



SOUTH
KESTEVEN
DISTRICT
COUNCIL



Governance and Audit Committee

24 January 2024

Report of Councillor Philip Knowles,
Cabinet Member for Corporate
Governance and Licensing

Appointment of Internal Audit Services

Report Author

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Purpose of Report

One of the key areas for Governance and Audit Committee, as part of its terms of reference, is to approve the appointment of internal audit services which is an integral element of the Council's overall risk management and control arrangements.

Recommendation

Governance and Audit Committee is asked to approve the appointment of BDO LLP as the Council's internal auditor for three years commencing 1 April 2024, with the option to extend for one year, for the annual cost of £90,000.

Decision Information

Does the report contain any exempt or confidential information not for publication?

No

What are the relevant corporate priorities?

High performing Council

Which wards are impacted?

All

1. Implications

Taking into consideration implications relating to finance and procurement, legal and governance, risk and mitigation, health and safety, diversity and inclusion, safeguarding, staffing, community safety, mental health and wellbeing and the impact on the Council's declaration of a climate change emergency, the following implications have been identified:

Finance

- 1.1 These are considered throughout the report.

Completed by: Richard Wyles, Deputy Chief Executive and s151 Officer

Legal and Governance

- 1.2 There are no significant legal and governance implications arising from the report which are not already reflected elsewhere in the report, particularly in relation to procurement and compliance with the Council's Contract Procedure Rules.

Completed by: Mandy Braithwaite, Legal Executive

Procurement

- 1.3 It is confirmed that a fully compliant procurement process has been completed and the Council's Procurement Lead has been consulted throughout the process.

Completed by: Helen Baldwin, Procurement Lead

2. Background to the Report

- 2.1 Members will be aware that the Council currently has an interim internal audit service arrangement following the termination of the previous internal audit contract on 27 September 2023. This temporary arrangement is with RSM UK Risk Assurance Services LLP who has been commissioned to undertake the delivery of the internal audit service up to 31 March 2024 and provide the annual Head of Internal Audit opinion within the Annual Internal Audit Report.
- 2.2 Governance and Audit Committee, in accordance with Article 9 of the Constitution and as identified in the *Chartered Institute of Public Finance and Accountancy (CIPFA) Audit Committees – Practical Guidance for Local Authorities and Police 2022*, is responsible for approving the appointment of the internal auditor, approving the internal audit strategy and plan, monitoring and responding to the work of internal audit, and receiving the annual report and opinion of the Head of Internal Audit.
- 2.3 The annual Head of Internal Audit opinion, which is based upon and limited to the work performed, reports on the overall adequacy and effectiveness of the

Council's risk management, control and governance processes. The annual internal audit opinion is key as it contributes to the Council's Annual Governance Statement which is a statutory document that explains the processes and procedures in place to enable the Council to carry out its functions effectively.

- 2.4 A comprehensive procurement has been undertaken to secure longer term internal audit services which will cover the period 1 April 2024 to 31 March 2027 with the option of extending for a further one year (31 March 2028)
- 2.5 The internal audit tender was undertaken using the **Crown Commercial Services framework: CCS RM6188 – Audit & Assurance Services (A&AS) Lot 1: Internal audit and assurance** which has 20 suppliers listed. All the suppliers have been independently verified in terms of meeting the Public Sector Internal Audit Standards.
- 2.6 The Council received four bids which were scored for price and evaluated against quality questions. The weighting criteria was set at 40% price and 60% quality and reflects the importance of ensuring the successful bid meets the necessary qualitative threshold. The qualitative criteria covered a range of areas including:
- Detailing how an indicative five-year plan will be developed including how the audits will be identified and a sample audit plan
 - Approach to scoping individual audits including how service areas will be engaged with and sample audit scoping documents and audit reports
 - How assurance will be gained to allow the Head of Internal Audit to provide their annual opinion within the Internal Audit Annual Report
 - What added value can be provided along the lines of briefings, professional updates and training sessions for Governance and Audit Committee
 - Detailing key performance indicators to enable the Council to assess the performance and effectiveness of the service

The qualitative question responses were scored from '0' Unacceptable/Non-Compliant to '5' Excellent. Scoring weightings were set alongside the qualitative questions to ensure the most important areas were given the highest scores.

- 2.7 An evaluation Panel was established, and each bid was independently scored and moderated against the criteria in order to arrive at a score for each bid. The outcome of this evaluation concluded that BDO LLP is the winning bid based on the scoring criteria as set out in the tender documentation. A Summary is provided below:

Supplier	Price (total 5 years)	Price (40% weighting)	Quality (60% weighting)	Combined
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1 BDO LLP	£500,000	33%	55%	88%
2	£622,877	26%	56%	82%
3	£406,800	40%	28%	68%
4	£611,485	27%	33%	59%

- 2.8 In order to accommodate the successful bid, the budget for the forthcoming financial year is proposed to be increased to £90,000. Following the approval of the Committee, the bidders will be contacted to inform them of the outcome of the tender process and to agree next steps.
- 2.9 The Council will continue to work with the current internal auditors to develop a draft Internal Audit Plan for 2024/25 and to manage a smooth transition to the new audit team from 1 April 2024.

3. Key Considerations

- 3.1 The internal audit service is an essential and integral element of the Council's overall internal control framework as stated in the Local Government Act 1972.

4. Other Options Considered

- 4.1 There are no other options as this is a statutory requirement.

5. Reasons for the Recommendations

- 5.1 In accordance with the Constitution, Governance and Audit Committee is asked to approve the appointment of internal audit.

6. Background Papers

- 6.1 [Officer Delegated Decision - Internal Audit Interim Arrangements](#)