

INTERNAL AUDIT SERVICES PROCUREMENT STRATEGY BUSINESS CASE

EXECUTIVE SUMMARY	
Title of Purchase:	Internal Audit Services
Lead Procurement Officer:	Gillian Berry
Organisation:	SSSC and Care Inspectorate
Contract Duration:	The contract will commence on 1 April 2025 until 31 March 2028, or until it is terminated on the expiration of notice given by the Care Inspectorate as contract lead, in accordance with the terms and conditions of the contract. The contract may be extended, subject to satisfactory performance under the contract, for up to a further two (2) 12-month periods at the sole discretion of the purchaser.
Estimated Contract Value:	The total contract value is estimated to be £350k to £400k excluding VAT. This is the total cost for SSSC and the Care Inspectorate with the SSSC's internal audit service estimated to be £95k (43%) of the internal audit cost. This leaves approximately £130k to £180k for the provision of non audit services to SSSC and the Care Inspectorate over the 5-year period. This is based on the delivery of internal audit services for 38 days annually to the SSSC and 50 days annually to the Care Inspectorate, with the delivery of additional services as required.
Budget Approved:	Yes
Current Contract Status (if applicable):	The current contract expires 31 March 2025 with no further extension options.
Key Risks:	In accordance with the Public Finance and Accountability (Scotland) Act 2000, the SSSC's Accountable Officer is required to put in place Internal Audit arrangements.
Recommendation:	Option 3a – Other National Framework Call off.

Purpose

This procurement strategy business case considers the procurement processes available for the provision of Internal Audit Services. It details the background and overview of the requirement, reviews the available routes to market, and recommends a preferred option to proceed. Several other aspects of the requirement are also considered in the business case such as sustainability, community benefits, TUPE and supported businesses.

Background

In accordance with the Public Finance and Accountability (Scotland) Act 2000, the SSSC's Accountable Officers are required to put in place Internal Audit arrangements. The internal audit service has been provided by Henderson Loggie LLP for the last five years, with the contract due for re-let.

Summary of Requirement

We have a requirement to procure internal audit services which will include, but not necessarily be limited to:

- Preparing and delivering a detailed three-year audit plan for each organisation, based on an assessment of audit needs for consideration by the Audit and Assurance Committee.
- The internal audit plan will be based on a risk model focusing audit activity around the organisational and strategic risk areas.
- Considering the adequacy of controls necessary to secure propriety, economy, efficiency and effectiveness and seeking to confirm that SSSC has taken the necessary steps to achieve these objectives.
- Providing advice on all matters concerning internal control.
- Providing additional audit specialist reviews and non-audit services as required, and as agreed with SSSC.

Current Contract Status & Spend Analysis

Internal Audit services were procured by conducting a mini competition in an Advanced Procurement for Universities and Colleges (APUC) framework. The contract was awarded to Henderson Loggie LLP for a period of five years ending 31 March 2025.

The combined spend for the SSSC and the Care Inspectorate over this period is estimated to be £205k, including the provision of some non-audit services.

Supplier Base

Many suppliers can meet this requirement, however the benefits realised from using a framework where the selection process has already been completed outweigh the cost of competing separately.

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ROUTE TO MARKET OPTIONS

Option Number	Option	Benefits	Risks	Recommendation
1	Do nothing.	No resource requirement to re-let the service requirement.	<p>By doing nothing, SSSC is at risk of failing in their requirement to have internal audit arrangements in place and the statutory requirement to complete a procurement exercise.</p> <p>There is also a risk we pay more for the service than current market rates dictate and that we operate on the supplier's terms and conditions given there is no formal contract in place.</p>	Option 1 is not recommended
2	<p><u>Scottish Government framework Call Off</u> There is no existing Scottish Government Framework for the requirement and so cannot be considered further.</p>	N/A	N/A	There is no option to this approach
3a	<p>Other national framework call-off i.e. Crown Commercial Services, Scotland Excel, APUC, YPO, ESPO, etc.</p>	This Framework reduces the procurement risk as it provides a pre-competed and compliant route to market and meets our procurement priority of using	There are no risks identified using this route to market.	Option 3a is recommended

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	<p>Advanced Procurement for Universities and Colleges (APUC) PFB1040AP, Lot 2 for internal audit services, led by APUC is available for consideration.</p>	<p>collaborative arrangements where these exist.</p> <p>Value for money has already been determined in the selection process.</p> <p>This Framework allows for a direct award using the 1st ranked supplier or a mini competition inviting all suppliers on the framework.</p> <p>Selection criteria have already been determined.</p> <p>The incumbent supplier (Henderson Loggie LLP) is listed on this framework.</p> <p>This is a Scottish centre of expertise.</p> <p>Pre-defined and agreed Terms and Conditions.</p> <p>Shared risk and management of Contractor.</p> <p>Estimated cash savings of 28% when compared to competing</p>		

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Option Number	Option	Benefits	Risks	Recommendation
		<p>openly are delivered through the life of the contract.</p> <p>Non-cash savings through not competing using Public Contracts Scotland.</p>		
3b	<p>Other national framework call-off i.e. Crown Commercial Services, Scotland Excel, APUC, YPO, ESPO, etc.</p> <p>There is a Crown Commercial Services (CCS) framework available to use.</p>	<p>This CCS Framework reduces the procurement risk as it provides a pre-competed and compliant route to market and meets our procurement priority of using collaborative arrangements where these exist.</p> <p>Non-cash savings through not competing using Public Contracts Scotland.</p> <p>Value for money has already been determined in the selection process.</p>	<p>Our previous experience of using this framework was that a very low number of suppliers competed for this service. We suspect due to the relatively small size of SSSC and the Care Inspectorate.</p> <p>There may be no Scottish suppliers on the framework.</p> <p>Cost savings of 28% may not be achievable.</p>	Option 3b is not recommended
4	<p>Competitive tender using open procedure.</p> <p>This would meet all regulatory requirements and achieve value for money via a competitive process. This process is a</p>	<p>This process is a single stage procurement process which would allow the incumbent supplier to tender for the requirement.</p>	<p>This is a high value procurement therefore a Single Procurement Document (SPD) would need to be issued.</p> <p>There is no control over the number of responses received.</p>	Option 4 is not recommended

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Option Number	Option	Benefits	Risks	Recommendation
	single stage procurement process.	Allows competitive quotations in line with latest market prices.	<p>All bids need to be evaluated for capability, which can be resource intensive if a high volume of bids are received.</p> <p>Greater risk of challenge due to high value.</p>	
5	<p>Competitive tender using restricted procedure. This would meet all regulatory requirements and achieve value for money via a competitive process. This is a two-stage procurement process.</p>	<p>This process is a two-stage procurement process which would allow the incumbent supplier to tender for the requirement. Allows competitive quotations in line with latest market prices.</p> <p>This is a high value procurement therefore a Single Procurement Document (SPD) would need to be issued. All SPD responses would need evaluated for selection and it is likely that all responses would meet the capability requirements, meaning it's possible a large number of bids would need to be evaluated.</p>	<p>This is a high value procurement therefore a Single Procurement Document (SPD) would need to be issued.</p> <p>There is no control over the number of responses received.</p> <p>All bids need to be evaluated for capability following which a restricted pool need evaluated to determine best value. This can be resource intensive for the evaluation panel.</p> <p>Greater risk of challenge due to high value.</p>	Option 5 is not recommended

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Option Number	Option	Benefits	Risks	Recommendation
6	Non-competitive Action There are no grounds within the public procurement regulations that allow for this.	N/A	N/A	Option 6 is not recommended.

CONSIDERATIONS IN THE PROCUREMENT PROCESS

Lotting

For contracts >£70,778 consideration must be given to the suitability to divide the requirement into Lots as per legislation.

The requirement is considered unsuitable to be lotted as there is a single element of service required.

Sustainability (Please use links for further external support regarding these elements and the sustainability folder on the intranet)

The requirement seeks to assess potential sustainable impacts as in the table below:

Sustainability Test	
Are <u>Community Benefits</u> achievable as a result of this procurement? (e.g. local training, employment, investment)	This will be assessed as part of the call-off from the framework.
Is this procurement suitable as a <u>reserved contract</u> ? i.e. delivery by a supported business?	No
Are there any diversity issues that need to be considered? E.g. accessibility needs, religious needs, differing diets etc.	No
Is there any legislation that could affect the specification of this procurement? E.g. Health and Safety legislation.	No
The <u>Scottish Government Environment & Climate</u> change policies require us to consider the purchase of goods and services with regard to their environmental impact. Is this applicable in the context of this requirement?	This will be assessed as part of the call-off from the framework.
Does this requirement support the transition to <u>circular procurement</u> ?	No, this isn't applicable for this service.
Can <u>Fair Work First</u> be included in this procurement?	Yes

TUPE

TUPE will not apply.

Digital Assets (support regarding this should be obtained from the ICT department)

The requirement to adhere to any specific Data Security, Digital Delivery or Accessibility standards does not apply to this requirement.

Data Processing Impact Assessment (DPIA) (support regarding this should be obtained from Information Governance)

1. A DPIA has not been completed.

PROCUREMENT RISK MANAGEMENT

A risk management exercise has been carried out, using the following scoring key:

Key				Grade Key	
Likelihood Score		Impact Score		Total Score	Rating
1	Highly Unlikely	1	Insignificant	>20	Very High
2	Unlikely	2	Minor	15-20	High
3	Possible	3	Moderate	8-12	Medium
4	Likely	4	Major	1-6	Low
5	Almost Certain	5	Catastrophic		

Results are as follows:

Risk Owner	Risk Description	Likelihood	Impact	L x I	Date of assessment	Mitigating actions	Review date
Lead Officer	Lack of resources means that the contract may not be awarded within required timescales	3	4	12	25/04/24	Ensure lean but realistic timetable for procurement. Ensure sufficient resources are in place to undertake procurement within timeframe.	31/10/24
Lead Officer	Specification unclear or lacking detail	2	3	6	25/04/24	Ensure specification is clear, detailed (not prescriptive) & unambiguous.	31/10/24

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Risk Owner	Risk Description	Likelihood	Impact	L x I	Date of assessment	Mitigating actions	Review date
						<i>Consider all aspects affecting the decision on the route to procurement.</i>	
<i>Lead Officer</i>	<i>Other than using the recommended option or to do nothing, a high volume of bids may be received. Evaluation of these bids will be resource intensive.</i>	<i>5</i>	<i>3</i>	<i>15</i>	<i>25/04/24</i>		<i>31/10/24</i>

PROCUREMENT PROCESS

Evaluation

This is not applicable if the proposed route to market is agreed.

Proposed Timetable

The timetable will be prepared depending on the route to market agreed by the Audit and Assurance Committee.

ANTICIPATED OUTCOMES / BENEFITS

Terms & Conditions of the Contract

The relevant call off terms and conditions of the Framework will be used.

Standstill Period

A standstill period is not required for the recommended route to market.

Community Benefits

There is potential for a community benefit to be generated from this requirement. This will be assessed as part of the call-off from the framework.

Environmental Benefits

There is potential for environmental benefits to be generated from this requirement. This will be assessed as part of the call-off from the framework.

Socio Benefits (i.e. Fair Work, equality, employment)

There is potential for socio economic benefits to be generated from this requirement. This will be assessed as part of the call-off from the framework.

Economic Benefits (savings)

The proposed route to market is estimated to provide savings of 28% compared to market rates.

CONTRACT & SUPPLIER MANAGEMENT

Contract Management

The Contract will be managed by the Head of Finance and Corporate Governance. Meetings will be scheduled with the supplier on at least a quarterly basis. This may increase depending on the annual audit plan.

Lessons Learned

Lessons Learned will be gathered through the life of the contract, to identify areas of improvement for any re-let exercise or for the purchase of a similar commodity.

Exit Strategy

The successful Contractor will be required to provide an appropriate contract exit strategy agreed with the Head of Finance and Corporate Governance within an agreed timeframe after contract award.

Contract Risk Management

Managing risks associated with supplier failure will be carried out with the support of the Procurement Team. Credit report checks being carried out based on the contract being deemed as Strategic.

MANAGEMENT APPROVAL

Please ensure that the decision is made by the relevant designated authority with delegated contract approval authority for the value of the life of the contract and the relevant cost centre to which the contract costs will be charged.

Decision	Approved
Signature	
Print Name	
Date	