

**Governance, Audit and Scrutiny Committee
3 December 2013**

**Report by Secretary/
Director of People and Director of
Finance & Assets/S.151 Officer**

COMMISSIONING INTERNAL AUDIT SERVICES

REPORT EXECUTIVE SUMMARY

The Committee is aware that the Fire Authority approved the tendering for internal audit services from 1 April 2014. The Authority also approved the composition of the panel to take this forward.

This report sets out a different approach to commissioning, which arises, in part, from membership of the Cabinet Office Commissioning Academy.

The Committee is asked to consider this report.

RECOMMENDATIONS

1. The Committee is asked to consider this report and make any recommendations it considers appropriate to the Fire Authority.

COMMISSIONING INTERNAL AUDIT SERVICES

2. As Members are aware, on a rolling programme of three years, the Authority has gone out to tender for its internal audit services.
3. This has been through a robust, but more traditional approach of specifying, in some detail, the nature of the service required. Tenderers were evaluated on that basis. That is not to say that the Internal Audit Service have not demonstrated value for money (because the previous three outsourced contracts have done, particularly compared with the service provided by a constituent authority until 2008). Indeed, a progressive approach was taken to require Internal Auditors to align the internal audit plan with the corporate risk register, which has led to both strategic audits and key systems audits.
4. However, one of the benefits of being a member of the Commissioning Academy is to consider a different approach to how services can be commissioned.
5. The overall approach is to set broader outcomes, which Internal Audit Services would be required to deliver or contribute to. So rather than the service specifying in great detail the inputs, i.e. how Internal Audit is to be delivered, the focus changes completely. The Service will set out a number of outcomes, although providers may well propose others/enhancements. Given the nature of Internal Audit Services this is perhaps a much greater challenge than perhaps more obvious community-based services and to that end, the outcomes will be supplemented by a minimum number of outputs, which again providers will be expected to propose add-ins or enhancements. For example, an outcome could be giving public confidence in our Fire & Rescue Service, while an output could be satisfactory reliance by External Audit.
6. Providers would be required to set out key performance indicators which would be linked to both the outputs and outcomes. In this way, performance can be better measured and reviewed, with payment aligned accordingly.
7. Providers would be evaluated on this basis, with the overall focus on quality (i.e. outcomes) rather than cost. The ultimate ambition is to select Internal Auditors who clearly demonstrate value for money, undertake key system reviews upon which External Audit can rely upon, but also play a clear contribution in helping the Authority to deliver its Vision and Strategic Plans.
8. This does represent a different approach and one less familiar to potential providers. As such, part of the approach will be to invite all interested providers to a pre-tender day. Potential providers can then understand much more about the approach, the challenges facing the Service and our plans for the future.
9. The draft timetable for the tender process is attached as Appendix 1 to this report. The expectation is that the process will conclude in March 2014.

STRATEGIC PLAN COMPATIBILITY

10. An effective internal audit service helps to support strategic planning.

FINANCIAL/RESOURCES/VALUE FOR MONEY IMPLICATIONS

11. This report reflects the Authority's commitment to undertaking a robust competitive process to secure an Internal Audit Service over a minimum of the next three years.

An Internal Audit function is an essential requirement for the Authority, the S.151 Officer and the Monitoring Officer to discharge their statutory responsibilities.

LEGAL IMPLICATIONS

12. The S.151 Officer and Monitoring Officer must ensure that an adequate internal audit provision is in place to give assurance on the Authority's systems of internal control.

EQUALITY IMPACT ASSESSMENT/HR IMPLICATIONS

13. No direct issues arising.

CORPORATE RISK MANAGEMENT IMPLICATIONS

14. Internal Audit is a key factor in giving confidence in an Authority's control and risk management arrangements.

HEALTH AND SAFETY IMPLICATIONS

15. No direct issues arising.

COMMUNICATION ACTIONS ARISING

16. No direct issues arising.

DETAILS OF CONSULTATION

17. Corporate Management Team.

BACKGROUND PAPERS AVAILABLE FOR ACCESS

18. None.

RECOMMENDATIONS RESTATED

19. The Committee is asked to consider this report and make any recommendations it considers appropriate to the Fire Authority.

**R GRAHAM
K WILSON**

Officer Contact: Robin Graham ☎ 01482 567443
Secretary/Director of People

Kevin Wilson ☎ 01482 567183
Director of Finance & Assets/S.151 Officer

Humberside Fire & Rescue Service
Summergroves Way
Kingston upon Hull

RG/SJ
21 November 2013

Internal Audit Tender Timetable

Pre 06/12/13	Advertise advance notice that there will be a tender invitation on the HFA website from 12/12/13
12/12/13	Publish tender advert
03/01/14	Tender period opens
Week commencing 06/01/14	Supplier day
31/01/14	Tender closes
February 2014	Panel meeting to consider tenders received
03/03/14	GAS Committee meeting to consider outcome
14/03/14	Fire Authority meeting to ratify outcome
01/04/14	Contract start date

