

South Lakeland District Council
Audit Committee
Thursday, 22 April 2021
Internal Audit Services contract update

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|-----------------------|---|
| Portfolio: | Not applicable |
| Report from: | Section 151 Officer |
| Report Author: | Helen Smith – Finance Lead Specialist and Section 151 |
| Wards: | Corporate Issue |
| Forward Plan: | Not applicable |

1.0 Expected Outcome

- 1.1 This report is presented to update Audit Committee on the contractual arrangements for internal audit from 1 April 2021 to ensure the continued provision of a high quality, cost effective internal audit service.

2.0 Recommendation

- 2.1 It is recommended that Audit Committee note the contractual arrangements for internal audit services for 12 months from 1 April 2021.**

3.0 Background and Proposals

- 3.1 The Council have contracted external suppliers to provide an internal audit contract for many years. The current contractor, TIAA Ltd have provided services from 1 April 2016 under a contract for an initial period of three years with the Council having an option to extend the contract for two extensions of one year each. The maximum extension was therefore until 31 March 2021. For that initial 2016 contract, a joint tender was advertised with Eden District Council using The Chest e-tendering system and the European Journal with the service offered in lots which enabled each Council to appoint a different service provider. The Council opted to extend the contract for the maximum 2 additional years up to 31 March 2021.
- 3.2 Before the end of a contract it is usual to review the performance of the service to consider if it is appropriate to undertake a further tender exercise. However, under the Council's Contract Procedure Rules, an exemption from tendering may be requested under paragraph 3.1 (j) where the works to be executed or the goods, works or services fall within the scope of an existing contract where there is a genuinely justifiable case to use the existing contract to maintain continuity of supply. In this case, there is uncertainty about the future need for internal audit services until the outcome of the local government review for Cumbria. An exemption from the Contract Procedure Rules was approved by the Director of Strategy, Innovation and Resources and the Monitoring Officer on 10th March 2021 to continue with the existing service provision arrangements for a further 12 months until 31st March 2022.
- 3.3 The core terms and conditions of the contract are the same as for the 2016 contract:

- Contractor to prepare a risk-based audit plan, for approval by the Finance Lead Specialist and Audit Committee;
- The contractor to specify how many days will be required to deliver an audit programme, to meet the required Public Sector Internal Audit Standards (this was fixed at 190 days per annum in the 2016 contract and in the present contract);

The contract includes an allowance for up to 10 days for Contract Final Account audits.

4.0 Consultation

- 4.1 The Council's Monitoring Officer, S151 Officer and the Director of Strategy, Innovation and Resources were consulted.

5.0 Alternative Options

- 5.1 No alternative prices have been sought. The existing arrangements are working well and during the current circumstances continuity of service is important and there is insufficient capacity to manage a change of provider at this time. This position will be reviewed during the summer when the outcome of local government reorganisation proposals covering South Lakeland will be known.

6.0 Links to Council Priorities

- 6.1 To develop and embed a high performance culture.

7.0 Implications

Financial, Resources and Procurement

- 7.1 This report relates to the Internal Audit contractual arrangements which are included in the existing revenue budget. The new one-year contract will result in a minor increase in the audit fee of 3.55% on top of the previous audit fee which had been fixed for the 5-year duration of the contract. This increase in fee can be accommodated within existing budgets which were showing an underspend for 2020/21.

Human Resources

- 7.2 There are no direct staffing implications for South Lakeland District Council employees. TUPE may have applied to any qualifying staff of the existing internal audit contractor if the contract were re-tendered.

Legal

- 7.3 Legal services have provided advice on the contract and related contractual documentation.

Health, Social, Economic and Environmental

- 7.4 Have you completed a Health, Social, Economic and Environmental Impact Assessment? No
- 7.5 If you have not completed an Impact Assessment, please explain your reasons: The extension of the internal audit contract is not expected to have any direct HSEE implications.

Equality and Diversity

- 7.6 Have you completed an Equality Impact Analysis? No
- 7.7 If you have not completed an Impact Assessment, please explain your reasons: The extension of the internal audit contract is not expected to have any direct Equality and Diversity implications

Risk

| Risk | Consequence | Controls required |
|--|--|---|
| The Council fails to obtain a quality service at an economic rate | Inadequate audit coverage, failure to meet standards, poor value for money, criticism from external auditors | Extension of the contract is expected to provide better value for money than to tender for a short contract period. |
| The cost to the Council of extending the existing contract may be greater compared to the cost of tendering the service. | Poor value for money, reduction in audit coverage. | The increase in cost of the contract after a fixed fee for 5-years is regarded as reasonable. |

Contact Officers

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Background Documents Available

| Name of Background document | Where it is available |
|-----------------------------|-----------------------|
| None | |

Tracking Information

| Signed off by | Date sent | Date Signed off |
|---------------------|------------|-----------------|
| Legal Services | N/A | N/A |
| Section 151 Officer | 12/04/2021 | 12/04/2021 |
| Monitoring Officer | 13/04/2021 | 13/04/2021 |
| CMT | N/A | N/A |

| Circulated to | Date sent |
|---------------------------------|---------------|
| Lead Specialist | Report author |
| Human Resources Lead Specialist | N/A |
| Communications Team | N/A |
| Leader | N/A |
| Committee Chairman | N/A |
| Portfolio Holder | N/A |
| Ward Councillor(s) | N/A |
| Committee | 22/04/2021 |
| Executive (Cabinet) | N/A |
| Council | N/A |