

	<h2>CHIEF OFFICER IN CONSULTATION WITH COMMITTEE CHAIRMAN DELEGATED POWERS REPORT</h2>
Title	Cross Council Assurance Service (CCAS) Procurement
Report of	Clair Green, Director of Assurance In consultation with Cllr Daniel Thomas, The Leader, Chair of Policy and Resources Committee
Wards	All
Status	Public
Enclosures	None
Officer Contact Details	Clair Green, Director of Assurance Clair.Green@barnet.gov.uk , 020 8359 7791 Caroline Glitre, Head of Internal Audit, Caroline.Glitre@barnet.gov.uk , 020 8359 3721

Summary

Since 2014, Barnet Council have been in contract with Pricewaterhouse Coopers (PwC) to provide internal audit, assurance, and advisory services under a framework contract between Islington Council and PwC known as the Cross-Council Assurance Service (CCAS). The original framework contract ran for four years until August 2018 and on 26 June 2018, the Council agreed to extend the contract with PwC to expire with no option to renew on 31 March 2020.

To ensure that the Council is able to continue to provide effective audit, advisory, risk management and anti-fraud services beyond 31 March 2020, on 19 June 2019 the Policy and Resources Committee authorised officers to lead on the procurement of a new provider or providers for the CCAS and thereafter set up a framework with the chosen provider or providers to commence by 1 April 2020.

Following the completion of a procurement exercise and the evaluation of tender

submissions, this report requests authorisation to set up a framework agreement with the chosen providers, which will appoint **PwC** to deliver **Internal Audit, Advisory and Anti-Fraud services services (Lots 1, 2 and 42)** and **Mazars** to deliver **Risk Management services (Lot 3)** by 1 April 2020 for four (4) years until 31 March 2024 with the option to extend for a further two (2) periods of up to one year each (4+1+1 years) subject to budget constraints and performance.

This report supersedes the previously published Chief Officer Decision which provided authorisation to enter into a framework agreement with different providers for Lot 3 (Risk Management) and Lot 4 (Anti-Fraud). Subsequent to that decision being made the appointed provider for Lots 3 and 4, KPMG, withdrew. The lots were therefore awarded to the second placed bidders which were Mazars for Lot 3 and PwC for Lot 4.

Decisions

- 1. Authorisation for officers to enter into a framework agreement for providers of audit, assurance, and advisory services by 1 April 2020, for four (4) years until 31 March 2024, accessible by London Councils and other public-sector bodies, with the option to extend this term for a further two (2) periods of up to one year each (4+1+1 years) subject to budget constraints and performance.**

1. WHY THIS REPORT IS NEEDED

- 1.1 Since 2014, Barnet Council have been in contract with PwC to provide internal audit, assurance, and advisory services under a framework contract known as the Cross-Council Assurance Service (CCAS). The framework was led by Islington Council, and was open to all local authorities, health bodies, and arms-length management organisations in Greater London and the South East.
- 1.2 As well as facilitating cross-council working and standardisation, the CCAS has provided valuable services to Barnet Council, and assists in helping the Council to 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.
- 1.3 The original framework contract ran for four years until August 2018. On 26 June 2018, the Council agreed to extend the contract with PwC to expire with no option to renew on 31 March 2020. This decision enabled the council to align contract termination dates across partner boroughs with the financial year-end date, to update the contract in accordance with GDPR legislation, and to provide adequate time for a re-procurement process to be led by a borough other than Islington.
- 1.4 To ensure that the Council is able to continue to provide effective audit, advisory, risk management and anti-fraud services beyond 31 March 2020, on 19 June 2019 the Policy and Resources Committee authorised officers to lead on the procurement of a new provider or providers for the CCAS and thereafter set up a framework with the chosen provider or providers to commence by 1 April 2020.

- 1.5 Following authorisation by the Policy and Resources Committee, the council has worked collaboratively with the following named authorities to agree the specification, conduct the procurement, and undertake the evaluation of tender submissions.
- Barking and Dagenham
 - Enfield
 - Hammersmith and Fulham
 - Kensington and Chelsea
 - Lambeth
 - Waltham Forest
 - Westminster
- 1.6 This report seeks to authorise the finalisation of the arrangements agreed during the evaluation of tender submissions following the procurement exercise, which will appoint **PwC** to deliver **Internal Audit, Advisory and Anti-Fraud services (Lots 1, 2 and 4)** and **Mazars** to deliver **Risk Management services (Lot 3)** by 1 April 2020 for four (4) years until 31 March 2024 with the option to extend for a further two (2) periods of up to one year each (4+1+1 years) subject to budget constraints and performance. The framework may be accessed by London councils and other public-sector bodies.

2. REASONS FOR RECOMMENDATIONS

- 2.1 Since 2014, the CCAS has provided valuable services to the Council through the provision of audit, assurance and advisory services, contributing to the fulfilment of our statutory duties and the achievement of our corporate priorities. The risk management provisions encompassed with CCAS have been used to review our risk management framework, whilst the advisory services have been used widely across the Council, such as for the Performance Governance Review, Three Lines of Defence work, Family Services Document Reclassifications, and Highways SPIRs reviews.
- 2.2 Barnet Council setting up its own framework by 1 April 2020 will provide a range of benefits for the Council. Principally, the CCAS assists the Council to comply with legislative requirements under Section Six of the 2003 Accounts and Audit Regulations, which require the council to “maintain an adequate and effective system of internal audit”. Failure to authorise the outcomes of the evaluation of tender submissions risks leaving Barnet Council without a provider for internal audit, assurance, and advisory services.
- 2.3 The services provided by the CCAS would also support the delivery of our internal audit and anti-fraud forward plans, as well as providing advisory work for other areas of the council. This will also ensure that the council will not be required to embark on time consuming and potentially expensive procurement processes when directorates require these services.
- 2.4 The CCAS will also 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. The combined purchasing power of the named boroughs and public bodies will help to reduce costs whilst maintaining the high quality needed for internal audit, assurance, and advisory services.

- 2.5 A competitive procurement exercise was led by Barnet Council where tenders were evaluated on the quality of the services provided as well as best value for money. The decision to appoint providers, PwC to deliver Internal Audit, Advisory and Anti-Fraud services and Mazars to deliver Risk Management services, will subsequently enable the Council to continue to deliver high quality services at an affordable level for the council, whilst implementing better contract governance and scrutiny arrangements to ensure the CCAS meets our needs of delivering high quality services.

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 3.1 The Council could choose not to enter into the framework agreement. However, this option would oppose the decision made at the Policy and Resources Committee on 17 June 2019 to secure a provider to continue the Cross-Council Assurance Service by April 2020. The decision would also leave the authority at risk of “not maintaining an adequate and effective system of internal audit” and violating the Accounts and Audit Regulation 2003.
- 3.2 The Council could be requested to procure the services separately and on an ad hoc basis. However, this option would oppose the decision made at the Policy and Resources Committee on 17 June 2019 to secure a provider to continue the Cross-Council Assurance Service by April 2020. Furthermore, this option would not provide the most cost-effective option, and would not enable the valuable opportunity for collaborative working, with both the provider and other councils, the framework would offer.

4. POST DECISION IMPLEMENTATION

- 4.1 If the above recommendation is approved the Council will enter into a framework agreement with the providers appointed to deliver audit, assurance, and advisory services.

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. The Annual Internal Audit Plan is based on the risks identified by the organisation.
- 5.1.3 The Council, under the Financial Regulations of the Council’s Constitution, requires provision of an adequate and effective system of internal audit.

5.1.4 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 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. Budgets are in place to support project spends.

5.2.2 Based upon previous usage of the Framework, the anticipated spend across the framework over the four-year period is illustrated in the figures below. The Council acknowledges that the framework is expected to grow, and these figures therefore represent a conservative estimate.

Lot Number	Anticipated Spend Across Framework	Anticipated spend for Barnet
Lot 1 - Internal Audit	£9,000,000	£1,000,000
Lot 2 – Advisory	£4,000,000	Value to be determined based on work commissioned
Lot 3 – Risk Management	£100,000	Value to be determined based on work commissioned
Lot 4 – Anti-Fraud	£250,000	Value to be determined based on work commissioned

5.2.3 The Framework has been devised to facilitate use by other authorities and therefore the maximum expenditure across the framework, as per the OJEU notice, is £50 million over the term of the contract.

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 has been considered as part of the scoring criteria within the tender process. As part of the evaluation of tender, successful bidders have agreed to support apprenticeships and social mobility with employment for local residents and local priority group(s); wage payments for apprenticeships above the Government's minimum wage; and reduction in CO2 emissions.

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 have therefore been advertised in the Official Journal of the European Union (OJEU), and have been 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 will be divided into Lots.
- 5.4.4 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. In this instance, the justifications given on the OJEU notice for the term possibly exceeding 4 years were best value, to address potential investment required by the providers, to encourage as many public sector bodies as possible to join the framework and to achieve a competitive price from bidders. It will also enable contract end date alignment to support the London Audit Group procuring a pan-London multi-supplier framework.
- 5.4.5 The procurement process has been conducted in a transparent, fair and proportionate and non-discriminatory way in compliance with the PCR and tenders have been subject to evaluation in accordance with the published tender evaluation model.
- 5.4.6 For Lot 2, only one tender was received (PwC). The council seeks to rely on Rule 6.2 (Single Tender Action) of the Council's Contract Procedure Rules (CPRs), which states "*Where a competition has been undertaken and only a single bid has been received, the Commercial & ICT Services Director can approve the award of a Contract, subject to an appropriate review being undertaken and an audit trail being available for inspection*". The Commercial Director has been consulted as required, and Approval has been granted.
- 5.4.6 Barnet Council's Constitution Article 10 (Decision Making) Table B states that the authorisation documentation to enter into this framework agreement (the estimated total value of which is over £500,000) is a Full DPR (Chief Officer in consultation with Theme Committee Chairman) if within budget.
- 5.4.7 The Council's Financial Regulations require the council to have in place a framework for managing the financial affairs of the Council.
- 5.4.8 HB Public law will continue to advise on and assist with finalisation and execution of the framework agreement

5.5 Risk Management

- 5.5.6 The risks of failing to approve 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.

5.9 Insight

5.9.1 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 A report on the activities of CCAS taken to the Audit Committee on 3 November 2016. See decision item 7:

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

- 6.3 The decision to access the extended framework contract with PwC for a two-year period was agreed on 26 June 2018. See decision item 1:

<http://barnet.moderngov.co.uk/documents/s47483/Access%20to%20the%20CrossCouncil%20Assurance%20Service%20CCAS%20Internal%20Audit%20AntiFraud%20Risk%20Management%20and.pdf>

- 6.4 The decision to commence a procurement activity, led by Barnet Council to secure a provider or providers to continue the Cross-Council Assurance Service for the provision of audit, assurance, and advisory services by April 2020. See decision item 9:

<https://barnet.moderngov.co.uk/documents/s52960/Cross%20Council%20Assurance%20Service%20CCAS%20Procurement.pdf>

- 6.5 The initial decision to award Lots 3 and 4 to KPMG, who subsequently withdrew from the process:

<https://barnet.moderngov.co.uk/ieDecisionDetails.aspx?ID=7404>

Chairman: Cllr Daniel Thomas, The Leader, Chair of Policy & Resources Committee

Has been consulted

Signed

Cllr Daniel Thomas

Date: 31 March 2020

Chief Officer: Clair Green, Director of Assurance

Decision maker having taken into account the views of the Chairman

Signed

Clair Green

Date: 31 March 2020
