

Audit and Risk Committee

DATE:	26 th April 2021
TITLE OF REPORT:	Internal Audit Tendering
AUTHOR AND CONTACT DETAILS	Keith McAllister keith.mcallister@slc.ac.uk
PURPOSE:	To present the options re the tending of the College's internal audit contract.
KEY RECOMMENDATIONS/ DECISIONS:	<ul style="list-style-type: none"> • To consider the number of audit days per annum to include in the contract; • To consider the number of years for the contract to run; • To decide on the methodology re tendering and tender assessment
RISK	<p>The main risks are:</p> <ul style="list-style-type: none"> • That the internal audit function does not adequately cover potential areas of risk • That areas of control are not properly tested • That the College is exposed to improper use of its resources
RELEVANT STRATEGIC AIM:	To support the continued financial sustainability of the College through robust and monitored internal audit testing and review
SUMMARY OF REPORT:	Management wish to have the Committee's input into the breadth and scope of internal audit, and into the methodology of the appointment of the internal audit function.

1. Introduction

The main purpose of this Report is to present the options open to the College in relation to the retendering and scope of the internal audit function, which expires on 31st July 2021.

2. The Internal Audit Provision

- The College, through the Audit and Risk Committee, appoints a firm to provide an internal audit function. This function covers all areas of control, including the audit of the College's annual activity and its student support funds.
- The internal audit providers present a plan for the full cycle of the appointment and this will be reviewed on an annual basis by the Audit and Risk Committee to ensure that any emerging risks or areas of concern are addressed.
- The details of the existing contract are:
 - The length of the contract was three years, but this was extended by one year due to the complexities of the activity audit in the face of the COVID pandemic situation. This extension was permitted per the initial tender agreement.
 - The number of days contracted for was 23, split as follows:
 - Partner / director 4 days
 - Manager / senior manager 5 days
 - Specialist staff 4 days
 - Audit field staff 10 days.
 - A normal review would account for 5 days whilst a short desk review may entail 3 days. The activity and student support fund audits have utilised 11 of the total days, leaving 12 for other reviews.

Members are asked to consider:

- **the number of years to contract for (suggestion is four plus one to be agreed if appropriate)**
- **the scope of the provision in terms of audit days and whether additional days would be useful,**
- **whether the current internal audit providers should undertake the 2020/21 activity and student support audits, bearing in mind the current external climate**

3. The Tendering Process

- In conjunction with APUC, the College would propose to utilise the established framework for internal audit as tailored for the College sector. The framework has a top-ranked provider, a second-ranked provider and six third-ranked providers.
- If utilising the framework, the College has two options:
 - To select the top-ranked provider without a tendering process; or
 - To put the service out to tender to all eight potential providers.
- The tender assessment would be overseen by APUC, with the input of the Head of Finance. APUC have drawn up a draft Invitation to Tender, which the College will fine-tune re the number of years of the appointment and the number of audit days requested.
- The assessment of the tender returns will be managed by APUC with the assessment itself being the work of four assessors who will cover one of two areas, price and quality. The Committee should determine whether one of its members should be involved in this assessment.
- The Audit and Risk Committee would receive a recommendation from the assessing panel and make the appointment.

Members are asked to consider:

- **Whether the College utilise the APUC framework;**
- **Whether APUC is charged with the tendering process, as outlined above;**
- **Whether the service be awarded to the top-ranked firm or go out to tender via a Mini-Quote system;**
- **The number of assessors to be utilised and the composition of that group.**