

APPENDIX I

WAVERLEY BOROUGH COUNCIL

EXECUTIVE – 2 MARCH 2010

Title:

REQUEST FOR WAIVER TO CONTRACT PROCEDURE RULES

[Portfolio Holder: Cllr Mike Band]

[Wards Affected: All]

Note pursuant to Section 100B(5) of the Local Government Act 1972

The annexe to this report contains exempt information by virtue of which the public is likely to be excluded during the item to which the report relates, as specified in Paragraph 3 of the revised Part 1 of Schedule 12A to the Local Government Act 1972, namely:-

Information relating to the financial or business affairs of any particular person (including the authority holding that information)

Summary and purpose:

The Executive is asked to consider approving a waiver to Contract Procedure Rules to allow a further extension to a contract for the provision of internal audit resources.

How this report relates to the Council's Corporate Priorities:

The request for the waiver is made on the grounds that best value for money is achieved.

Equality and Diversity Implications:

There are no direct equality and diversity implications.

Resource/Value for Money implications:

There are direct value for money or other resource implications.

Legal Implications:

There are no legal issues to be taken into account.

Introduction

1. The Council's Internal Audit Service is provided by a mix of the Council's own members of staff and contracts for the provision of audit resources. There are

two such contracts in existence, one for general systems audit and the other for IT audit. The contracts were awarded to different companies following a joint tendering exercise with Guildford Borough Council in 2005.

2. Following enquiries made with other district councils around Waverley's area, including Hampshire authorities, it is evident that there is interest and willingness to enter into some form of partnership working. Over the coming year to 15 months the opportunity will be taken to explore and develop the possible models of service provision. A short-term solution to the provision of resources that will enable the service to continue through 2010/11 is therefore sought.
3. Both the current contracts have been extended to the maximum of the limits permitted within Contract Procedure Rules (CPRs), and further extension can now only be made with the approval of the Executive.

Details

4. Both contracts have been extended to the end of March 2010. New arrangements will be required thereafter. Enquiries have been made with another Surrey authority, the current contractors and London Borough of Croydon. The indications are that should the Council proceed with a tender at this time, the day rate payable for general systems work would likely increase by around 12%.
5. The London Borough of Croydon has entered into a framework contract with the same company that currently provides the general systems audit work, Deloitte and Touche Public Sector Internal Audit Ltd. This is open to all authorities to use, and the day rate reduces in steps the greater the number of days' work procured through it. The savings are shared between all authorities using the contract.
6. (Exempt) Annexe 1 shows the current day rates paid by Waverley and the current approximate rates payable under the Croydon contract. Members will see that the day rate for general systems audit is lower than that which would be payable under the Croydon contract, but that a significantly lower rate for IT audit would be payable.
7. An offer has been received from Deloitte and Touche to maintain the existing day rate for a further 12 months. Whilst some operational difficulties have been experienced following recent changes of key staff within the company, recent meetings and the introduction of monthly progress meetings have begun to resolve the issues. The Head of Internal Audit has gained greater confidence now that the working relationship is improving. As the current rate is significantly lower than would be payable otherwise, the Executive is asked to grant a waiver under CPR W101 to allow a further one year extension to the existing contract.
8. The matter of 2010/11 has yet to be discussed with the IT audit company. Whilst there appears to be a significant saving that can be achieved by changing to the Croydon contract, the Executive is asked to also grant a waiver

under CPR W101 to allow a further extension to this contract, which will only be implemented after further discussion with the current contractor and the LB Croydon and it is considered that best value would be obtained from an extension.

9. The Council could exercise its prerogative to undertake a fresh tendering exercise for both contracts. As a preliminary step, notices have been placed on the portal (seeking expressions of interest but also stating that the Council may decide not to seek tenders). However, there is no certainty that any more competitive day rates would be achieved, and officer time would be involved.

Conclusion

10. There is a need to maintain the Internal Audit Service in the short-term, pending the outcome of partnership working discussions/negotiations. The cost of undertaking a full tendering exercise may not achieve any greater value for money than would be achieved from extending the current contract for general systems audit.
11. An extension to the IT audit contract might be found to offer best value, as the contractor knows Waverley and working relationships have been developed over recent years. However, the significant price difference between the current rate paid and that which would be payable under the LB Croydon contract leads to the view that it is likely that best value would be obtained from joining in to the LB Croydon contract.

Recommendation

It is recommended that a waiver of CPRs in accordance with CPR W101 be granted to allow officers to further extend the two contracts for internal audit resources for an additional year beyond the three years allowed in CPR Q101(a).

Background Papers

There are no background papers (as defined by Section 100D(5) of the Local Government Act 1972) relating to this report.

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