ABSTRACT:

This report informs members of the exercise to enter into a co-sourcing arrangement to support the Chief Internal Auditor in the provision of internal audit services to the Council.

1. RECOMMENDATION

It is recommended that:

a) the Scrutiny and Audit sub-committee recommend the principle of the co-sourcing arrangement to the Strategic Policy committee

b) the Strategic Policy Committee authorises the Chief Internal Auditor to procure the appropriate internal audit co-sourcing services for the council on the basis set out in this report.

2. BACKGROUND

Reference is made to the Chief Internal Auditors update report to the Scrutiny and Audit Sub-Committee of 23 August 2011 in which it was noted that the option of entering into a co-sourcing arrangement to support provision of internal audit services was under consideration. This has now been fully reviewed by the Head of Finance and Chief Internal Auditor who consider this to be the best option in the short to medium term to deal with the resourcing issue arising from a vacant internal auditor post and future uncertainty in terms of continuing income streams from work currently undertaken for Tayside Joint Police Board.

3. PROCUREMENT AUTHORITY

3.1 Sourcing Strategy

The tender will be issued on the basis of Non-EU Open Single Stage Procurement.

No national Procurement Scotland or Scotland Excel contracts currently exist to meet this requirement. As this is essentially a short-term solution, the potential for co-operative procurement under the umbrella of the Tayside Procurement Consortium has not been pursued.

The procurement is not considered to be a “major procurement” in terms of the Financial Regulation 16.8.4. Approval of this report would mean that the contract can be accepted without the need for further approval by the relevant committee. In accordance with the new arrangements, the contract award will be reported to the Strategic Policy Committee for noting only.

3.2 Key Terms Proposed

It is envisaged that the contract will commence on 31st January 2012 for an eighteen month period with an option to extend for a further one year.

The value of the tender is estimated at £60,000 over the eighteen months and £100,000 if the option to extend is applied.
3.3 Procurement Procedure

It is considered that a single-stage open tender procedure would be the best means of procuring the required supply here.

The contract opportunity will be openly advertised on the Public Contracts Scotland Portal in accordance with council policy and as a means of securing good competition to deliver best value for money.

3.4 Contract Evaluation Basis

Completed tenders returned to the Council shall be evaluated and the contract will be awarded on the basis of the most economically advantageous tender, on a mix of price and quality. The price/quality split applied will be 60%/40% in accordance with Financial Regulation 16.14.2. The broad evaluation criteria and weightings will be:

- Price 60%
- Quality 40%

The quality evaluation will be based on:

- Technical merit (20%)
- Added value items (10%)
- Skills transfer (10%)

The Corporate Procurement Manager has been consulted on the proposed procurement process and outline requirement and is satisfied that this approach is suitable and will support the required level of quality service required by the council.

3.5 Procurement Risks

A risk assessment has been undertaken for this tender and, other than the normal risks inherent in any contract, no risks have been identified.

4. FINANCIAL IMPLICATIONS

The contract costs will be contained within the existing Finance Division revenue budget, met almost wholly from the funding available from not recruiting to the vacant auditor post. While it is accepted that this type of co-sourcing arrangement attracts a premium over directly employed staff, the advantages gained in terms of wider experience, reduction of recruitment risks and skills transfer to current staff serve to mitigate this. In particular the co-sourced audit resource will be allocated work in from the Council’s agreed Internal Audit Plan which is most suited to their skills base, expertise and where they can provide added value.

5. HUMAN RIGHTS IMPLICATIONS

There are no Human Rights implications arising from this Report.

6. EQUALITIES IMPLICATIONS

The issues dealt with in this report have been the subject of consideration from an equalities perspective. An equalities impact assessment is not required.

7. CONSULTATION

The Chief Executive, Head of Finance and Head of Law and Administration have been consulted in the preparation of this report.
8. CONCLUSION

A short to medium term co-sourcing arrangement will provide a resource to support the Chief Internal Auditor in the delivery of the audit plan in a period of uncertainty, without committing the council to a longer term cost.

Colin McMahon
Director of Corporate Services

NOTE: No background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) were relied on to a material extent in preparing the above report.

Finance/JW