

North Yorkshire Council

Audit Committee

11 December 20223

Consultation on proposals for a new long term contract for internal audit services

Report of the Corporate Director Resources

1.0 PURPOSE OF REPORT

- 1.1 To seek comments of Audit Committee on the proposal to renew the long-term contract with Veritau applying a 'direct award' procedure.

2.0 BACKGROUND

- 2.1 This report seeks comments from the Audit Committee on the proposal to reprocure the contract for Internal Audit and related assurance services from Veritau Ltd.
- 2.2 A report to the Executive is scheduled for 9 January 2024 and the views from this Committee will be included in that report.
- 2.3 Internal Audit and related services are currently provided to North Yorkshire Council through Veritau Ltd. Veritau is a local authority-controlled company set up in 2009 by North Yorkshire County Council and City of York Council to operate a shared audit, counter fraud, and information governance service. Middlesbrough Council and Redcar and Cleveland Borough Council later joined as members (as did 5 of the 7 of the borough and district councils in North Yorkshire prior to local government reorganisation).
- 2.4 The current contract is due to expire on 31 March 2024 and was for an initial term of ten years, with two optional extensions of three and two years respectively (10+3+2).
- 2.5 The range and scope of work undertaken by Veritau is extensive, and touches on all Council service areas to varying degrees. As part of their scrutiny role, the Council's Audit Committee review the overall performance and activity of Veritau as a key part of the Council's overall framework of governance, control, and risk management.
- 2.6 Following local government re-organisation from 1 April 2023, all of the services previously provided by Veritau (NYCC), Veritau North Yorkshire (Hambleton, Richmondshire, Ryedale, Scarborough and Selby district/borough councils) and Craven District and Harrogate Borough councils, have been amalgamated under the Veritau arrangements.

3.0 THE RATIONALE FOR THE RENEWAL OF THE CONTRACT

- 3.1 The procurement approach is to undertake a direct award to Veritau. The creation and use of Veritau as a Teckal company provides value for money across a number of areas:
- As an organisation that can trade for profit, the profit motive encourages greater innovation and commercial practice for survival and growth than would potentially be

found through in-house service delivery. For example, via lean working practices, a flatter and less rigid organisational structure, and a quicker response time to market or industry changes.

- One organisation that supplies multiple public sector organisations provides the Council with access to a greater depth of expertise and knowledge, as well as shared learning and best practice from the experience of other organisations.
- Every Council service area (to varying degrees), access and benefits from the services provided by Veritau. Use of a Teckal company provides a coordinated shared services delivery model that is exempt from the procurement regulations.
- A limited liability company can isolate the risk of individual projects if required, where the Council potentially has higher or unlimited liability.
- Rationalising the eight former councils (six of whom used Veritau Group services) down to one will lead to a significant reduction in duplication of activities where these were performed individually for each authority, and lead to a decrease in the overall number of core service days required.
- Being an external organisation independent of the Council ensures Veritau have sufficient separation and impartiality when undertaking their work with a service area. This also means the recommendations and reports of Veritau provide greater weight and gravitas than it would were it an internal function.

4.0 CONSULTATION UNDERTAKEN AND RESPONSES

- 4.1 This report provides opportunity for consultation with Audit Committee and comments from members are invited.

5.0 CONTRIBUTION TO COUNCIL PRIORITIES

- 5.1 The services provided by internal audit seek to give assurance to members that the Council's control framework is operating effectively and as such it underpins all of the Council's activities helping to ensure delivery of all of the Council's priorities.

6.0 ALTERNATIVE OPTIONS CONSIDERED

- 6.1 No other options are put forward for consideration. Satisfaction with the performance of Veritau in its contribution to the significant assurance of the overall framework of governance, control, and risk management for the Council; as well as their profitability as a Teckal company within the Brierley Group, means that there is no need or impetus to alter the status quo, with the procurement objective instead to put in place a new long-term contract which secures the necessary services at the best price possible

7.0 FINANCIAL IMPLICATIONS

- 7.1 The current contract with Veritau provides for 5,993 days p.a. of activity at a cost of £1.7m. Rationalisation of some tasks post LGR (reporting to and attending audit committees for example) will deliver initial savings of circa £200k p.a. As the council consolidates, embeds its new processes and transforms its services, it is expected that further savings will be possible. Therefore any new contract with Veritau will provide for a review of activities and audit days.

8.0 LEGAL IMPLICATIONS

- 8.1 Veritau is a teckal company jointly owned by NYC and CYC pursuant to Reg 12(1) Public Contract Regulations 2015. NYC can directly award a contract for the audit, fraud and information governance service without undertaking a procurement exercise.

9.0 EQUALITIES IMPLICATIONS

9.1 There are no equalities implications as a result of this report but if any comments from the committee would give rise to implications, then these will be considered in the report to the Executive.

10.0 CLIMATE CHANGE IMPLICATIONS

10.1 There are no climate change implications as a result of this report but if any comments from the committee would give rise to implications, then these will be considered in the report to the Executive.

11.0 RISK MANAGEMENT IMPLICATIONS

11.1 Internal Audit provides assurance across all of the council's activities, helping to identify control weaknesses and mitigation actions.

12.0 REASONS FOR RECOMMENDATIONS

12.1 To enable the views of Audit Committee to be taken into account by the Executive when the matter is considered in January 2024.

13.0 RECOMMENDATION

- i) That the committee consider the proposal and agrees the feedback to Executive.

BACKGROUND DOCUMENTS:

None

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Note: Members are invited to contact the author in advance of the meeting with any detailed queries or questions.