

North Yorkshire Council

Executive

19 March 2024

Provision of Internal Audit, Counter Fraud and Related Governance Services

Report of the Corporate Director Resources

This report contains information of the type defined in:

-paragraph 3 of Part 1 of Schedule 12A Local Government Act 1972 (as amended) as it contains - information relating to the financial and business affairs of Veritau Limited;

-paragraph 5 of Part 1 of Schedule 12A Local Government Act 1972 (as amended) Information in respect of which a claim to legal professional privilege could be maintained in legal proceedings,

and it is considered that the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

1.0 PURPOSE OF REPORT

- 1.1 To seek approval to enter into a new 3 year contract with Veritau applying a 'direct award' procedure.

2.0 BACKGROUND

- 2.1 Following consultation with the Audit Committee, this report seeks approval of the recommendation to reprocure the contract for Internal Audit and related assurance services from Veritau Ltd.
- 2.2 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) through other companies within the Veritau group.
- 2.3 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).
- 2.4 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.
- 2.5 Following local government re-organisation from 1 April 2023, all of the services previously provided by Veritau Ltd (NYCC), Veritau North Yorkshire Ltd (Hambleton, Richmondshire, Ryedale, Scarborough and Selby district/borough councils) and Craven District and

Harrogate Borough councils, have been amalgamated under the Council's Veritau arrangements. Veritau North Yorkshire Ltd is now dormant.

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 (five 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 proposal has been subject to consultation with Audit Committee at their meeting on 11 December 2023. In summary the committee is supportive of a new contract but wished to ensure any direct award to a Teckal company was compliant with the relevant legislation.

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. A long-term contract has been considered but given expected changes within North Yorkshire and a review of company structure over the next year, a shorter-term contract is considered more appropriate at this time and will allow for more flexibility for the Council. 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; and favourable performance in terms of both quality and price compared with

other local authority providers, provides assurance that the arrangements provide value for money for the Council.

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" compliant company jointly owned by North Yorkshire Council and City of York Council in accordance with the provisions in Regulation 12 Public Contract Regulations 2015. The Council is able to award work to Teckal compliant companies without the need for a procurement procedure. Further legal advice in relation to the recommendation is set out in the exempt **Appendix A**.

9.0 EQUALITIES IMPLICATIONS

9.1 There are no equalities implications as a result of this report.

10.0 CLIMATE CHANGE IMPLICATIONS

10.1 There are no climate change implications as a result of this report.

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 secure a continuing service on expiry of the current contract with effect from 1 April 2024.

13.0 RECOMMENDATION

- i) That the Executive approve a proposed 3-year contract with Veritau with effect from 1 April 2024.

APPENDICES:

Appendix A - Legal Advice (Confidential)

BACKGROUND DOCUMENTS:

Report to Audit Committee 11 December 2023.

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Corporate Director – Resources
County Hall
Northallerton
19 March 2024

Report Author – Karen Iveson Assistant Director Resources
Presenter of Report – Karen Iveson Assistant Director Resources

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