

AUDIT & STANDARDS COMMITTEE

13th June 2019

Internal Audit Procurement Process

Purpose of Report

This report sets out the process leading up to the award of contract for the provision of Internal Audit services to the Mayoral Combined Authority group.

Freedom of Information and Schedule 12A of the Local Government Act 1972

Under the Freedom of Information Act this paper and any appendices will be made available under the Combined Authority Publication Scheme. This scheme commits the Authority to make information about how decisions are made available to the public as part of its normal business activities.

Recommendations

The Audit and Standards Committee is asked to note the contents of this report.

1. Introduction

- 1.1** At its previous meeting on 18 April 2019, the Committee requested that a report be presented at the June Audit and Standards Committee detailing the appointment process undertaken for the provision of Internal Audit Services for the SCR Combined Authority and South Yorkshire PTE.

This contract was jointly procured with the Mayoral Combined Authority, but SYPTE entered into the actual contract.

On 31 January 2019, the SYPTE Executive Board approved the award of the contract for the provision of Internal Audit services to Grant Thornton UK LLPE.

The contract value is up to £93,750 per annum across the MCA Group, and officially commenced on 1 April 2019 for an initial 3-year period, with the possibility of an extension for up to 2 further years.

It should be noted that the contract provides sufficient flexibility to reduce and/or increase the number of days by 62.5 (i.e. 25%) in year 1 and in subsequent years.

2. Proposal and justification

- 2.1** The contract with BMBC was awarded following an EU tender process in 2015. SYPTE are subject to both the EU procurement rules and the requirements of their Contract Standing Orders. The contract was awarded in 2015 for a period of 2 years and was subsequently extended by 1 year to allow time for the MCA Group to determine whether a joint audit approach was desirable.
- 2.2** SYPTE and MCA are legally required to follow the procurement rules when awarding service contracts to third party entities. The Principal Solicitor confirmed this position and consulted with the Chair of SYPTE's Audit & Risk Committee in August 2018.
- 2.3** In Q3 2018/19, SCR Statutory Officers agreed that there was a need to ensure that the MCA group renewed the contract for Internal Audit in 2019/20, given that the existing contract was due to expire in March 2019.
- 2.4** Statutory Officers also agreed that it was important to ensure that the Internal Audit service looked across both organisations to realise efficiencies, developing a joint Audit Plan and reporting to both Audit Committees.
- 2.5** Having run the procurement process for the existing contract, it was further agreed that the SYPTE procurement team would lead on the procurement process for the contract.
- 2.6** Consultation on the specification for the new contract took place between SYPTE and the Chair of SYPTE's Audit & Risk Committee in November 2018. The specification was then included in the Invitation to Tender (ITT) document which was openly advertised on SYPTE's website.
- 2.7** The ITT sought a Daily Commercial Rate for the delivery of a joint Audit Plan for the MCA and PTE utilising the days available/contracted for in the most efficient manner and concentrating on the required main controls and the highest risk areas, subject to a maximum of 250 days activity per annum.
- 2.8** The award criteria for this contract was the most economically advantageous tender as set out in the tender documentation. The weighting to be applied for tender evaluation was pre-determined at 50% quality and 50% price.
- 2.9** Five tender submissions were received from the organisations listed below, and were evaluated by the Interim Head of Financial Services of the PTE and the SCR Senior Finance Manager:
- West Yorkshire Combined Authority (WYCA)
 - Mazars LLP
 - Barnsley MBC
 - Grant Thornton UK LLP
 - TIAA Ltd

A sixth tender was rejected as it was received after the submission deadline.

- 2.10** As stated in the tender documentation, a quality threshold of at least 60 was set, which meant that any submissions scoring less than 60 would be excluded from the evaluation process at that point.

2.11 For 3 out of the 5 tender submissions, the quality scores fell below the threshold. It is important to note that under procurement rules the evaluation is based on the submission provided by the bidders, and not on actual experience of the service they have previously provided to SYPTE/MCA. Consequently, 3 tender submissions were excluded from the evaluation process at that point. The price scores for the remaining 2 tender submissions were then calculated and combined with the quality score to give a final score.

2.12 Having attained the highest total score, it was recommended to the SYPTE Executive Board that Grant Thornton UK LLP be awarded the contract for the provision of Internal Audit services.

3. Consideration of alternative approaches

3.1 Not applicable - SYPTE and MCA are legally required to follow the procurement rules when awarding service contracts to third party entities.

4. Implications

4.1 Financial

There are no financial implications arising from this report.

4.2 Legal

There are no legal implications arising from this report. The MCA Financial Regulations advise it is a responsibility of the Finance Director of the Authority to ensure a continuous Internal Audit Service. The Audit and standards Committee may wish to recommend to the MCA that the Financial Regulations of the Authority are amended to include a requirement for the Finance Director to consult the Chair of the Audit and Standards Committee on the specification for Internal Audit.

4.3 Risk Management

There are no risk management issues arising from this report.

4.4 Equality, Diversity and Social Inclusion

There are no equality, diversity and social inclusion issues arising from this report.

5. Communications

5.1 None noted.

6. Appendices/Annexes

6.1 None

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Background papers used in the preparation of this report are available for inspection at: 11 Broad Street West, Sheffield S1 2BQ

Other sources and references: n/a