

**Financial Scrutiny and Audit
Committee**

10 February 2015

Agenda Item No 9

Audit Procurement
Report by Internal Audit

Summary: This report provides an overview of the stages followed, and the outcomes of, the recent procurement exercise for Internal Audit Services across the Norfolk Internal Audit Consortium. The Consortium exists of Breckland, Broadland, Norfolk Norfolk and South Norfolk District Council, Great Yarmouth Borough Council and the Broads Authority.

Recommendation: That the report be noted.

1 Introduction

- 1.1 The Financial Scrutiny and Audit Committee received a report from the (previous) Head of Finance at the September meeting which asked the Committee to confirm that the Authority subscribes to the overall outcome of the procurement process managed by South Norfolk Council and provides delegated authority to the Head of Finance, in consultation with the Management Team and the Treasurer, to identify the preferred model for service delivery.
- 1.2 The attached report provides a summary of the process followed, the service delivery model which was chosen by all members of the Consortium and an introduction to the new contractor; TIAA Ltd.

Background papers: Nil

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Date of report: 20 January 2015

Broads Plan Objectives: Non

Appendices: APPENDIX 1 - Audit Procurement

NORFOLK INTERNAL AUDIT CONSORTIUM



THE BROADS AUTHORITY

AUDIT PROCUREMENT

RESPONSIBLE OFFICER

EMMA HODDS – INTERNAL AUDIT CONSORTIUM MANAGER (IACM)

CONTENTS

1. INTRODUCTION.....	3
2. BACKGROUND TO PROCUREMENT PROCESS.....	3
3. THE NEW CONTRACT FROM 1 APRIL 2015.....	3

1. INTRODUCTION

- 1.1 The Norfolk Internal Audit Consortium consists of South Norfolk, Breckland, Broadland and North Norfolk District Councils, Gt Yarmouth Borough Council and the Broads Authority. The role of the Head of Internal Audit and the contract management is currently provided by South Norfolk Council via a group agreement.
- 1.2 The current contract with Mazars Public Sector Internal Audit Services expires on 31 March 2015, and the Consortium has recently been through a OJEU procurement exercise to procure a new contract.

2. BACKGROUND TO PROCUREMENT PROCESS

- 2.1 South Norfolk Council, as the contracting authority, has managed the Procurement process on behalf of the Consortium. The services being contracted relate to internal audit services to fulfil each member Authority's statutory responsibilities under the relevant legislation, including the Accounts and Audit Regulations 2011.
- 2.2 The Procurement was also developed to offer all members of the Consortium two options on service delivery. The first option was a fully outsourced service, with the Head of Internal Audit role undertaken by the Contractor as well as the delivery of the annual Internal Audit work plan, and the contract management element undertaken by the individual Authority. The second option, as currently provided, was for the Head of Internal Audit role and contract management (Interface Services) to be provided by South Norfolk Council, and the delivery of the annual Internal Audit work plan by the successful bidder. Bidders were requested to submit tenders for both options.
- 2.3 An OJEU tender, utilising the competitive dialogue route, was undertaken due to the value of the work to be contracted. A PIN (Prior Information Notice) was issued and soft market testing took place prior to tender documents being issued and formal tenders being submitted.
- 2.4 Tenders were evaluated for quality (60%) and price (40%) via the consideration of method statements and bill of quantities respectively.
- 2.5 Three suppliers submitted final bids and the contract has now been awarded to TIAA Ltd based on the above assessment and their submission of the most economically advantageous tender overall.
- 2.6 The new contract will commence on 1 April 2015 and is for five years, with an option to extend by two years or one plus one.
- 2.7 In addition, all current members of the Consortium have decided to stay with the current "Interface Service" approach, with the Head of Internal Audit role and contract management provided by South Norfolk Council. In conjunction with the Legal Team a Partnership Agreement will now be drawn up binding the delivery of this service from South Norfolk Council to the aforementioned authorities.

3. THE NEW CONTRACT FROM 1 APRIL 2015

- 3.1 Although the new contract is due to start on 1 April 2015, the procurement exercise ensured that a mobilisation period was built into the contract to ensure that key stages and timescales for implementing the Contractual arrangements were confirmed. This includes how resources are to be put in place to commence services from 1 April 2015, and in

particular how the time in between the contract award and the operational Commencement Date of the Contract will be utilised to prepare for high quality service delivery from day one. The provision of this has been at no cost to the Consortium.

- 3.2 TIAA Ltd has been operating for over eighteen years and started as the internal audit services for a consortium of housing associations. Over the years the company has grown into being one of the largest specialist internal audit providers in the UK. TIAA is an employee-centred organisation with staff being the majority shareholders. The Board of the company includes a non-executive Chair and non-executive company secretary and they have adopted the public sector principles of governance and accountability. The company has a strong presence in East Anglia with an existing regional office in Ipswich.
- 3.3 TIAA Ltd has confirmed a timescale for mobilisation between November 2014 and March 2015 to ensure that they are ready to commence delivery on the first day of the contract. The detailed requirements are part of the agreed contract and delivery against these key tasks will be monitored. A key part of this will be a launch presentation at each site for officers to attend and gain an early insight into how Internal Audit will be delivered going forwards. Key improvements in service delivery will include:
- Risk Based Internal Audit Planning at a strategic level and at individual audit level
 - Audit opinions based on 4 distinct stages (the first 2 being the traditional approach and the last 2 bringing added value)
 - Strategic Direction – consideration of the extent to which process is directed by proper procedure
 - Operational Compliance – consideration of the extent to which staff comply with the procedures
 - Operational Effectiveness – consideration of the extent to which process provides efficient and effective delivery
 - Reputation Awareness – consideration of the extent to which customer / regulator requirements are met
 - Outcomes reported as a result of audit reviews will include recommendations as required, however an Operational Efficiency Action Plan is also included which sets out matters identified during the audit where there may be opportunity for service enhancements to be made to increase both the operational efficiency and enhance the delivery of value for money services.
 - Audit software that provides an integrated solution for delivering the Internal Audit vision
- 3.4 A new approach to Internal Audit delivery will be evident from financial year 2015/16. This is starting now with the planning approach being taken by the Internal Audit Consortium Manager being much more risk focused and ensuring an element of the plan concentrates on the key risks and the corporate priorities of the Authority, with the other elements concentrating on service areas and those key systems which feed into the Statement of Accounts.