

REPORT TO: POLICY AND RESOURCES COMMITTEE – 30 October 2017

REPORT ON: AWARD OF CONTRACT FOR THE SUPPLY OF INTERNAL AUDIT AND ADVICE

REPORT BY: EXECUTIVE DIRECTOR OF CORPORATE SERVICES

REPORT NO: 356-2017

1.0 PURPOSE OF REPORT

The purpose of this report is to seek approval for the award of contract for the supply of Internal Audit and Advice.

2.0 RECOMMENDATIONS

It is recommended that Members approve the acceptance of the most economically advantageous tender by KPMG under the Crown Commercial Service Consultancy One Framework Agreement, Reference No RM1502 (Lot 5.1), for the Supply of Internal Audit and Advice for an initial period to 30 June 2019 with an option to extend for up to 3 further 12 month periods. This will provide a co-sourcing arrangement to support the Senior Manager – Internal Audit in the delivery of the Council's Internal Audit Service.

3.0 FINANCIAL IMPLICATIONS

The total value of the contract is estimated to be of the order of £125,000 per annum. There is funding available within the Corporate Services' Revenue Budget to deliver this service, including income generated directly from the audit of Tayside Pension Fund.

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 the organisation's governance, risk management and control processes. Report No. 133-2017 submitted to the Council's Scrutiny Committee in April 2017 provides details of the 2017/18 Internal Audit Plan, including a summary of the proposed portfolio of reviews to be undertaken (Article VI of the minute of meeting of the Scrutiny Committee of 19th April, 2017 refers). Members were advised at that time, in line with best practice, that there should be sufficient breadth and depth of work contained within the plan to enable, in part, the Senior Manager – Internal Audit to fulfil the requirement to provide the annual opinion on the adequacy of the Council's overall control environment.
- 4.2 As a result of internal audit work being exceptionally varied and consequently requiring a diverse portfolio of skills and technical competencies, it became evident some time ago that there was a shortfall between the in-house resource available and the total resource required to deliver the Plan. This resulted initially in the Council utilising established frameworks for third parties to undertake specific reviews contained within the Plan and more latterly tendering for and entering into a formal co-sourced arrangement, which came to an end on 30 June 2017. It is recognised that using a mix of both internal and external resources is fundamental to the successful delivery of the Council's Internal Audit Service and will continue to be for the foreseeable future.
- 4.3 The proposed co-sourcing arrangement is key, not only to the delivery of the planned internal audit work, but also to bring added value to the Council in terms of skills transfer and the provision of specialist skills and advice.

- 4.4 Report 214-2017 (Policy and Resources Committee 26 June 2017, Article IV) previously approved the award of contract for the supply of Internal Audit Services. However, subsequently, the Council collapsed the tender. This has necessitated a revised tender process to be initiated.
- 4.5 The Invitation to Tender, which was advertised via the Public Contracts Scotland portal, was issued as a mini competition under the Crown Commercial Service ConsultancyOne Framework Agreement, Reference No RM1502 (Lot 5.1), for the Supply of Internal Audit and Advice.
- 4.6 In terms of this supply, a total of three compliant bids were received. Following the initial evaluation against pre-requisites / requirements, all three tenderers were invited to make a formal presentation to officers. One tenderer withdrew from the process prior to the presentations and a full tender evaluation was carried out for the other two. The weighting used for the basis of the full evaluation was 80% quality (75% of which related to the written submission and 25% to the presentation) and 20% price. The Head of Corporate Finance, the Senior Manager – Internal Audit, the Principal Internal Auditor and a Category Officer from the Corporate Procurement Team were in attendance at the tender presentations and involved in the full tender evaluation. The outcome of the full tender evaluation is summarised below and on the basis of the results it is proposed that the contract be awarded to KPMG.

Tenderer	Quality Score 80%	Price Score 20%	Overall Scores	Rank
KPMG	70.40	13.09	83.49	1
Scott Moncrieff	50.56	20.00	70.56	2

- 4.7 Subject to approval, the effective commencement date for this contract will be 13 November 2017.
- 4.8 The successful tenderer has committed to providing a number of community benefits through this contract, including 2 work placements per year to young people identified by the Council and providing 24 hours of support and training to those individuals that the Council chooses covering exam skills, technical support or personal skills.

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 Council Management Team was consulted in the preparation of this report.

7.0 BACKGROUND PAPERS

None.

Gregory Colgan, Executive Director of Corporate Services

DATE: 17 October 2017