



LEE VALLEY REGIONAL PARK AUTHORITY
AUDIT COMMITTEE
22 FEBRUARY 2018 AT 1:00PM

Agenda Item No:

7

Report No:

AUD/85/18

AWARD OF INTERNAL AUDIT CONTRACT

Presented by the Director of Finance & Resources

SUMMARY

Members agreed (Paper AUD/47/14) to award a short term contract for up to two years (2014/15 and 2015/16) with Mazars Public Sector Internal Audit Limited (Mazars PSIA) under the London Borough of Croydon framework agreement. In February 2016 (Paper AUD/64/16) Members agreed to extend this contract under the London Borough of Croydon framework agreement until its conclusion in March 2018. In September 2016 the Audit committee considered a letter from the London Borough of Croydon requesting whether the Authority would consider using a new framework agreement if they were to retender the Internal Audit and Antifraud service into the future. Members agreed to respond to that letter confirming their intention to continue with the framework if it was retendered.

The services have now been retendered and officers are proposing that Members approve this contract under the new framework agreement set up by Croydon until March 2024 with the potential to extend for a further two years if the contract again proves successful and meets the Authority's requirements.

RECOMMENDATIONS

- Members Approve:
- (1) the award of a contract for six years (2018/19 to 2023/24) with Mazars Public Sector Internal Audit Limited (Mazars PSIA) under the London Borough of Croydon framework agreement; and
 - (2) subject to (1) above the signing and/or sealing of the contractual documents as necessary.

BACKGROUND

- 1 The Authority externalised its Internal Audit function in 2004. The contract was successfully won by Deloitte Public Sector Internal Audit (PSIA) for three years.

The contract was retendered and let in 2007/08 and Deloitte PSIA successfully won the contract for a further seven years (five years plus two) including extensions.

- 2 In December 2013, the Authority received confirmation that Deloitte LLP had agreed to sell its shares in Deloitte PSIA to Mazars LLP. The sale was completed at 31 January 2014 and Mazars PSIA undertook to complete the Deloitte PSIA contract with the Authority until 31 March 2014. Officers from the Authority met with Mazars PSIA who confirmed that the Croydon framework agreement with Deloitte PSIA was legally transferred to Mazars PSIA and that in effect, the Authority could still pursue a contract with Mazars PSIA via the framework agreement.
- 3 In February 2014 (Paper AUD/47/14) Members of this committee agreed to continue with Mazars PSIA under the existing framework agreement for a further two years (until March 2016) due to the significant organisational changes that were progressing at that time through the transfer of services to the Trust and that the major Olympic venues were coming on stream and some degree of continuity and on-going knowledge were important to be retained by the Authority during this period of significant change.
- 4 The contract has proven its success over the years both in terms of price, quality and service. The original in-house service (2 FTEs) would have cost significantly more per year than the contract (circa £55k annually) and it would not have provided the broad range of skills and knowledge base of a large firm specialising in Internal Audit and antifraud.
- 5 The externalisation has enabled the Authority to develop its risk management practices and a risk based auditing process that satisfies both its own governance and control requirements as well as meeting the external auditor requirements. Our own internal customer satisfaction surveys have also demonstrated that managers see this as a beneficial and supportive service that has helped implement improvements and ensure best practice.

EXISTING CONTRACTOR

- 6 As the current contract with Mazars PSIA under the London Borough of Croydon framework is due to expire on 31 March 2018, officers are cognisant that there are still significant internal audit requirements as the Authority and Trust develop their working practices, the Leisure Services Contract (LSC) is due for full retender by 2020 alongside major project developments on the horizon e.g. the Ice Centre and Picketts Lock sites and have concluded that maintaining the existing arrangement would deliver the Authority's requirements.
- 7 The use of Mazars would satisfy the Authority's audit, risk management, internal control and governance requirements through the new London Borough of Croydon framework for an internal audit and antifraud service .

ENVIRONMENTAL IMPLICATIONS

- 8 There are no environmental implications arising directly from the recommendations in this report.

FINANCIAL IMPLICATIONS

- 9 Currently there is an annual budget provision of £55,000 to fund up to 155 days of internal audit work. As this is a call-off contract (i.e. you pay for what you use) the Authority has historically used 130 to 140 days per year. It is anticipated that this budget will be sufficient to meet the Authority's internal audit requirements from 2018/19. The plan for 2018/19 will need to consider any budgetary constraint going forward and this is usually approved by Members as part of the Internal Audit annual report considered in June each year.

Prices under the new contract based on the 2017/18 plan are as follows:

Area of Activity	Day Rate From 01/04/18	Estimated Number of Days	Estimated Cost £
[Key Financials Audits]	£343.50	100	34,350
[Risk Based Audits]	£343.50	20	6,870
[Computer Audits]	£487.50	20	9,750
[Contract Audits]	£415.50	10	4,155
[Pro-active Fraud]	£387.50	5	1,937
Total		155	57,062

HUMAN RESOURCE IMPLICATIONS

- 10 There are no human resource Implications arising directly from the recommendations in this report.

LEGAL IMPLICATIONS

- 11 The majority of the legal implications arising from the recommendations in this report have been set out in the main body of this report. As stated above, upon accessing the framework there is no obligation to continue to use it exclusively (or even at all). There is also no limit on the number of service orders that can be placed through the framework.

The total aggregate annual liability of the London Borough of Croydon and Mazars to the Authority (and any other parties which have entered into an access agreement with the London Borough of Croydon in respect of the framework) is £5million. The new framework agreement also provides that the London Borough of Croydon shall manage on behalf of the Authority any disputes or claims that the Authority may have against Mazars under the contract.

RISK MANAGEMENT IMPLICATIONS

- 12 There are no risk management Implications arising directly from the recommendations in this report.

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PREVIOUS COMMITTEE REPORTS

Audit Committee	AUD/47/14	Award of Internal Audit Contract	27 February 2014
Audit Committee	AUD/64/16	Award of Internal Audit Contract	25 February 2016

LIST OF ABBREVIATIONS

PSIA	Public Sector Internal Audit
LSC	Leisure Services Contract