**Appendix E – Service Requirements**

**1. SPECIFICATION**

* 1. **Outline**

The role of Internal Audit Service is to assist management throughout City College Plymouth in the effective discharge of its responsibilities for:

* Achieving City College Plymouth objectives across the whole range of its activities;
* Ensuring the proper administration of the financial affairs
* Working with External Auditors to enable them to place reliance on Internal Audit work undertaken.

**1.2 Objectives**

The Internal Audit Service work will be used to support the College in delivering the assurance function and providing an independent and objective opinion to the College Governors on an annual basis on the effectiveness of its control environment. The Internal Audit Service provider shall use an established methodology in conducting audit assignments and shall operate in compliance with the College Financial Memorandum

**1.3 Requirement**

The minimum requirement shall be for the Internal Audit Service Provider to demonstrate compliance with the College Financial Memorandum and the Joint Audit Code of Practice, SORP (statement of recommended practice) in line with guidance on internal audit practice and the relevant annual Accounts Direction Handbook of the Skills Funding Agency and ensure the delivery of the Annual Internal Audit Plan and compliance with College’s statutory requirements.

**1.4 Duration of Contract**

1. It is anticipated that the Agreement shall be for an initial 3 years with the possibility of a 2 year extension, subject to the achievement of a satisfactory level of performance.
2. Whilst it gives no firm commitment to any maximum or minimum number of audit days required under the Agreement, the College has estimated that approximately 40 days per year (inclusive of an allowance for management time) may be required to undertake the **Internal Audit Service** in delivering the above Internal Audit functions and services. Actual days for the year will be agreed annual in advance.

**2 STATUTORY REQUIREMENTS, RULES AND PROCEDURES**

**2.1** The minimum requirement shall be for the Internal Audit Service Provider to demonstrate compliance with the College Financial Memorandum and the Joint Audit Code of Practice. SORP (statement of recommended practice) in line with guidance on internal audit practice and the relevant annual Accounts Direction Handbook 2 of the Skills Funding Agency, and ensure the delivery of the Annual Internal Audit Plan and compliance with the College’s statutory requirements.

**2.2** The Internal Audit Service Provider shall comply with all conditions, warranties, and representations expressed or implied by statute or common law.

**2.3** The Internal Audit Service Provider shall comply with all City College Plymouth policies, strategies, rules and procedures in delivering the Internal Audit Services to the standards required.

**3 SERVICE SPECIFICATION AND REQUIREMENTS**

**3.1 The Scope of the Audit**

1. The scope of Internal Audit extends to all the College’s activities whether or not funded by the Funding bodies, and including activities carried out by subsidiary company(s) or through partnership arrangements with other organisations.
2. The Service Provider will consider the adequacy of controls necessary to secure economy, efficiency and effectiveness in all areas. It will seek to confirm that management have taken the necessary steps to achieve these objectives.
3. It is not within the remit of the Service Provider to question the appropriateness of policy decisions. The Service Provider will, however, be required to examine the management arrangements of the College by which decisions are made, monitored and reviewed.
4. The Service Provider may be requested by City College Plymouth Governing Body, Audit Committee, Principal or Deputy Principal to conduct special reviews, provided such reviews do not compromise the Service Provider's objectivity, independence or the achievement of the systems audit plan.
5. City College Plymouth assumes that in the undertaking of the internal audit review any areas for further examination under the title of ‘value for money’ will be included as part of the recommendation through the internal audit reporting.
6. The Service Provider may be requested to undertake specific value for money reviews at the request of College management of the Audit Committee and, where appropriate, may suggest the need for such reviews as part of the annual needs assessment.
7. The annual plan and review is directed and managed by the Deputy Principal.

**3.2 Service Provider's Responsibilities**

1. An annual opinion requires to be provided for the City College Plymouth Governing Body, through the Audit Committee on the status of internal control of the City College Plymouth. In addition the Service Provider’s Audit Partner is able to comment on other activities for which the Members of the College’s Governing Body are responsible and to which the Service Provider will have access.

In order to provide the required assurance, the Internal Audit Service Provider will undertake a programme of work over a cycle authorised by the Audit Committee to achieve the following objectives:

* + - 1. Review and appraise the soundness, adequacy and application of accounting and other financial controls.
      2. Ascertain the extent to which systems of control ensure compliance with established policies and procedures, and take account of business risk.
      3. Ascertain the extent to which the assets and interests entrusted or funded by the relevant bodies are properly controlled and safeguarded from losses of all kinds.
      4. Ascertain that accounting and other management information is reliable as a basis for the production of accounts and other returns.
      5. Ascertain the integrity and reliability of financial and other information provided to management including that used in decision making.
      6. Ascertain that systems of control are documented and operate to achieve the most economic, efficient and effective use of resources.

The Service Provider’s first activity must be to undertake a comprehensive needs assessment which will inform the Service Provider’s initial plans.

**3.3 Independence**

* + 1. Within City College Plymouth, responsibility for internal control rests fully with the management who must ensure that adequate arrangements exist without reliance on the Internal Audit Service Provider. In order to preserve the objectivity and impartiality of the Service Provider’s professional judgements, responsibility for implementing audit recommendations rests with management.
    2. The Service Provider will have no executive role nor will it have any responsibility for the development, implementation or operation of systems. It may provide advice, however, on control and related matters subject to the need to maintain objectivity.
    3. The Service Provider will be granted rights of access to all the College’s records, information and assets which it considers necessary to fulfil its responsibilities. Rights of access to other bodies are set out in the conditions attached to the funding provided by the institution. The Service Provider’s Audit Partner will have a right of access to the Chairman of the Audit Committee, the Principal and the Deputy Principal.
    4. **Standards and Approach**

The Service Provider’s work will be performed with due professional care in accordance with appropriate professional auditing practice and will Code of Audit Practice. In achieving its objectives, the Service Provider must:

1. Identify all elements of control systems on which it is proposed to place reliance and establish a review cycle.
2. Evaluate those systems identifying inappropriate or inadequate controls and recommend improvements and procedures or practices.
3. Ascertain that procedures and controls are documented and operate to achieve the most economic and efficient use of resources.
4. Draw attention to any apparently uneconomical or otherwise unsatisfactory results flowing from decisions, practices or policies.
5. Comment upon key risks of which the College may not be aware or key control systems that may not be in place.
6. Comment upon whether the College’s culture and processes are acting to promote or block effective risk management and control and if to block, how this might be corrected.
7. Liaise with external auditors to enhance the level of service that is provided for the management of the College. Audit work should be co-ordinated with the external auditors and with other auditors including the College’s own self-assessment teams so as to minimise double-auditing of depatments.
8. If, in the reasonable view of the Deputy Principal the standard of work provided by the Service Provider is of unsatisfactory quality, the Deputy Principal shall, at his/her discretion:
   * + 1. Require the Service Provider to repeat the work in question to a satisfactory standard at no cost to the College; or
       2. Arrange for the work to be undertaken by a third party, and pass on the costs of such work to the Service Provider.
9. In order to ensure a satisfactory level of service, the Service Provider will be required to agree with the Deputy Principal a formal Service Level Agreement. It will be the Service Provider’s obligation to ensure that the stated service levels are adhered to at all times.
10. City College Plymouth prides itself in being an Equal Opportunities employer, implementing staff development policies which it feels provides staff with the opportunity to achieve their full potential for their own benefit and for that of the College. The Service Provider will be required to ensure that all staff used in the performance of this Contract are of a suitable level of expertise and experience, and that junior staff are given adequate supervision. Furthermore, the College wishes the following aspects to be considered by the Service Provider:
    * + 1. Continuity of staff, so that the Service Provider’s personnel involved in performing the Contract can develop a suitable knowledge and understanding of the College;
        2. Suitable promotion policies to motivate and retain quality staff.
        3. A suitable skills mix to cover all appropriate areas of activity.
    1. **Account Management and Personnel**
11. The Service Provider will nominate an Audit Partner who will agree the overall strategy and be responsible for:
12. Ensuring delivery of a quality service throughout the duration of the Contract;
13. Attending an annual contract reviews with the Deputy Principal;
14. Approving every audit report prior to submission in draft form to the Deputy Principal.
15. The Service Provider must also nominate an Audit Manager who will be responsible for the day-to-day management and smooth running of the Contract.
16. If for any reason the Deputy Principal considers any of the Service Provider’s personnel, including the Audit Partner and the Audit Manager, to be unsuitable for performing the service, the Service Provider shall remove such personnel from the Contract and replace them with members of staff approved by the Deputy Principal.
    1. **Reporting**
       1. The following reports are required for submission to the Audit Committee after consultations with the Deputy Principal
          1. An Annual Report providing an opinion on internal control in the College.
          2. A long-term audit strategy document supported by an audit needs assessment.
          3. An Annual Audit Plan.
          4. A full report for every assignment including grading of each recommendation to management. (Before work on an assignment begins a Terms of Reference summary will be agreed with Deputy Principal)
          5. A précis report for every assignment including grading of each material / fundamental recommendation to management.
          6. An annual report of Audit recommendations yet to be implemented.
       2. The Service Provider’s Audit Partner is accountable to the Principal / Deputy Principal and to the College Governing Body (through the Audit Committee) for the performance of the service. The Accounting Officer for the College is the Deputy Principal. Day-to-day management of the service operates through the office of the Deputy Principal, who must be kept informed of audit results and who monitors implementation of recommendations.
       3. The Deputy Principal is responsible for ensuring that the College responds appropriately to recommendations and commentary contained within all audit reports, and for the implementation of controls. Certain aspects may be delegated to the Head of Finance as appropriate. The Service Provider’s Audit Partner will keep the Deputy Principal informed of audit results and will draw to the attention of the Audit Committee significant findings and recommendations. This should include urgent, verbal reports if appropriate, on areas of serious concerns.
       4. The Service Provider will normally produce audit reports within one month of completion of each audit giving an opinion on the area reviewed and making recommendations where appropriate. Such reports will be copied to the Deputy Principal. The latter will be required to respond to each audit report within one month of issue, stating their proposed action with a timescale for implementing agreed recommendations. Material recommendations will be followed up within six months of an audit report. In addition, the Deputy Principal will monitor the implementation of audit recommendations by management.
    2. **Internal Audit Plans**
17. The work of the Service Provider must be planned at each level of operation. The Service Provider’s Audit Partner must prepare plans to carry out the Service Provider’s responsibility for approval by the Audit Committee.
    * 1. Audit plans must be based on a comprehensive understanding of City College Plymouth activities and the way it operates. Operations of high risk and any known problem areas must be clearly identified and the emphasis of the audit plan directed accordingly. The work of the Service Provider must follow a systems-based approach and include an analysis under the assessment of audit needs. This will enable the Audit Committee to judge the effect of any decision they make regarding audit scope or resources.
      2. The needs assessment must include:
         1. Identifying all areas of work by systems and sub-systems.
         2. Determining the way in which systems will be grouped for audit purposes.
         3. Seeking senior management’s views as to which areas for particular factors must be considered high risk.
         4. Assessing vulnerability of each area of work.
         5. Determining the period over which all systems will be audited.
         6. Allocating review frequency to audits.
         7. Estimating the resources required to meet audit needs.
      3. The audit needs assessment must be subject to continual updating and must be completely re-assessed towards the end of one full cycle of coverage.
      4. Audit plans must be based on the priorities indicated in the audit needs assessment and the actual resources available.
      5. Audit plans must be detailed in days and the Service Provider will be required to report actual days incurred against the plan, accompanied by a full justification of any variances.
      6. There must be a long-term strategic audit plan and this must cover a period of four years. This must set out the areas to be covered and their review frequencies, allow for easy extraction of annual plans and be reconciled with available resources. The long-term audit plans must be capable of operating on a roll-forward basis. However, it must be reviewed at least annually. The long-term audit plans will be approved annually by the Audit Committee.
      7. A short-term audit plan must be easily translated from the strategic plan into audits to be carried out in the coming year. This must define the scope and purpose of individual audits and allocate resources. The annual audit plan will be approved by the Audit Committee.
      8. Annual audit work should be planned so as to provide a reasonable even flow of finalised audit reports to Audit Committee meetings across the year.
      9. Actual performance must be regularly monitored against the plan so that it can be revised as necessary. This will be set before the Audit Committee for review.
      10. In addition, every audit must include objectives, resources, locations, timetables, methods, procedures, supervision, reporting and other relevant factors within the audit work plan. It is important to reflect adequate skills and qualifications of staff in this process.

**3.8 Method of Commissioning the Service**

Following appointment, the Internal Audit Service Provider will consult with Deputy Principal and other Senior Officers and then prepare draft documents for:

1. A needs assessment and long-term audit strategy
2. An Annual Audit Plan.

The Audit Committee at its next scheduled meeting will consider these documents. The programme of audit assignments will commence shortly thereafter.

* 1. **Other Services**

Prospective Service Providers re invited to indicate within the questionnaire the general areas in which they can provide additional services. The range and relevance of such services available will be a factor in the tender evaluation.