



## **Appointment of internal auditors**

### **Purpose**

1. This paper notifies the Committee of thinking about the way forward in relation to the provision of an internal audit service following the end of the current provider's contract on 31 March 2018.

### **The current contract**

2. Scott-Moncrieff was appointed to provide internal audit services for the period 1 April 2016 to 31 March 2019. There is the option to extend this by one year to 31 March 2020 should the Audit and Compliance Committee so wish.

### **Proposal for provision of internal audit as at 1 April 2019**

3. The Enterprise and Skills Strategic Board was created in November 2017 in response to the Enterprise and Skills Review. Its objective is to align and co-ordinate the activities of Scotland's enterprise and skills agencies: Scottish Enterprise, Highlands and Islands Enterprise, Skills Development Scotland and the Scottish Funding Council.
4. There have been ongoing discussions in relation to the implementation of an internal audit shared service involving the current, and potentially future, partners within the Enterprise and Skills Strategic Board. At present both Scottish Enterprise and Highlands and Islands Enterprise have in-house internal audit teams, while both Skills Development Scotland and the Scottish Funding Council receive internal audit services from Scott-Moncrieff.
5. SFC has been in discussion with the Chief Internal Auditor of the in-house Scottish Enterprise team with a view of to them providing internal audit services, in the spirit of working more closely together.
6. The work of the Scottish Enterprise team is compliant with Public Sector Internal Audit Standards.
7. The Scottish Enterprise Internal Audit team of 7.2 FTE consists of five qualified accountants/auditors. In addition, two members of the team have qualifications (MSc and Diploma) in Economic Development and

one member has commenced an MSc Risk Management qualification. This resource would be increased accordingly to enable delivery to both Scottish Enterprise and the Scottish Funding Council. There is also a shared contract with EY for the provision of Information Services' internal audit reviews.

8. Cost will be at Full Economic Cost with no profit element. It will be recharged through an interdepartmental recharging regime. This will be subject to a VAT charge.
9. The number of audit days per annum to be provided is still under discussion and is subject to ACC approval.
10. The Chief Internal Auditor of Scottish Enterprise will appear before the ACC to discuss this issue and answer any queries.
11. Should the ACC not approve exploring this option then the two other options are:
  - Approve a one-year extension to the current contract.
  - Approve a full open procurement utilising the Advanced Procurement for Universities and Colleges (APUC) framework agreement with a view to issuing an Invitation to Tender early in the New Year.

### **Risk Management**

12. Internal Audit is a core part of SFC governance processes. It is therefore essential that:
  - A contract with an organisation judged to provide an effective and value-for-money service is in place on 1 April 2018.
  - If the shared service option is not taken forward, a proper procurement process which is demonstrably open and fair is used.

### **Equality and diversity assessment**

13. There are no equality and diversity issues specific to the long-term agenda plan.

### **Publication**

14. This paper will be published, in edited form, on the Council website following the Committee meeting. The text withheld is under the

Freedom of Information (Scotland) Act 2002, Section 33: Commercial interest and the economy.

### **Recommendations**

15. The Committee is invited to:
- Approve the further exploration of working with the Scottish Enterprise internal audit service.
  - Failing the above to approve either a one year extension to the Scott Moncrieff contract or to go to full procurement.

### **Financial implications**

16. The cost of the Enterprise Scotland service is expected to be circa. [ ] per day plus VAT. The current service costs [ ] per day for the delivery of 60 days of audit work. This would be subject to an inflationary uplift related to Earnings growth.

### **Further information**

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