

Annex 2 (Specification)

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SPECIFICATION

Provision of Local Audit Qualification to Support Local Audits.

1. Introduction

This specification covers a 6-month contract to fund a supplier to design and develop the roll out of the training qualification / Diploma that will target widening the pool of auditors and give them the required qualification, bridging the gap between corporate / general audit and local audit qualification, equipping them to conduct local government audits.

The qualification / diploma will also allow more senior auditors to become Key Audit Partners (KAPs). This scheme is intended to act as a supplement to the technical skills and expertise of the local audit market and is expected to build capability as well as increase capacity, particularly among new market audit firm entrants. In doing this, we anticipate more resilience in the market by attracting more firms into the local audit market.

In addition to the roll out of the course, the tenderer will also be needed to successfully negotiate with the sector self-funding arrangements to support the qualification going forward. Currently this is envisaged candidates self-funding their attendance to attain the qualification or their firms putting candidates forward, and funding each auditor being placed on the course.

2. Background

Sir Tony Redmond was commissioned by this department in July 2019 to undertake an [independent review](#) into the arrangements in place to support the transparency and quality of local authority financial reporting and external audit. This was in response to the worsening delays in the audit system, which have since exacerbated.

Redmond's recommendations covered improvements in local audit quality, capacity and capability, transparency, timeliness and sustainability of local audit, and signalled a need for clear system leadership across the local audit system.

The Government published two responses to this in December 2020 and May 2021, which cover all the recommendations. The Government also published a package of measures in December 2021 to prioritise improving timeliness and stabilise the market.

The Government also announced that it will create the Audit, Reporting and Governance Authority (ARGA) in statute - a new regulator to replace the Financial Reporting Council (FRC). On its creation ARGA will be the system leader for local audit, with FRC assuming this role in the interim, as shadow system leader. In this role the Financial Reporting Council's (FRC) is progressing work on a Local Audit Workforce Strategy, which is looking at medium to long term measures for increasing competition and boosting supply in the

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local audit workforce. In the meantime, there is a need in the shorter term to address the gap in auditor supply.

It is crucial that local authority financial spend and associated systems are given the appropriate levels of scrutiny and comply with duties that ensure public money is spent appropriately. There are more than 500 local authorities and local bodies that need local auditors. The December 2020 response to Sir Tony Redmond's Review, [Local Authority Financial Reporting and External Audit Independent Review](#) discussed how a ready availability of skilled and appropriately trained auditors is crucial to ensuring both the long-term sustainability of the local audit market, and good quality, timely audit. The local audit market is currently dependent on a few big suppliers but more needs to be done to encourage other firms into the market to help ensure long-term sustainability, which also includes increasing competition.

The department recognises that larger audit firms active in the local audit market may have more means to train their staff than new entrants to the market but we have heard that these firms too experience an extensive period for Registered Individuals (RIs) / senior, qualified auditors becoming Key Audit Partners (KAPs) despite years of experience working in the public sector. To become a KAP, an individual must:

- Hold an appropriate qualification
- Meet relevant eligibility criteria
- Be nominated by their audit firm

There is currently a shortage in supply of Key Audit Partners, who are responsible for signing off on audits. There are just under 100 in the country with only 75 of these working in local audit. The FRC last year published guidance signposting alternative routes to becoming Key Audit Partners to help boost capacity including the prospective qualification. This qualification will provide a key alternative route to boost the numbers of Key Audit Partners in the first instance. It provides an alternative and quicker route for senior and qualified auditors rapidly becoming versed in public sector audit.

The PSAA ran its procurement campaign last year to engage auditors for local bodies opted into its scheme and the contracts for the 2023/24 to 2027/28 appointing period have launched. This course is intended to support that process.

Currently, the key public sector modules are scattered in varied public sector course content. This qualification aims to bring together the relevant public sector components covering areas like the legal, regulatory, and quality control environment; differences between this sector and other public and private sector entities; the financial reporting framework and how auditing standards apply to local audit and the audit framework, into a single focused qualification achieved to equip qualified and senior auditors in local government skills and experience, along with providing a key route into becoming a Key Audit Partner.

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CIPFA continues to deliver its professional public finance accountancy qualifications, but currently these do not include a targeted local audit qualification as is being proposed with this requirement.

3. Scope

Qualification / course delivery

The Department is seeking a supplier that will deliver the local audit qualification for qualified and senior auditors to increase their experience and skills in the local audit sector.

Course content for the local audit qualification may cover areas such as (not exhaustive or confirmed):

- the legal, regulatory, quality control environment and reporting requirements within which public sector audits are conducted, including differences in regulatory regimes and different types of public sector bodies
- assessments / evaluations made against the financial reporting framework and auditing standards and the audit framework,
- the reporting requirements for local audit.
- the complexity of contemporary local government finance and investment structures, and group consolidation
- understanding local government governance structures, ie audit committees vs scrutiny and the role of local government statutory officers
- understanding the local political environment
- understanding the nuances of communicating with local government councillors, practitioners and finance officers
- the independent role of the auditor
- promotion of the public sector ethos and importance of local audit to local accountability and transparency

Course tutors selected will also need to be versed / qualified in the above areas.

The supplier shall be responsible for developing the course content in consultation with the sector to ensure this is fit for purpose. The supplier will also need to identify a value for money and effective platform from which to host the course and supporting systems, including administrative processes. We envisage this to be part digital part tutor led but the Supplier will determine the most effective channel for this demonstrating the best the value for money option.

The course will need to be endorsed by key expert organisations and recognised by the Registered Supervisory Bodies (RSBs). This will rely on the supplier having key relationships in the local audit system to ensure a relevant, recognised and compliant qualification that culminates in a respected diploma.

The course will need to be adaptable to a changing policy landscape and measures to address challenges within the sector. The course will need to be compliant with any such changes that happen within the local audit framework.

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The current quantum of course placements is not known definitively but we have undertaken some light testing of the market and we are aiming for the course to target a capacity range between 15 – 20 placements. Costs for the launch therefore should cover development of the course and the first cohort of candidates. The course should include an assessment component that will provide a recognised diploma.

The supplier shall ensure it has the confidence of expert training organisations like Chartered Institute for Public Finance and Accountancy (CIPFA) and Institute of Chartered Accountants in England and Wales (ICAEW) and the regulatory and oversight body, the Financial Reporting Council (FRC).

The supplier shall establish an agile plan for delivery that:

- is successful within a fluid situation to ensure the design of the course responds to an evolving local audit framework and system, and performing effectively whilst complementing training forums and networks, ie CIPFA, the National Audit Office, etc
- enables the course to respond to scaling up and down course capacity as demand dictates
- Includes developing an appropriate platform on which the course webinar will be hosted, will involve systems that interface with candidates and tutors, and which retain an appropriate candidate log and related administrative systems
- clearly demonstrate the ability to source, recruit and maintain the pool of specialist technical tutors or teaching experts.
- The supplier should be able to show clear plans for, or have readily available, recruitment and contracting systems and processes in place to do this.

The scope of this contract covers:

- The development of the course content, ie modules, components that comprise an overall professional qualification, which attains a diploma on its completion
- Recruitment of necessary specialised staff as needed, for developing / providing the webinar platform and the tutor/s delivering the course
- The work to determine costings and options for future self-funding arrangements and coming up with a recommended, practical option for decision
- Marketing activity to maximise, accessibility, availability and success of the course
- Testing of the operational delivery of the course
- Review points with the Department, and
- Any agreed supporting activity contributing to evaluating the scheme once operational, such as data collection on, for example:
 - number of auditors gaining qualification
 - number of senior auditors qualifying to KAPs status
 - monitoring candidate professional movements post course completion

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The supplier will be expected to discharge the following (though not limited to) anticipated operations:

- refining design of course and relevant materials
- build platform for delivery
- source and recruit tutors
- engagement with firms and marketing course availability, ensuring access to the local audit profession by all person with a range of protected characteristics
- refinement and testing of course with the sector
- schedule timings / availability of course for sector
- enrolment of auditor candidates
- launch the qualification

run course

- **Evaluating, reporting, changes to contract and invoicing**

The supplier will arrange to maintain regular contact with the contract manager at DLUHC and attend monthly review meetings to assess the progress of project delivery. These meetings will inform on any issues arising and agree resolutions that may be needed. They will also be used to review costs incurred from the contract and review value for money. The supplier shall report on costs incurred from the monthly period setting out supporting information for that period's spend. The supplier shall also be prepared at the launch of the contract to agree metrics for the contract that will be used to assess delivery. This should also include data gathering to measure candidate satisfaction that the course met their requirements.

Where there are any changes anticipated in the contract, the supplier must alert the Department at the earliest juncture to discuss the need for the change, assess any impacts and agree a suitable direction. Similarly, the Department will notify the supplier of any changes that arise and impacts will be assessed and appropriate action agreed. Such changes could derive from current or temporary reforms to local audit - for example, impact on the course content, such as a removal of an audit requirement.

The supplier will use the monthly contact sessions with the contract manager to demonstrate how it will manage and monitor continued development and improvement in the course it is delivering. One of the key areas of importance raised by stakeholders is the need to maintain quality in local audit. The supplier will need to show how it will achieve assurance in the quality of the material and teaching it will deliver.

Data Collection

In order to measure the realisation of benefits, the supplier shall demonstrate a component of work that will gather data on its cohort numbers, number of qualifications achieved, and onward movements of the cohort.

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- Represent the sector in dealing with Government and other stakeholders

The supplier is required to set out how they would represent the sector when engaging on matters relating to the roll out of the qualification and to ensure an ethos of continuous improvement. Given the importance of the work in delivering the Department's objectives, the supplier should set out how they would best work with DLUHC as the contract manager and, where needed, other relevant stakeholders in the system.

This may include other DLUHC policy teams and the FRC to ensure the outputs of the contract support and complement FRC's objectives and policies in its shadow system leader role when it transitions along with the objectives of the Workforce Strategy. There will also need for regard for future changes in the system that the course should be compliant with, ie any changes to the Code of Audit Practice or CIPFA's Code of Practice on Local Authority Accounting.

The successful supplier shall also be expected to have strong links and maintain engagement with the sector, such as audit firms, to ensure the course it is delivering is and remains fit for purpose.

The successful supplier will be required to maintain a comprehensive overview of the developments both in the local audit framework and the sector through regular engagement and ensure any relevant changes are applied as necessary to the course. the supplier will be required to outline how they will achieve an continuous relevant course.

- Ongoing funding for Course sustainability

The Department will not be able to fund the course beyond this contract. The supplier will have to demonstrate how it will negotiate ongoing funding and sustainability for the local audit qualification in consultation with the sector. To this end, the supplier will need to demonstrate how it has scoped out anticipated costs for the service and options with a clear recommendation for ongoing self-funding arrangements. This recommendation should also be supported by the sector.

The supplier shall deliver the following deliverables for this requirement over the duration of the contract, ie between August 2023 – March 2024:

Delivery Plan	Date
Agree local audit qualification pricing model and scope with the sector	August 2023
Local audit qualification recruitment or building of team / systems / administrative processes / quality assurance procedure in place	September 23
Design the Course	October 2023
Local audit qualification self-funding option agreed	October 2023
Local audit qualification course – course / system testing	November 2023

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Local audit qualification teaching platform in place and marketing delivered	December 2023
Local audit qualification course in place	December 2023
Course delivered for first cohort of auditor students	January - March 2024
Final Evaluation Report	March 2024

4. Objectives

The over-arching objective of this new contract is to support capability of local audit firms by delivering a top up qualification that:

- Supports getting timely audits back on track by increasing the pool of auditors, and Key Audit Partners
- Increases capability
- Increases resilience in the sector
- Increases competition in the market
- Improves / standardises quality in the audit system and audits

Outputs and KPIs for the proposed new contract may include but are not limited to:

Qualification outputs

- **Output:** course content is designed in collaboration with the sector and material confirmed as relevant and optimal for a fully recognised local audit diploma.
 - **KPI:** course content finalised and agreed by October 2023
- **Output:** The contractor will provide periodic reporting to DLUHC which evaluates progress of the course and its users' and users' feedback, as well as how the course has helped progress auditors to participate in the local audit arena professionally
 - **KPI:** 85% satisfaction rate of completion of course (to be negotiated and agreed at the project inception meeting)
- **Output:** The contractor will provide recommendations on future self-funding options that will demonstrate onward viability for the course. This will be a piece of work considered and informed through engagement with the local audit sector.
 - **KPI:** clear appraised recommendation identifying a plan for future self-funding is presented to the Department by October 2023.
- **Output:** the course is ready with systems tested and refined to allow for a smooth launch of the course

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<p>➤ KPI: course launched with the first cohort (ranging between 15 and 20 auditor candidates) identified to attend the start of the course by January 2023</p>
<p>5. Payment</p> <p>The contractor will be paid monthly in arrears and will be required to provide contract review updates as part of their monthly reporting to be scrutinised by the Contract Manager before an invoice is approved and paid. This method of payment has been chosen to ensure that public money is continually being spent as per the terms of the contract, achieving best value for money and throughout the contract's period.</p>
<p>6. Contract Management Arrangements</p> <p>The contract will be managed by a dedicated Contract Manager, [REDACTED], reporting as necessary to the Senior Reporting Officer, [REDACTED], within the Local Government Policy Directorate in DLUHC.</p> <p>The Contract Manager will regularly engage with a named contact within the contracted supplier, through monthly review meetings, and discuss monthly progress against contract requirements and deliverables, as identified, along with invoices. Further to this, the contractor will engage with the contract manager before the end of the first year of operation to confirm the ongoing funding plans for continued sustainability of the Service.</p>
<p>7. End of contract</p> <p>The contract will expire on 31 March 2024.</p> <p>The supplier will be required to provide DLUHC with an agreed end of contract timetable and exit plan within one month of starting the contract and this will be implemented in accordance with agreed timelines. It is agreed the end of contract arrangements will include the following:</p> <p>If long term funding is not secured to continue the qualification post the end of the contract, one months prior to the end of the contract date the contractor will provide in writing a list of physical and technical resources used to administer the contract, in addition to contract materials including learning products, blogs, videos, case studies, toolkits, publications. This must be transferred to DLUHC using encrypted processes or other secure process as agreed with DLUHC. Any data or personal information held by the contractor is required to be destroyed and the supplier should take all reasonable steps to ensure the safe and secure destruction of both electronic and paper records.</p> <p>One month prior to the end of contract a summary document submitted by the contractor showing completed closure and transition services of all services with any outstanding invoices must be submitted to DLUHC.</p>