



Hjaltland Housing Association Limited

Tender for the provision of Internal Audit Services

Commencing September 2022 for 3 years,
with a possible extension for a further 2 years

SECTION A – Background

Hjaltland Housing Association Limited, invites tenders for the provision of its internal audit service from September 2022.

The Association is a Registered Social Landlord (RSL) registered with the Scottish Government Housing and Regeneration Directorate HAL 127 & Financial Services Authority 1832R(S), and a Scottish Charity (SC031954) formed in 1980, operating from its office at 6 North Ness Business Park, Lerwick. Shetland, ZE1 0LZ.

The Association has a housing stock of 785 rented and 41 shared ownership properties situated throughout the mainland and islands of Shetland. There are currently 4 sites under development, with the potential for further projects over the next few years.

The Association's regulatory status is listed as compliant on the Scottish Housing Regulator's (SHR) website.

The Association is seeking proposals for a comprehensive internal audit service.

SECTION B – Notes to Tenderers

Completion and submission of proposal

The closing date for receipt of proposals is **12 noon on Friday 29th July 2022**. Your proposal must be submitted by this date, by email to Susan Gray, Head of Finance and Corporate Services, Susan@hjatland.org. Any proposal received after this date will not be considered.

All documents and correspondence must be in English, and prices quoted in UK Sterling.

The Association will not be liable to reimburse any costs incurred by you during this process.

All queries and correspondence in respect of this document should be made to Susan Gray, Head of Finance and Corporate Services.

Confidentiality of information

All information contained in the invitation to tender is confidential. Likewise, all information included by the tenderer in their proposals will be treated in confidence.

Evaluation methodology

Evaluation of quotations will be carried out by the Association's Selection Panel based on information provided in method statements. The Panel will, if necessary, contact tenderers to seek clarification of any aspect of their quotation.

Tenderers **may be** invited to present and discuss their proposals to the Selection Panel via video conferencing, during week commencing 8th August 2022 - at least five working days' notice will be given.

While the Association aims to maximise the value obtained from our internal audit, it does not bind itself to accept the lowest priced quotation. Key criteria will be evaluated. Total scores for each criterion will then be weighted as follows:

Price	30%
Quality	70%
Contract Management	15%
Key Personnel and Resources	15%
Service Provision – methodology	25%
Sector Experience	15%

*We anticipate reasonable expenses to be no more than £500 travel (per trip) and £120 dinner, bed and breakfast per day.

Scores are arrived at, in respect of quality, by applying the following marks to the tenderer's responses to the quality questions:

Points	Evaluation Criteria
5	Excellent understanding and interpretation; innovative and proactive with sound solution in response
4	Good understanding and interpretation of requirements in response
3	Reflects adequate understanding of all issues and aspects in response
2	Reflects limited understanding / misses some aspects in response
1	Failure to grasp/reflect the core issue
0	No Response

The final outcome of the process will be decided at the Management Committee meeting scheduled to take place on **Thursday 18th August 2022**, and you will be advised of the outcome by close of business on this date.

Contractual terms

The contract shall initially be for internal audit services commencing **1st September 2022** for three years but may be extended for a further two individual years. All details in the quotation, including the prices and rates, are to remain valid for acceptance for 90 days.

The standard conditions of contract are set out at section F. Proposals should be provided on this basis. Any proposed variation should be clearly outlined in the submission.

Contact

During the contract, the main point of contact between the internal audit provider and the Association will be the Association's Head of Finance and Corporate Services, although the internal audit provider may also have direct contact with the Chair of the Finance & Audit Sub Committee and the Association's Chief Executive.

Fees

Rates should be submitted for the first year of the commission together with details of how annual increases (if any) will be calculated.

Internal Audit Specification

1. The role of internal audit is to provide management with an objective assessment of whether systems and controls (financial and non-financial) are working properly. It is a key part of an association's internal control system because it measures and evaluates the adequacy and effectiveness of other controls in order that:

- a) the Management Committee and Senior Management Team can know the extent to which they may rely on the whole control system; and
 - b) individual managers can know the reliability or otherwise of the systems and controls for which they are responsible.
2. The responsibility for ensuring that appropriate and adequate arrangements are established for internal control rests with the management of the Association. The internal auditor will be responsible for conducting an independent appraisal and giving assurance to the Finance & Audit Sub-Committee on internal control arrangements. It is for management to determine whether to accept and implement recommendations made by the internal auditor or, alternatively, for recognising and accepting the risks resulting from not taking any action.
 3. The work of the internal audit service shall embrace the whole internal control system of the Association including all its activities, funded from whatever source. The internal audit service will consider the adequacy of systems and controls necessary to secure propriety, economy, efficiency and effectiveness in all areas. It will seek to confirm that management has taken the necessary steps to achieve these objectives.
 4. The internal auditor will be expected to carry out a rolling programme of internal audit work so that all main aspects of our operations are assessed at least once during the initial three years.
 5. Our current internal audit service consists of 10 days per annum which typically include the following:
 - Two or three assurance or compliance audits (depending on complexity/size);
 - Follow up on implementation of previous audit points;
 - Audit Needs Assessment and preparation of annual plan, completed for Finance & Audit Sub Committee to approve in October
 - Annual Report; and
 - Audit Contract Management.

It is on the above basis that bidders should tender.

6. The internal audit service may also conduct any special reviews requested by the Management Committee or Senior Management Team provided such reviews do not compromise their objective independence or the achievement of their plan to audit the internal control system. These will be in addition to the annual programme of work.
7. The Association has responsibility for the prevention, detection and investigation of irregularities, including fraud and corruption. The internal auditor should make arrangements to inform management, as soon as possible, of all suspected or discovered fraud. The internal auditor should consider any implications in relation to the internal control system and

recommend to management the action it should take to strengthen systems and controls. Where the internal auditor becomes aware of fraud or irregularity the Head of Finance and Corporate Services, or Chief Executive should be informed so that management can agree on further action to be taken.

8. The Association will be responsible for preparing any information requirements prior to the internal audit visits.
9. The internal auditor will be responsible for providing relevant, reliable, and sufficient evidence of the adequacy and effectiveness of internal control arrangements and making recommendations for improvements to current practice.
10. The internal auditor will be expected to attend (typically via a remote digital link such as Zoom or Teams), Finance & Audit Sub Committee meetings to discuss their findings, conclusions and make any recommendations. There are usually 6 meetings a year, held during the day.
11. The Association is seeking a provider that is fully familiar with the operating experiences and regulatory issues faced by Scottish Registered Social Landlords (RSL).
12. The auditor must comply with all relevant legislative and accounting standards requirements including guidance issued by The Scottish Housing Regulator and in particular published Performance Standards. The auditor will be expected to be familiar with all such matters and be proactive in the provision of advice to the Association in the event of relevant changes in these areas.
13. The auditor will be equipped to perform in accordance with appropriate professional standards (eg the IIA Code of Ethics, and International Standards for the Professional Practice of Internal Auditing).
14. The following documents are included by way of background information:
 - The Association's Annual Report
 - The Association's Statutory Accounts
 - The Association's Organisation Chart

SECTION C – Method Statement

INSTRUCTIONS FOR THE PREPARATION OF METHOD STATEMENT

1. This tender will be evaluated on the basis of a review and measurement of the overall quality of the submission, the information detailed within the completed Method Statement (your response to the requirements set out in the specification) and the Pricing Schedules.
2. The Contract will be awarded on the basis of a Quality:Price ratio of 70% Quality, 30% Price. Criteria and scoring to be used in relation to the assessment of quality are set out in the method statement.
3. Companies should note that failure to provide the information requested in the Method Statement may result in their tender being rejected.

METHOD STATEMENT - INTERNAL AUDIT

QUALITY SUBMISSION

Please respond to the following questions:

- 1. Contract Management 15%**
 - 1.1 Provide information as to how the quality of your service is established and monitored, including performance review.
 - 1.2 Outline your proposals to ensure effective communication and liaison with relevant employees of the Association and with External Auditors.
 - 1.3 Outline the main challenges posed by the commission, and how you would propose to resolve those challenges.
 - 1.4 Outline the arrangements that you would adopt to manage any potential conflict of interest arising during the commission.
 - 1.5 Detail how the service you would provide will comply with relevant Professional Standards and any legislative requirements.
- 2. Key Personnel and Resources 15%**
 - 2.1 Detail the proposed team structure, identifying all relevant personnel to be allocated to the commission, identifying team roles and responsibilities. You should also indicate any personnel who may be involved in a reserve capacity, in the absence of any of the main team.
 - 2.2 For all staff detailed in 2.1 above, please provide details of:

- their job titles;
 - their qualifications;
 - the date they joined your firm;
 - their experience within an internal audit environment;
 - their experience within the Scottish RSL environment;
 - any relevant training they have received or are receiving.
- 2.3 Identify the senior staff who will be responsible for the commission (eg a commission director or partner), demonstrating why their skills and expertise would be significant to a successful service to the Association.
- 2.4 Demonstrate that the appropriate mix of skills is available within the proposed team to meet the Association's requirements in relation to the issues detailed in the Internal Audit Specification.

3. Service Provision 25%

- 3.1 Provide details on how the internal audit service is established and how the annual audit plan is developed.
- 3.2 Provide two examples of internal audit reports you have prepared in the past, preferably for RSLs. Client names and other identifying details should be omitted.
- 3.3 Set out the key steps you see between notification of the information required pre-audit to production of the final report with an indication of the timescale at each stage.
- 3.4 Indicate the level of input to an audit you would expect from Association staff.
- 3.5 Provide two examples of how you have added value to your clients using the knowledge you have gained from the internal audit process.

4. Experience 15%

- 4.1 Provide details of previous internal audit experience in the RSL sector. The Association is seeking a provider that is fully familiar with the operating environment and regulatory issues faced by Scottish RSLs. Please provide details of the RSLs your firm currently provides internal audit services to in Scotland.
- 4.2 For each client mentioned in section 4.1, detail their size.
- 4.3 Indicate your ability to advise on new relevant legislation and guidance and detail how you would do this.
- 4.4 Provide details of two similar organisations which we may contact for a reference. Details should include a named contact with direct email address and contact telephone number.

EXPENSES

5. Expenses

- 5.1 We anticipate internal audits being undertaken both on-site and remotely, with one block of each per annum. You should provide details of all costs involved and how you anticipate this changing over the contract period.

ADDITIONAL REQUIREMENTS

6. General Information

- 6.1 At all stages of the tender process including contract conclusion, the information which your organisation provides in relation to this invitation to tender must remain valid. You must inform us of any changes to the information which your organisation provides in response to this invitation to tender.
- 6.2 No legal relationship or other obligation shall arise between any tenderer and the Association unless and until the contract has been formally executed in writing by the Association and the successful service provider(s).
- 6.3 The Association reserves the right, subject to the appropriate procurement regulations, to change without notice the basis of, or the procedures for, the competitive tendering process or to terminate the process at any time. Under no circumstances shall the Association incur any liability in respect of this Invitation to Tender or the tender process more generally. The Association shall not be liable for any costs or expenses incurred by tenderers in participating in the tendering process.
- 6.4 Direct or indirect canvassing of any Committee Member, employee or agent by any potential provider concerning this requirement, or any attempt to procure information from any Committee Member, employee or agent concerning this Invitation to Tender may result in the disqualification of the tenderer from consideration for this requirement.
- 6.5 While the information contained in this Invitation to Tender is believed to be correct at the time of issue, the Association will not accept any liability for its accuracy, adequacy or completeness, nor will any express or implied warranty be given. This exclusion extends to liability in relation to any statement, opinion or conclusion contained in, or any omission from, this Invitation to Tender (including its appendices) and in respect of any other written or oral communication transmitted (or otherwise made available) to any tenderer.
- 6.6 Tenderers should advise the Association as soon as practicable in the event of discovering a potential or actual conflict of interest arising in respect of their tender response. In such circumstances, the Association

may require further information from the tenderer but reserves the right to disqualify the tenderer from further involvement in the tender process.

- 6.7 Provide details of your organisation in relation to its governance structure, including the location of your head office.
- 6.8 Please confirm that you have a Data Protection Policy, an Equalities and Diversity Policy and a Health and Safety Policy. Copies of these will be sought from the successful tenderer.
- 6.9 Please give details of your Professional Indemnity Insurance

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SECTION D – Pricing

PRICING SCHEDULE

	Fixed Price: excluding VAT	Estimated expenses above allowance**	Total: including VAT
Total internal audit fee for year one, for ten internal audit days; commencing 01 September 2022			
Daily rate for additional days of internal audit work			
Daily rate for additional 'non' internal audit work			

**We anticipate reasonable expenses will be reimbursed at cost and to be no more than £500 travel (per trip) and £120 dinner, bed and breakfast per day.

Please detail below how the annual increase to the fee and expenses would be calculated, referring to any indexes proposed.

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SECTION E – Tender Completion Details

COMPLETION DETAILS

Completed by:

Name: _____

Signed:

(electronic signature) _____

Date:

COMPANY DETAILS

On Behalf of Company Name:

Address:

Post Code: _____

Email Address: _____

Telephone Number: _____

Company Registered Number:

SECTION F – Standard Conditions of Contract for the Purchase of Services

These Conditions may be varied only by the written agreement of the Purchaser. No terms or conditions put forward at any time by the supplier will form any part of the contract unless specifically agreed in writing by the purchaser.

1. It is proposed that the appointment would in normal circumstances be subject to a re-tendering exercise every 3 years.
2. Fees tendered and rates quoted will be expected to be effective for the three-year period following appointment subject to an annual uplift for inflation where required. Any proposed variation in fees over and above an inflationary increase (eg because of changes in scale, external requirements, or internal audit work content) will require to be fully justified and mutually agreed.
3. The appointment of internal auditors will be effective from the 1st September 2022.
4. As a guide, we have aimed for three internal audit reviews (split over 2 blocks of audit work) per year resulting in approximately 10 days per annum being allocated/budgeted for internal audit work; however, this is flexible.
5. Invoices for audit fees should be submitted on completion of each area of audit work.