

REPORT TO: POLICY AND RESOURCES COMMITTEE –09DECEMBER2013

REPORT ON: TENDER FOR THE SUPPLY OF INTERNAL AUDIT SERVICES

REPORT BY: CHIEF INTERNAL AUDITOR

REPORT NO: 519-2013

1.0 PURPOSE OF REPORT

This report seeks Committee approval for acceptance of the recommended tender for the Supply of Internal Audit Services.

2.0 RECOMMENDATIONS

To support the Chief Internal Auditor in the delivery of the Council's Internal Audit Service, it is recommended that Members approve the acceptance of the tender by PwC for the supply of Internal Audit Services under a co-sourcing arrangement. The contract will initially be for a period of eighteen months with an option for the Council to potentially extend for up to a further two, twelve month periods.

3.0 FINANCIAL IMPLICATIONS

3.1 The total value of this tender over the first eighteen months is estimated to be of the order of £90,000 and thereafter to be of the order of £60,000 per annum if the options to extend are taken forward. The Director of Corporate Services has confirmed that funding to deliver this co-sourcing arrangement is available from within the overall budget for the Internal Audit Service.

4.0 MAIN TEXT

4.1 The Council's Internal Audit Service is an independent, objective assurance activity designed to add value and improve the Council's operations. The core of internal audit work is to provide a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management and control processes of the organisation. Report No.282-2013 submitted to the Scrutiny Committee in June 2013 provided details of the 2013/14 Internal Audit Plan which included a summary of the proposed portfolio of reviews to be undertaken. Members were advised at this time that in line with best practice there should be sufficient breadth and depth of work contained within the plan. This is in part to enable the Chief Internal Auditor fulfil the requirement to provide the annual opinion on the adequacy of the Council's overall control environment.

4.2 Due to the nature of internal audit work being extremely varied and requiring a diverse portfolio of skills and technical competencies, it has become evident in recent years that there is a shortfall between the in-house resources available and the total resources required to deliver the Plan. This has resulted in the Chief Internal Auditor utilising existing frameworks for third parties to undertake specific reviews contained within the Plan. In compiling the 2013/14 Internal Audit Plan it was recognised that using both internal and external resources would continue to be pivotal to the delivery of the Council's Internal Audit Service for the foreseeable future.

4.3 Given this a decision was taken to advertise a tender for the supply of internal audit services to the Council through the Public Contracts Scotland portal. Whilst this proposed co-sourcing arrangement to supplement the current in-house provision is key to the delivery of the planned internal audit work it will also bring added benefit in terms of specialist skills and advice, and skills transfer to in-house staff. The invitation to tender, which was also advertised through the official European public contract opportunities website, was issued as a single-stage open tender procedure and was open to all interested parties meeting the minimum qualification requirements.

4.4 Subject to approval, the effective commencement date for this contract will be 1 January 2014. The contract will, initially be for a period of eighteen months. There is however an

option for the Council to potentially extend for up to a further two, twelve month periods. The total value of this tender over the first eighteen months is estimated to be of the order of £90,000 and thereafter to be of the order of £60,000 per annum if the options to extend are taken forward.

4.5 For this particular supply the principle upon which returns were evaluated and the contract is to be awarded is based on the most economically advantageous tender on a mix of price and quality. The quality/price split applied was 60%/40%. In terms of the quality element this was further assessed on the basis of technical merit (40%), added value (10%) and skills transfer (10%).

4.6 In terms of this supply a total seven tenders were returned. Following the initial evaluation, four of the bidders were invited to make a presentation to officers. The Director of Corporate Services as the Council's Section 95 Officer in conjunction with the Chief Internal Auditor and the Principal Internal Auditor were in attendance at the tender presentations. The method statements included in the tender submissions along with the tender evaluation presentations were assessed by officers in line with the contract evaluation criteria and on the basis of this it is proposed that the contract be awarded to PwC.

5.0 POLICY IMPLICATIONS

This report has been screened for any policy implications in respect of Sustainability, Strategic Environmental Assessment, Anti-Poverty, Equality Impact Assessment and Risk Management. There are no major issues.

6.0 CONSULTATIONS

The Chief Executive, Director of Corporate Services and Head of Democratic and Legal Services have been consulted on the content of this report.

7.0 BACKGROUND PAPERS

None

Sallie Dailly, Chief Internal Auditor

DATE: 25 November 2013