

	<p style="text-align: center;"><b>The Executive</b> 17<sup>th</sup> July 2006</p> <p style="text-align: center;"><b>Report from the Director of Finance and Corporate Resources</b></p>
<p>For Action <span style="float: right;">Wards Affected: ALL</span></p>	
<p style="text-align: center;"><b>Joint Procurement of Internal Audit Services</b></p>	

## 1. Summary

- 1.1. This report seeks approval of evaluation criteria and approval to invite tenders for the collaborative procurement of Internal Audit Services as required by Contract Standing Orders 88 and 89.

## 2. Recommendations

- 2.1. The Executive to give approval to the criteria to be used to evaluate tenders as set out in Appendix 2 of the report.
- 2.2. The Executive to give approval to officers to invite tenders and evaluate them in accordance with the approved evaluation criteria referred to in 2.1 above.
- 2.3. The Executive to agree that there are good operational reasons for the Council's Standing Orders and Financial Regulations to not apply to the procurement and that Ealing Council's Standing Orders and Financial Regulations will apply instead.

## 3. Detail

- 3.1. At its meeting of the 10<sup>th</sup> April 2006 the Executive considered the pre-tender considerations set out in Appendix 1 and gave approval for officers to invite expressions of interest for the provision of part of the Council's internal audit function in a joint procurement exercise with the London Boroughs of Ealing, Hammersmith and Fulham and Hounslow. At the time the Executive considered the report, the Heads of Audit of the respective Councils had not had an opportunity to finalise the tender evaluation criteria to be

recommended for approval. As a result, the Executive approved officers inviting expressions of interest, with a further report to be submitted to the Executive regarding criteria for the evaluation of tenders following discussions between the relevant Heads of Audit.

- 3.2. The Heads of Audit from the relevant Councils have met to discuss the collaborative procurement and the evaluation criteria. During this process, the London Borough of Hounslow indicated that it was not in a position to proceed with the collaborative procurement and has now withdrawn from the process.
- 3.3. During discussions between the Heads of Audit, it was considered that the most effective manner of tendering for internal audit services was to ask providers to tender separately for core internal audit services and for additional internal audit services. It is proposed that there be separate framework agreements for core internal audit services and for additional internal audit services.
- 3.4. The Heads of Audit have now finalised the proposed evaluation criteria for the two framework agreements detailed in paragraph 3.3. The proposed evaluation criteria are set out in Appendix 2. The proposed criteria will be included in tender instructions and used to evaluate tenders in order to identify the most economically advantageous offers to the Council. Officers from the Council will sit on the Evaluation Panel when tenders are evaluated.
- 3.5. The intention is that the core internal audit services supplied to the Council under the framework agreement will form part of the overall internal audit provision which will be provided by a combination of in-house and outsourced resource. The intended start date of core internal audit framework agreement and the additional internal audit services framework is 1<sup>st</sup> April 2007.
- 3.6. It is envisaged that the additional internal audit services framework will be used by a number of other boroughs in addition to Brent, Ealing and Hammersmith and Fulham, in order that they may utilise the pricing framework agreed as part of this tender exercise.

#### **4. Financial Implications**

- 4.1. Financial implications of approving invitations to tender were covered in the previous report to the Executive. There are no financial implications in respect of this report.

#### **5. Staffing Implications**

- 5.1. Staffing implications of approving invitations to tender were covered in the previous report to the Executive. There are no staffing implications in respect of this report.

#### **6. Legal Implications**

- 6.1 Standing Order 88 requires the Executive to consider a report setting out pre-tender considerations specified in Standing Order 89 prior to giving approval to

invite tenders for contracts. The report to the Executive held on 10 April 2006 addressed pre-tender considerations save for the evaluation criteria. The Heads of Audit of Brent, Ealing and Hammersmith and Fulham have been able to agree proposed evaluation criteria thereby addressing all pre-tender considerations specified in Standing Order 89.

- 6.2 Officers have proposed that the procurement of internal audit services should be by way of separate framework agreements for core internal audit services and for additional internal audit services. A framework agreement is an agreement with providers which sets out terms and conditions under which specific purchases (“call-offs”) can be made throughout the term of the agreement. Given the estimated value of the two framework agreements proposed over their lifetime, the framework agreements are subject to EU Procurement Regulations.
- 6.3 Contract Standing Order 85(c) provides that any collaborative procurement must comply with the Council’s Standing Orders and Financial Regulations unless, in the case of a High Value contracts, the agreement of the Executive is obtained under Standing Order 84 (a). Standing Order 84(a) does provide that the Executive may decide that a contract need not be procured in accordance with the Council’s Standing Orders and Financial Regulations if there are good operational and/or financial reasons.
- 6.4 The procurement is a collaborative procurement on behalf of a number of councils, each of which has its own different contract standing orders and financial regulations. It would not be practicable to conduct the procurement in compliance with all the separate standing orders, and therefore it is considered there are good operational reasons why the Council’s own Standing Orders and Financial Regulations should not apply.

## **7. Diversity Implications**

- 6.1. The proposals in this report have been subject to screening and officers believe that there are no diversity implications.

### **Background Papers**

1. Joint Procurement of Internal Audit Services Report from the Director of Finance and Corporate Resources to the Executive 10<sup>th</sup> April 2006.
2. Joint Procurement File

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