



Policy and Resources Committee

17 June 2019

Title	Cross Council Assurance Service (CCAS) Procurement
Report of	Chairman of the Policy and Resources Committee
Wards	All
Status	Public
Urgent	Yes The lead authority for collaborative procurement has withdrawn. London Borough of Barnet requires authorisation to procure to enable lead delivery of the collaborative procurement to establish a framework to commence 1 April 2020.
Key	Yes
Enclosures	None
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Summary

Since 2014 Barnet have been in contract with Pricewaterhouse Coopers (PwC) to deliver internal audit, assurance, and advisory services under a framework contract known as the Cross-Council Assurance Service (CCAS). The framework was open to all local authorities, health bodies, and arms-length management organisations in Greater London and the South East, and was led by Islington Council. The contract was initially for a four-year period, and was extended for a further two years in 2018. It will expire with no option to renew on 31 March 2020.

The CCAS has been used to support the delivery of our internal audit work programme, improve our risk management processes, and to provide advisory services across the council.

This report requests authorisation to commence a procurement activity, led by Barnet, to secure a provider or providers to continue the Cross-Council Assurance Service for the provision of audit, assurance, and advisory services from April 2020, after the end of the current contract. Barnet will work with the following named authorities to agree the specification, conduct the procurement, and undertake the evaluation of tender submissions:

- Barking and Dagenham
- Enfield
- Hammersmith & Fulham
- Kensington and Chelsea
- Lambeth
- Waltham Forest
- Westminster

Barnet and other members of the CCAS framework will use the contract to access these services when required on an optional basis. The framework will also look to develop our in-house internal capacities through collaboration and knowledge sharing with the chosen provider(s) and the other councils that form part of CCAS.

Officers Recommendations

- 1. That the Policy and Resources Committee authorises officers to commence and lead on collaborative procurement activity with identified contracting authorities to establish a framework agreement for a provider of audit, assurance, and advisory services from April 2020, for four (4) years until March 2024, accessible by London councils and other public sector bodies, with the option to extend this term to be explored.**

1. WHY THIS REPORT IS NEEDED

- 1.1 In 2013 Barnet commenced a procurement activity with a number of other boroughs, led by Islington Council, for a provider of internal audit, assurance, and advisory services on a framework contract known as the Cross-Council Assurance Service (CCAS).
- 1.2 Pricewaterhouse Coopers (PwC) was selected as the provider for the framework in 2014 following the conclusion of the procurement process. PwC have worked with member boroughs to both develop the framework and to directly deliver internal audit and assurance related work. The original contract ran for four years before the decision to extend for a two-year period was passed in June 2018. The contract is due to expire in 31 March 2020 and has no option to extend.
- 1.3 Barnet require approval to lead on the procurement of a new provider or providers for the provision of audit, advisory, risk management, and anti-fraud services. This will be a framework contract, with a number of named boroughs taking part in the procurement process. The chosen provider or providers will commence 1 April 2020 to allow for the continuation of the CCAS following the 31 March 2020 expiry of the current contract. This will be a framework contract and we envisage a number of other boroughs and public bodies taking out access agreements over time.
- 1.4 The CCAS will allow for the provision of audit, assurance, and advisory services. Barnet will be able to access these services when needed, particularly when specialist knowledge or experience is required to meet our objectives. The CCAS will also be used to develop our own in-house capability, through knowledge sharing and collaboration with the chosen provider(s) and the other councils that will use the contract.
- 1.5 The services provided by the CCAS will be used to support the delivery of our internal audit and anti-fraud forward plans, as well as providing advisory work for other areas of the council. It means we do not need to embark on lengthy and potentially expensive individual procurement processes when areas require these services.
- 1.6 The combined purchasing power of the named boroughs and public bodies and other potential framework members will help to reduce costs whilst maintaining the high quality needed for internal audit, assurance, and advisory services. The importance of quality for these services will be reflected in the tender evaluation.

2. REASONS FOR RECOMMENDATIONS

- 2.1 We require approval to commence procurement activity to secure a provider or providers for the provision of audit, assurance, and advisory services. This will be a framework contract led by Barnet, as this will provide the best value for money, generate market interest, will provide opportunity for service development, and allows for better contract governance and scrutiny, ensuring it meets our needs of delivering high quality services.
- 2.2 The CCAS has provided valuable services to Barnet, and assists in helping us meet our statutory duties and corporate priorities. It has been widely used to support our audit and anti-fraud forward plans, including for the provision of specialist audits and advice that cannot be delivered by our in-house function. The risk management provisions were

used to review our risk management framework, and the advisory services have been used across the council, such as for the Performance Governance Review, Three Lines of Defence work, Family Services Document Reclassifications, and Highways SPIRs reviews. Commencement of a new procurement will allow us to tailor any future contract further to our needs.

- 2.3 The CCAS will facilitate cross-council working and standardisation, as well as the development of our own in-house capability through knowledge sharing and collaboration with the chosen provider or providers and other boroughs.
- 2.4 Failure to initiate this procurement process risks leaving Barnet without a provider for internal audit, assurance, and advisory services. As per The Accounts and Audit Regulations 2003, we are required to “maintain an adequate and effective system of internal audit”. The CCAS assists us in delivering this duty.

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 3.1 The Committee could choose to not commence this procurement. However, this option is not recommended as it will negatively impact Barnet’s capacity to deliver our internal audit and anti-fraud functions. The in-house Internal Audit team would not have the capacity or capability to deliver the entire Internal Audit plan. An “adequate and effective system of internal audit” is required under section 6 of The Accounts and Audit Regulations 2003.
- 3.2 Barnet could choose to procure the services separately or on an ad hoc basis, but this would not be the most cost-effective option, and would not provide the valuable opportunity for collaborative working, with both the provider and other councils, the framework would offer.
- 3.3 There is the option to join a different framework, but this framework does not match our needs and is therefore not recommended.
- 3.4 The option for another council to lead on the procurement has been discussed with colleagues at other councils and it was agreed that Barnet is best placed to do this. This is because Barnet is one of the six founding members of CCAS, therefore has knowledge of the current contract that is in place, and Barnet has an in-house Head of Internal Audit to drive the procurement forward.

4. POST DECISION IMPLEMENTATION

- 4.1 If the Committee approves the recommendation;
- we will commence and lead on procurement activity seeking to secure a provider or providers of audit, assurance, and advisory services. This activity will be undertaken on the basis that Barnet will establish a framework agreement, with other councils and public bodies being able to access the framework through access agreements;
 - we will make further recommendations regarding decisions on awarding a framework agreement for these services following the conclusion of the procurement process.

5. IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

- 5.1.1 Effective audit and risk assurance arrangements support continuous improvement in the delivery of the Council's objectives set out in the Corporate Plan 2019-2024, and thus supports the delivery of those objectives by giving an auditor judgement on the effectiveness of the management of the risks associated with delivery of the service.
- 5.1.2 A comprehensive Internal Audit Plan is essential to giving an annual Internal Audit Opinion on the internal control environment (ICE) which is fundamental for the achievement of all of the Council's objectives. This opinion forms an integral element of the Annual Governance Statement.
- 5.1.3 The Annual Internal Audit Plan is based on the risks identified by the organisation.
- 5.1.4 The Council, under the Financial Regulations of the Council's Constitution, requires provision of an adequate and effective system of internal audit.
- 5.1.5 The advisory services will help to deliver Corporate Plan 2019-2024 objectives relating to the area using the services.

5.2 Resources (Finance & Value for Money, Procurement, Staffing, IT, Property, Sustainability)

- 5.2.1 This is an opportunity to lead a large number of boroughs in a collaborative procurement and therefore the potential to achieve lower rates and better value for money.
- 5.2.2 The framework agreement will be divided into Lots. Any spend against the Internal Audit lot will be funded from the Internal Audit budget; for Anti-Fraud from the CAFT budget. Any Advisory or Risk Management work commissioned through the framework will be funded by the team commissioning the work.

5.3 Social Value

- 5.3.1 The Public Services (Social Value) Act 2012 requires people who commission public services to think about how they can also secure wider social, economic and environmental benefits. As such social value will be considered as part of the scoring criteria within the tender process.

5.4 Legal and Constitutional References

- 5.4.1 The Council has powers and duties to provide audit, assurance and advisory services under the Local Audit and Accountability Act 2014 and The Accounts and Audit Regulations 2003, including maintaining an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with proper internal audit practices.
- 5.4.2 The threshold for the application of the Public Contracts Regulations 2015 (PCR) to public procurement of services is currently £181,302. The value of the contracts that may be let under the proposed framework agreement will exceed this threshold and must therefore be advertised in the Official Journal of the European Union (OJEU), and be procured under a competitive tendering procedure in compliance with the (PCR).
- 5.4.3 The council can establish a framework agreement under Regulation 33 of the PCR. A framework agreement can be between one or more authorities and one or more suppliers, and contracts can be 'called off' under the framework as required by the participating authorities. The call off procedures will be set out in the framework agreement.

The framework agreement can include Lots.

The term of a framework agreement cannot exceed 4 years, except in exceptional cases duly justified, in particular by the subject-matter of the framework agreement.

- 5.4.4 The procurement process will be conducted in a transparent, fair and proportionate and non-discriminatory way in compliance with the PCR and tenders will be subject to evaluation in accordance with the published tender evaluation model.
- 5.4.5 Under Barnet's Contract Procedure Rules, this procurement must be authorised by a decision of the relevant theme committee, which for Audit functions is the Policy and Resources Committee, unless it is included on the Annual Procurement Forward Plan.
- 5.4.6 The Council's Financial Regulations require the council to have in place a framework for managing the financial affairs of the Council.
- 5.4.7 Legal services should be instructed to support the procurement process

5.5 Risk Management

- 5.5.1 The risks of failing to commence this procurement are:
- a) Weaknesses in the effectiveness of internal control in key areas are not identified and addressed owing to an inability to complete the audit plan and the inability to achieve the required audit coverage across all council service areas.
 - b) An inability, owing to lack of adequate coverage, for Internal Audit to support assertions in the Annual Governance Statement or to express an opinion around the effectiveness of the council's Governance framework, including the system of internal control which must be reported in the Annual Governance Statement under

Regulation 4(2) of the Accounts and Audit Regulations 2003, as amended by the Accounts and Audit (Amendment) England Regulations 2006.

- c) Non-compliance with the Accounts and Audit Regulations 2003 which states at Section 6 that “a relevant body shall maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper internal audit practices”

5.6 Equalities and Diversity

5.6.1 The 2010 Equality Act outlines the provisions of the Public Sector Equalities Duty which requires Public Bodies to have due regard to the need to:

- eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Equality Act 2010;
- advance equality of opportunity between people from different groups;
- foster good relations between people from different groups.

The broad purpose of this duty is to integrate considerations of equality into day to day business and keep them under review in decision making, the design of policies and the delivery of services.

The equalities and non-discrimination policies and procedures of tenderers will be evaluated during the tender process to assess compliancy.

5.6.2 The provision of audit, assurance, and advisory services affects all members of the community in a consistent way, including those with protected characteristics.

5.7 Corporate Parenting

5.7.1 Not applicable to this decision.

5.8 Consultation and Engagement

5.8.1 Not applicable to this decision.

5.8 Insight

5.8.1 Not applicable to this decision.

6. BACKGROUND PAPERS

- 6.1 The decision to enter into the original framework procurement was made on 18 April 2014 by Cabinet Resource Committee. See decision item 6:

<http://barnet.moderngov.co.uk/documents/g6759/Printed%20minutes%2018th-Apr-2013%2020.00%20Cabinet%20Resources%20Committee.pdf?T=1>

- 6.2 The decision to access the extended framework contract with Pricewaterhouse Coopers (PwC) for a two-year period was agreed in June 2018. See decision item 1.

<http://barnet.moderngov.co.uk/documents/s47483/Access%20to%20the%20Cross-Council%20Assurance%20Service%20CCAS%20Internal%20Audit%20Anti-Fraud%20Risk%20Management%20and.pdf>

- 6.3 A report on the activities of CCAS was taken to the Audit Committee on 3 November 2016. A further update on the activities of CCAS is due to be taken to the Audit Committee on 16 July 2019. See decision item 7.

<http://barnet.moderngov.co.uk/documents/s35664/Appendix%203%20-%20CCAS%20Annual%20Report.pdf>