

To: City Executive Board

Date: 7th January 2009

Item No:

Report of: Head of Finance

Title of Report: Award of Contract for the Supply of an internal Audit Service to Oxford City Council

Summary and Recommendations

Purpose of report: To grant project approval and delegated powers to award to the Chief Executive for the supply of an Internal Audit Service to Oxford City Council

Key decision? Yes

Executive lead member: Councillor Ed Turner

Report approved by: Councillor Ed Turner
Peter Sloman, Chief Executive
Finance: Penny Gardner
Legal: Lindsay Cane

Policy Framework: Oxford City Council Corporate Plan
Be an effective and responsive organisation, providing value for money services.

Recommendation(s):
That the City Executive Board agrees:

- 1) To grant project approval for the provision of an Internal Audit Service to Oxford City Council
- 2) To delegate, to the Chief Executive, the authority to award the contract for the provision of an Internal Audit Service to Oxford City Council.
- 3) To the contract being for 3 years commencing on 1st April 2009 with an option to extend the contract by up to 2 years.

1 Background

- 1.1 Oxford City Council currently employs KPMG, a limited liability partnership, to provide an Internal Audit Service.
- 1.2 The existing contract expires at the end of March 2009 and is in the process of re-tendering this contract.
- 1.3 Oxford City Council is tendering this contract in collaboration with Cherwell District Council who have a similar requirement and timescale.
- 1.4 Last financial year Oxford City Council spent £185,000 on Internal Audit Services. It is for this reason that City Executive Board approval is sought for the project approval and award of this contract.

2 Tender Process

- 2.1 As specified in 1.4, the value of the contract meant that an advertisement was placed in the Official Journal of the European Union, local press and on the Council's website.
- 2.2 The evaluation panel is made up of Officers from both Councils participating in the Contract with all parties contributing to the contents of the PQQ and the tender documents. These Officers are also marking the tenders and will agree on the award recommendation.
- 2.3 The evaluation panel have determined the relevant financial and technical evaluation criteria that will provide the most economically advantageous contract, with 40% of marks being awarded for the pricing offer, 40% of marks awarded for evidence of quality and a further 20% being allocated to evidence of capacity. Suppliers must demonstrate that they are technically and operationally competent and able to meet the specification.
- 2.4 The short – listing has taken place from the pre-qualification stage and 5 suppliers have been invited to submit tenders.
- 2.5 The tender has been offered in lots, with Cherwell District Council in lot 1 and Oxford City Council in lot 2. Tenderers will specify whether they are applying for lot 1, lot 2 or both lots. It is expected that Suppliers applying for both lots will reflect efficiencies in their financial proposals by offering a discount. The contract is available for other local authorities in Oxfordshire and Buckinghamshire to use, and it is hoped that any increased take up will result in further pricing reduction. The evaluation panel are due to make their award recommendation by the 6th February 2009.
- 2.6 Tenderers are invited to submit proposals for how they could support Oxford City Council's Value for Money agenda, with a specified day rate so that these services could be drawn down as required. This will allow us to tailor external support to the needs of the planned fundamental service reviews rather than set a fixed number of days per annum to be commissioned.

3 Other Options

3.1 The Constitution and Procurement Strategy advises that City Executive Board considers what other options are available before giving major project approval and awarding a contract over 100K. These are detailed below.

3.2 Continue as we are

The current Internal Audit Service contract is due to expire at the end of March. To remain compliant and ensure best practice in providing value for money, the Council is obliged to make provision for a replacement contract.

3.3 Set up an in-house Internal Audit Team

There is no provision in the Council's budget to do this.

Oxford City Council used to have an in-house Internal Audit Team, however due to budgetary pressures and an inability to recruit appropriate staff, in 2005 the decision was taken by Strategic Management Board to outsource the service.

3.4 Use a contract set up by another organisation

There is no suitable contract that meets the needs of both Oxford and Cherwell District Councils.

4 Benefits of this contract

4.1 Provision of competitive pricing.

Provision of a high quality audit service, providing support for continuous improvement as well as compliance assurance. Independent assurance to external auditors on key systems.

The ability to provide a breadth of knowledge based on similar work carried out in the public sector.

With a large organisation servicing the contract, there will be more ability to call on extra capacity when needed.

The provision of dedicated systems to track and follow up audit recommendations.

The ability to offer specialist audit services if needed, for example forensic audit, support for risk management processes, training in specialist areas.

Provision of a focused audit plan based on risk.

5 Financial Implications

5.1 There are no financial implications to this contract.

6 Legal Implications

6.1 This contract has been tendered in accordance with the EU procurement regime. It therefore complies with both the Council's own procurement requirements and external regulation.

7 Staffing Implications

7.1 There are no staffing implications.

8 Risk

8.1

Risk	Likelihood	Mitigation
No suitable joint tenders received	H	Ability to award for single authority
Pricing comes in above current budget	M	Clarity provided within tender documentation
Appointed supplier does not achieve contract requirements	M	Clear KPI's and strong contract management procedures

9 Other means of achieving this objective

9.1 Other means of achieving this objective are explained in paragraph 3.

10. Recommendations

That the City Executive Board agrees:

- 1) To grant project approval for the provision of an Internal Audit Service to Oxford City Council**
- 2) To delegate, to the Chief Executive, the authority to award the contract for the provision of an Internal Audit Service to Oxford City Council**
- 3) To the contract being for 3 years commencing on 1st April 2009 with an option to extend the contract by up to 2 years.**

**Name and contact details of author: Nicky Atkin Tel: 01865 252778
Email: natkin@oxford.gov.uk**

**List of background papers: None attached
Version number: 2**