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Appendix B – Statement of Requirements
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V12.0 29/11/16



1. PURPOSE

- 1.1 The successful Potential provider will be expected to provide a comprehensive range of annual assurance services under the Internal Audit Contractor Framework (RM4167) **Lot 1 - Core Internal Audit Services**, including Advisory Services, on behalf of the Health Group Internal Audit Service (HGIAS), which is part of the Government Internal Audit Agency (GIAA).
- 1.2 The specific assurance services (for the purpose of this procurement) which the Potential provider will be providing are for the following Arm’s Length Bodies (ALBs):
 - 1.2.1 NHS Litigation Authority (NHS LA)

2. BACKGROUND TO THE CONTRACTING AUTHORITY

- 2.1 HGIAS is a part of the GIAA and currently delivers audit services (for the Department and several of its ALBs. The work undertaken by HGIAS provides independent assurance on risk management, internal control and governance. This service is delivered through an in-house team of civil servants and a co-source Contract which will expire at the end of March 2017. The GIAA are the Contracting Authority for this requirement.

3. BACKGROUND TO REQUIREMENT/OVERVIEW OF REQUIREMENT

- 3.1 The provision of internal audit and advisory services for HGIAS, including the delivery of a complete annual programme of work and opinion, in the areas as defined under **Lot 1** of the Internal Audit Contractor Framework (RM4167).

4. DEFINITIONS

Expression or Acronym	Definition
HGIAS	Health Group Internal Audit Service
ALB	Arm’s Length Bodies
NHS LA	NHS Litigation Authority
HLA	Head of Internal Audit
ARC	Audit & Risk Committee

5. SCOPE OF REQUIREMENT

- 5.1 The scope of the requirement for annual assurance services will be as defined under **Lot 1 - Core Internal Audit Services**, including Advisory Services of the GIAA framework. The Authority requires external expertise and flexible resource to assist in the delivery of HGIAS internal audit and related assurance and advisory services.

6. THE REQUIREMENT

- 6.1 The objectives of the internal audit function (assurance services) provided to NHS LA will be:
 - 6.1.1 To provide an independent assessment of the adequacy, efficiency, economy and effectiveness of operations and associated control environment;



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- 6.1.2 To assess and comment on value added in the delivery of strategy in relation to core deliverables;
 - 6.1.3 To fulfil the internal audit role by carrying out risk based audits in accordance with strategic and operational plans;
 - 6.1.4 To carry out the function in a cost effective manner;
 - 6.1.5 To ensure the function is secure in terms of data protection and confidentiality of information;
 - 6.1.6 To review, appraise and report on:
 - 6.1.6.1 the extent of compliance with, and the financial effect of, relevant established procedures;
 - 6.1.6.2 the adequacy and application of financial and other related management controls;
 - 6.1.6.3 the suitability of financial and other related management data;
 - 6.1.6.4 the extent to which assets and interests are accounted for and safeguarded from loss of any kind.
 - 6.2 The Potential provider will be required to provide the role of Head of Internal Audit (HIA) for the NHS LA which will include delivery of the following (note: this list is not exhaustive):
 - 6.2.1 The development of a risk based Internal Audit annual work plan;
 - 6.2.2 Liaising and reporting to the Audit Committee;
 - 6.2.3 Attendance at each Audit Committee meeting;
 - 6.2.4 Direct access to Audit Committee Chair and Members;
 - 6.2.5 Written progress reports against the audit work plan for each Audit Committee meeting;
 - 6.2.6 The production of the HIA Opinion and Annual Report;
 - 6.2.7 Regular liaison with external audit (as/when required); and
 - 6.2.8 Other HIA advice and guidance as requested by the ALB.
 - 6.3 Furthermore, Potential provider applicants for the HIA role will be expected to:
 - 6.3.1 Give an indication of how they are going to work for the particular ALB and demonstrate impartiality (i.e. how they will not be conflicted with their firm).
 - 6.3.2 How they would work within a health shared service environment, in particular, how they would propose to keep the Group Chief Internal
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Auditor satisfied as to the consistency of their plans and the quality of their in-year and year end reviews and opinion.

- 6.4 The procurement process will be in two stages. Stage One (1) will involve a written response to the requirement and will be a gateway to Stage Two (2). Stage Two (2) will involve Potential providers being invited to deliver a presentation to an evaluation panel which will include representatives from the NHSLA. It is required that the Potential provider's proposed HIA be involved in this second stage to outline how delivery will work and answer questions from the panel.
- 6.5 The Final Score for all providers will be their combined Stage One (1) and Stage Two (2) scores.
- 6.6 The Potential Provider HIA may be expected to use a mix of Potential provider and GIAA resource to deliver audit plans.
- 6.7 Person specific skill requirements for the NHSLA HIA role are:
 - 6.7.1 Knowledge/experience to discharge the HIA role (as detailed in 6.2);
 - 6.7.2 Knowledge and/or experience of the insurance sector will be beneficial; and
 - 6.7.3 Experience of carrying out ISO 27001 audits.
- 6.8 Whilst the Contract will not formally commence until 1st April 2017, audit planning will be required from January 2017 with audit delivery from April 2017 onwards (subject to agreement of an audit plan by the relevant Audit & Risk Committee (ARC)).
- 6.9 The actual number of audit days will be dependent on the annual audit budget, and agreed audit plan (no minimum Contract value, although current estimate is c£REDACTED per year). The audit plan will be initially agreed between the HIA and the Finance Director (or designated person) prior to, or around the start of, each financial year and approved by the ARC.

7. KEY MILESTONES

- 7.1 The Potential provider should note the following milestones that the Authority will measure the quality of delivery against (relating to each audit):

Milestone	Description	Timeframe
1.	Issue of Terms of Reference	To be issued within 5 working days of the start-up meeting or receipt of correspondence from management in lieu of a meeting.
2.	Issue of draft report	To be issued within 5 working days of the completion of the field/review work.
3.	Issue of final report (including the management action plan)	To be issued within 5 working days of the receipt of the management comments and the management action plan.



4.	Issue of the Audit Customer Satisfaction Questionnaire	To be issued with the final audit report.
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8. AUTHORITY'S RESPONSIBILITIES

- 8.1 HGIAS is responsible for the overarching delivery of the shared audit service under the direction of the Group Chief Head of Internal Audit (GCHIA).

9. REPORTING

- 9.1 The Potential provider's HIA for NHSLA will be expected to report to the GCHIA (e.g. progress reports in terms of delivery against the plan).

10. VOLUMES

- 10.1 NHSLA background information in relation to the number of audits undertaken:
- 10.1.1.1 Number of audits undertaken in 2015/2016: 10 (annual audit days delivered 126);
 - 10.1.1.2 Number of audits undertaken in 2014/2015: 12 (annual audit days delivered 105);
 - 10.1.1.3 Number of audits undertaken in 2013/2014: 15 (annual audit days delivered 83).

11. CONTINUOUS IMPROVEMENT

- 11.1 The Potential provider will be expected to continually improve the way in which the required Services are to be delivered throughout the Contract duration.
- 11.2 Changes to the way in which the Services are to be delivered must be brought to the Authority's attention and agreed prior to any changes being implemented.

12. SUSTAINABILITY

- 12.1 The Potential provider shall support the Government's Agenda for Sustainability, for example including, but not limited to, minimising travel and encouraging travel by public transport.

13. QUALITY

- 13.1 To ensure quality of audit work undertaken, the Potential provider will have to ensure that all work undertaken shall be in accordance with GIAA standards: Public Sector Internal Audit Standards (PSIAS) <http://www.cipfa.org/policy-and-guidance/standards/public-sector-internal-auditstandards> and HGIAS audit methodology which is based on (PSIAS).
- 13.2 Key audit products produced (Terms of reference, reports) will be subject to HGIAS quality inspections (on a sample basis) and audits may be selected for a 'cold review' upon completion of each assignment.

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14. PRICE

14.1 The pricing model should align to staff grades as per the Internal Audit Contractor Framework (RM4167) **Lot 1 - Core Internal Audit Services**, including Advisory Services.

14.2 Prices are to be submitted via the e-Sourcing Suite excluding VAT.

15. STAFF AND CUSTOMER SERVICE

15.1 The Authority requires the Potential provider to provide a sufficient level of resource throughout the duration of the Contract in order to consistently deliver a quality service.

15.2 Potential provider staff assigned to the Contract shall have the relevant qualifications and experience to deliver the audit services. Qualified internal auditors holding the Institute of Internal Auditors CMIIA qualification or CCAB (or a qualification accepted by the GIAA’s Contract Manager as equivalent to, or better than CMIIA/CCAB.

15.3 The Potential provider shall ensure that staff understand the Authority’s vision and objectives and will provide excellent customer service to the Authority throughout the duration of the Contract.

16. SERVICE LEVELS AND PERFORMANCE

16.1 The Authority will measure the quality of the Potential provider’s delivery by:

16.1.1 As per section 7: key milestones and as per section 13: Quality

KPI/SLA	Service Area	KPI/SLA description	Target
#1	Quality of Service	The Potential provider shall consistently deliver a quality service to reasonable satisfaction of the Contracting Authority and the Client, measured by a Client Satisfaction Survey and follow up discussions with the Client by the Authority as necessary.	80% for each question
#2	Value for Money	Deliver within agreed budgets	Agreed budget and agreed variations thereto.
#3	Timely Delivery	Deliver within agreed timescales	Agreed deadlines and variations thereto.
#4	Governance	Demonstrate impact on improved governance, risk management and/ or controls and delivery of the relevant public service	Impact on at least one of the three areas: Governance, and/ or Control management, linked



			to the relevant public service.
#5	Compliance	Compliance with GIAA and other audit services quality assurance requirements	100% compliance, unless agreed otherwise with contracting Authority.
#6	Client and specialism development	Demonstrate added value as agreed for each piece of work	Measured as agreed per piece of work

16.2 Any poor performance by the Potential provider will be discussed at contract management meetings. Improvement plans will be discussed, agreed and monitored as necessary throughout the life to the Contract.

16.3 Should the NHS LA and/or HGIAS via discussion at the contract management meetings, be unable to resolve poor Potential provider performance issues, then early termination of the Contract in accordance with the Terms and Conditions as Appendix C will be considered.

17. SECURITY REQUIREMENTS

17.1 As per GIAA Attachment 4b –Framework Schedule 2, section 3 published in Annex G of this ITT.

18. INTELLECTUAL PROPERTY RIGHTS (IPR)

18.1 All audit products (including working papers) produced during the course of the service provided to NHS LA will be owned by HGIAS. This will include any documents related to the audit methodology referenced at 13.1.

18.2 For all audit products (including terms of reference, all audit working papers and reports etc.) produced, the Potential provider will have to send these to HGIAS within 10 working days upon completion of each audit review.

19. PAYMENT

19.1 Payments for services provided by the agreed personnel (as identified in the Pricing Schedule are made once the Authority is satisfied of completion of work and on receipt of a valid invoice.

19.2 The Potential provider will be expected to keep supporting evidence (e.g. timesheets) for all personnel who under audit work relating the contract. The Potential provider will be expected to submit monthly invoices for work completed (unless or it is agreed by all parties, in advance, that payment will be made upon completion of each audit review).

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20. ADDITIONAL INFORMATION

20.1 N/A

21. LOCATION

21.1 The location of the Services will be carried out at primarily in the London area.