

Meeting of the Group Audit and Risk Committee

4.00 pm on Tuesday, 5 February 2019
in 1B16 - Technopark, SE1 6LN

Agenda

<i>No.</i>	<i>Item</i>	<i>Pages</i>	<i>Presenter</i>
20.	Appointment of Internal Auditors (to recommend to the Board) <ul style="list-style-type: none"><i>In the absence of the internal auditors and the external auditors</i>	3 - 12	DB

Date of next meeting
4.00 pm on Thursday, 13 June 2019

Members: Duncan Brown (Chair), Steve Balmont, Shachi Blakemore, Mee Ling Ng and Rob Orr

In attendance: David Phoenix, Natalie Ferer, Richard Flatman, Paul Ivey, James Stevenson, Askari Jafri, Justin Martin, Amy Chiu, Fleur Nieboer and Jack Stapleton

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	CONFIDENTIAL
Paper title:	Approval to Award – Internal Audit Provider
Board/Committee:	Audit Committee
Date of meeting:	05 February 2019
Author(s):	Robert Ager, Category Manager, Procurement Services
Sponsor(s):	Duncan Brown, Chair of Audit Committee
Purpose:	For Approval
Recommendation:	The Committee is requested to: <ol style="list-style-type: none"> 1. Approve the Procurement approach 2. Approve the award to BDO LLP

Executive Summary

Internal Audit Services are currently provided by PriceWaterhouseCoopers. PwC have been providing internal audit services to LSBU for the past eight years and the current contract has an option of two further years. In discussion with PwC, the University has extended the contract for 2018/19 only as PwC have just been engaged on another LSBU project and it is more appropriate for us to engage another audit provider from 2019/20 onward.

Increasing corporate governance requirements are placing greater responsibility and accountability with LSBU Group's Executive team and Board of Governors. To assist them in effectively discharging these responsibilities, the LSBU Group is looking to appoint an internal audit provider to provide the Group Audit Committee with independent assurance on a range of different issues in a timely, objective and reliable manner. This could include all aspects of governance, risk management, value for money, data quality and security, assurance over operational compliance with systems, processes and controls and reporting outputs.

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Authority to Award/Regulation 84 Report

Report Title: Internal Audit
Report Author: Robert Ager
Report Date: 30th January 2019

This report contains commercially sensitive information – please treat as confidential

When and how to use this document

This document should be used to formally document a Procurement process and related tender outcomes. It should be used for all Procurements exceeding £50,000 over the contract term (in accordance with table 2, section 9 of Financial Regulations and Business Case delegations and Regulation 84 of the Public Contract Regulations 2015 (if applicable)). All relevant sections of this report should be completed. Irrelevant sections should be marked 'not relevant' and should not be deleted.

Report

High Level Summary:

Key Area	Outcome
Purpose of Report	Authorisation to Award
Tender Process	Mini Competition from CCS Framework RM3745
Proposed Provider(s)	BDO LLP
Main Sub-Contractor (if applicable)	N/A
Evaluation Approach	Cost and Quality
Cost (inc.VAT)	£767,640.00 (Gross cost over proposed 5-year contract life)
VFM objectives achieved	
Potential Risks	

Detailed Summary:

1. Summary

Details of what needs to be approved and a list of key areas covered by the report including the subject matter of the tender.

- 1.1 To approve the procurement process and the appointment of the proposed provider.

2. Recommendations

Details of who the contract is to be awarded to, proposed contract term and extensions, and other relevant contract arrangements such as framework contract arrangements

- 2.1 It is recommended to award the contract to BDO LLP.

- 2.2 The contract will be awarded for an initial term of 36 months with the option to extend by a further two 12 month periods.
- 2.3 The contract will be awarded under the Crown Commercial Service Call Off Order Form and Call Off Terms for the Management Consultancy Framework Agreement (RM3745).

3. Current Service Provision

Details of current supplier (if applicable), contract arrangements; expiry dates; and potential exit issues.

- 3.1 Internal Audit Services are currently provided by PriceWaterhouseCoopers. PwC have been providing internal audit services to LSBU for the past eight years and the current contract has an option of two further years. In discussion with PwC, the University has extended the contract for 2018/19 only as PwC have just been engaged on another LSBU project and it is more appropriate for us to engage another audit provider from 2019/20 onward.

4. The Procurement Process

Details of corporate strategy alignment; previous business case submissions, overview of the tender process including PQQ and ITT outcomes; evaluation criteria and weighting, evaluation outcomes including overview of top 3 ranked suppliers; and details of briefings and other relevant steps in the process. To include Regulation 84 requirements.

4.1 Tender Process

A mini-competition Tender process was undertaken in accordance with EU Legislation. All applicable suppliers on Lot 3 – Audit of the Crown Commercial Service Management Consultancy Framework were invited to submit a response. Key milestones are as follows (delete as applicable):

• Tender Notice Published	1 st November 2018
• ITT Closing Date	29 th November 2018
• Expressions of Interest	10
• Tenders Received	4
• Tenders Excluded (including those abnormally low)	0

Following an assessment of the responses by the tender panel, the top 3 ranked providers were shortlisted and invited to a presentation/clarification session which was held at LSBU on Monday 28th January.

The moderated final scoring summary can be found at appendix 1.

Tender Panel consisted of:

- Duncan Brown – Independent Governor and Chair of Audit Committee
- Steve Balmont – Independent Governor
- Richard Flatman – Chief Financial Officer
- Natalie Ferer – Financial Controller

All scores were moderated by Robert Ager – Category Manager, Procurement Services.

4.2 Tender Evaluation

Responses were evaluated against the following criteria:

Award Criteria	Weighting
Price	15%
Audit Quality, Continuous Improvement and Impact	30%
Environment Culture & External Risk	15%
Service Delivery Management	5%
Staff	10%
Assurance over Value for money & Risk Management practices	10%
Effective Working Relationships and Complaints & Dispute resolution	10%
Corporate Social Responsibility	5%

4.3 Tender Results

Rank 1 BDO LLP

Rank 2 Ankura Consulting (TIAA)

Rank 3 Deloitte LLP

If subcontracting, the share of the contract that the successful bidder intends to sub-contract: N/A

Provide reasons if LSBU decides not to award the contract: N/A

5. Financial Implications

Pricing overview, including cost type (fixed cost, schedule of rates call off etc), high level overview of recommended supplier price (with cost element breakdown), and final whole life cost in relation to approved budget.

5.1 The University's Financial Regulations state that contracts for supplies and services exceeding £50k shall require completion of an Authority to Award report for authorisation of the award of the contract. The estimated value of this contract is over this threshold and approval is therefore sought.

6. Legal Implications

Details of whether or not EU regulations apply.

6.1 The estimated value of this contract over its lifetime exceeds the Public Contracts Regulations 2015 ("the EU Regulations) threshold for Services Contracts and is therefore subject to full application of the EU Regulations. This contract has been tendered in accordance with the Regulations.

6.2 Justification for use of competition with negotiation process or competitive

dialogue process (see Regulation 26(4))

N/A

- 6.3 Justification for use of negotiated procedure without a notice (see Regulation 32).

N/A

- 6.4 Detail any conflict of interest detected and measures taken to nullify these.

Any conflicts of interest were declared at the point when the ITT was published and disclosed to any relevant bidders and the evaluation panel.

7. Background Papers

List of relevant papers that support this report

- 7.1 Invitation to Tender

BDO tender response

Contact Details for Further Information

Name and contact details of Project Lead, Project Sponsor and Procurement team lead, if applicable

Robert Ager – Category Manager,
Procurement Services

[End of Report]

Approval Sign Off

Completed reports should be circulated for approval using the University's [electronic Authority to Award approval flow](#). After saving the completed Authority to Award report, select the approval flow link to complete the eform, attach the saved report, and submit for approval.

Appendix 1: Final Evaluation Score Summary

Screen shot of completed evaluation matrix. To include reasons why successful bid(s) was/were selected

Criteria	Weighting	Max points available	Weighted Score			
			Ankura	BDO	Deloitte	RSM
1 - Audit Quality, Continuous Improvement and Impact	30%	120	90	120	90	60
2 - Environment Culture and External Risk	15%	60	30	60	30	30
3 - Service Delivery Management	5%	20	15	15	15	10
4 - Staff	10%	40	30	30	20	20
5 - Assurance over Value for Money & Risk Management Practices	10%	40	20	40	30	30
6 - Effective Working Relationships and Complaints & Dispute Resolution	10%	40	20	30	40	30
7 - Corporate Social Responsibility	5%	20	15	15	10	10
8 - Price	15%	60	60	30	0	30
Total	100%	400	280	340	235	220

Ranking			2	1	3	4
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1

Appendix 2: Final Price Summary

To provide Internal Audit Services in accordance with OFS Audit Code of Practice.

Fixed Cost per Annum	Total Net Cost	VAT	Gross Cost
Year 1	£127,940	£25,588	£153,528
Year 2	£127,940	£25,588	£153,528
Year 3	£127,940	£25,588	£153,528
Year 4	£127,940	£25,588	£153,528
Year 5	£127,940	£25,588	£153,528
Total Cost over 3 Years	£383,820	£76,764	£460,584
Total Cost over 5 Years	£639,700	£127,940	£767,640

Breakdown of Costs (Year 1): The above costs will be based on the allocation of days as detailed below. Should your Categories be different than those stated please alter accordingly.

Category	Day Rate	Number of Days	Percentage of Fixed Cost per Annum
Audit Partner	1490	8	9.32%
Audit Manager	990	15	11.61%
Assistant Manager	790	10	6.17%
Qualified Audit Senior	590	100	46.12%

Semi Senior	490	58	22.21%
Audit Junior	390	15	4.57%
Other			0.00%
Total		206	100.00%

Basis for pricing additional work

In the event that specialist input is required, requirements will be agreed over and above the fixed price contract arrangement. Please details specialist rates that may apply below, including rates for potential fraud investigation.

IT Audit manager - £1,100 per day
IT auditor - £750 per day

Page 11

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