

SUBJECT:	Internal Audit Contract	
REPORT OF:	Officer Management Team - Prepared by	Director of Resources - Head of Finance & IT

1 Purpose of Report

- 1.1 To report the results of the tender exercise for the selection of the new internal audit contractor, and conditionally appoint a new contractor.

2 Links to Council Policy objectives

- 2.1 The Council's Code of Corporate Governance includes a requirement to put in place arrangements for the independent review of financial and operational reporting processes and for audit systems to be in place, and one of the Council's Key Management Principles is the prudent use of resources, which includes the cost effective procurement of services.

3 Background

- 3.1 The Council's current Internal Audit contract with RSM Tenon expires on 31 March 2012. The current contract provides for 130 days of audit work each year and costs approximately £39,000 a year. The Head of Finance & IT is the responsible officer for managing and monitoring this contract.
- 3.2 The Accounts and Audit Regulations 2011 require authorities to 'undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control.'
- 3.3 At the meeting of the Resources PAG on 25 January 2011, Members agreed to carry out a tender exercise for the award of a new internal audit contract from 1 April 2012 for a period of 5 years. Cabinet subsequently endorsed this approach at their meeting on 8 February 2011.

4 Evaluation Methodology

- 4.1 The evaluation methodology agreed by the Resources PAG is as follows.

In line with the SBDC tender evaluation methodology, the tenders will be evaluated to ensure that they meet the minimum required standard, and then the lowest price tender will be selected.

- 4.2 A summary of the tenders received is contained in part 2 of this report, and full copies of the tender documents are available on request.
- 4.3 As the Audit Committee is responsible for obtaining assurance from Internal Audit on the adequacy and effectiveness of internal control the Audit Committee Members were given the opportunity to review / comment on the tenders received at their meeting on 15 December 2011, their feedback is also contained in part 2 of this report.
- 4.4 The final decision regarding the award of the Internal Audit contract rests with the Resources Portfolio Holder as he has budgetary responsibility for this area and has been given delegated authority to award this contract (Cabinet 8 Feb 11, Council Council 22 Dec 11).

5 Results of the Tendering Exercise

- 5.1 Ten organisations completed a prequalification questionnaire to express an interest in this contract. From these, six organisations were formally invited to tender.
- 5.2 Tenders were received from:
- Haines Watts
 - RSM Tenon
 - TIAA
 - Oxfordshire County Council
 - Deloitte.
- 5.3 The sixth organisation, PwC, declined to tender.

6 Resource and Wider Policy Implication

- 6.1 The Council's draft revenue budget for 2012/13 includes £40,000 for internal audit services. The lowest tender is in line with the budget provision.
- 6.2 European tendering regulations require that before formally awarding a contract, such as this which falls within the EU procurement rules, a standstill period of at least 10 days must be given between when the decision to conditionally award the contract has been notified to all tenderers and the conclusion of the contract, to allow the other tenderers to challenge the award of the contract. Any challenge would need to be by formal court injunction to suspend the proposed award and then potentially have it overturned. As part of this change the unsuccessful parties must be formally notified of the proposed award and given any scores achieved in the tendering exercise.
- 6.3 There are no equalities issues arising from this procurement.

7 Recommendations

- 7.1 The Resources Portfolio Holder is requested to decide which Audit contractor to conditionally appoint.

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Background Papers:	None