and Anti Fraud) on 30 June 2008 resulting in an Internal Audit section consisting of one full time internal auditor. This provided the opportunity to review service delivery. The Interim Director of Finance felt that the most appropriate option was to explore whether an external provider could best provide the service. Audit Committee Members were therefore advised that to ensure continuation of the service, the service was being tendered.

They were also advised that one of the conditions of the contract would be that a full time internal audit presence would be retained in the Civic Centre and the remaining employee would be retained.

An "Invitation to tender (ITT) for the provision of Internal Audit Services" was issued. The basis of the ITT I was as follows:-

- The provision of Internal Audit services for the Council
- Contract to be let on the basis of the tender which is the most effective and economically advantageous to the Council taking account of the Tender Documents and the Pricing Schedule.
- From an evaluation of the documentation received, the top three companies to be invited in to make a presentation on their tender proposals.
- A contract for a period of two years and eight months with an option to extend for up to a further two year period.
- Commencement of operations with effect 1 August 2008

At the Cabinet meeting held on 29 July 2008 Members approved the actions taken to tender the service to ensure continued provision of a suitable Internal Audit service and to comply with the Procurement Standing Orders. Cabinet also approved the delegation for the award of the contract to the Portfolio Holder for Finance and Resources.

Four tenders were received and an evaluation of the received documentation was undertaken. The Technical evaluation was undertaken using the following basis:

- Technical Capacity 30%
- Economic and Financial Capacity 5%
- Service Delivery 40%
- Price 25%

The scores for the tenders received were:

	<u>Evaluation Score</u>	<u>Price (based on Aug 08 to Mar 09)</u>	<u>% inc. Daily Rate p/a</u>
Tenderer 1	93.5797	£137,660 (based on 375 days)	3%
Tenderer 2	94.3333	£116,420 (based on 374 days)	RPI

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Tenderer 3	91.0692	£133,300 (based on 370 days)	4%
Tenderer 4	83.0332	£193,840 (based on 371 days)	4%

The top three companies were invited to make a presentation on their tender proposals on Friday 8 August 2008. The presentation of tenders was to the Portfolio Holder for Finance and Resources, the Chairman of the Audit Committee, the Council's Section 151 officer and Monitoring Officer.

Following the presentations the evaluation panel agreed unanimously that the contract to provide Internal Audit Services should be awarded to Tenderer 2 – Deloitte and Touche Public Sector Internal Audit Ltd, theirs being the most economically advantageous tender. It is proposed that the contract be awarded with effect from the first available practical date during August 2008, subject to finalising the legal and contract documentation. The contract will then run until 31 March 2011.