

**INVITATION TO TENDER (ITT) FOR:**  
The Provision of Internal Audit Services

**On behalf of:**  
Saffron Housing Trust Ltd

**CONTRACT PERIOD**

1 April 2017 to 31 March 2020 with an option to extend for two further 12 months



Saffron Housing Trust Ltd,  
Saffron Barn,  
Swan Lane,  
Long Stratton,  
Norwich,  
Norfolk,  
NR15 2XP

DATE: 13<sup>th</sup> January 2017

Dear Tenderer

#### INVITATION TO TENDER (ITT) For Internal Audit Services

1. Your organisation along with others is invited to offer a tender for provision of the above, to the specification outlined in the attached documents. Enclosed are:

Annex 1 – Instructions and Information on the Tendering Procedures

Annex 2 – Statement of Requirements

Annex 3 – Tender Evaluation Criteria

Annex 4 – Tender Questions and Responses

Annex 5 – Pricing Schedule

Annex 6 – Form of Tender

Please read the instructions on the tendering procedures carefully. Failure to comply with them may invalidate your tender which must be returned by the date and time given below using the address label provided.

2. If your tender is being returned via e-mail it must be sent to:  
[tenders@saffronhousing.co.uk](mailto:tenders@saffronhousing.co.uk) **no later than 17.00 hours on the 10<sup>th</sup> February 2017.**  
Late tenders **will not** be considered.
3. If having read the enclosed specification you decide not to submit a tender, I would be grateful if you could send your reasons (though you are under no obligation to do so) to [supplychain@saffronhousing.co.uk](mailto:supplychain@saffronhousing.co.uk) with the subject heading marked '**No Tender Internal Audit**'.
4. Please contact [tenders@saffronhousing.co.uk](mailto:tenders@saffronhousing.co.uk) if you have any questions about the tendering procedure. The subject heading of your email should be '**Clarification & Questions – Internal Audit Tender**'.  
The enclosed annexes also contain details for providing you with further information or clarification of Saffron Housing Trust's requirements. Some will need to be completed and returned.

We look forward to your response.

Yours sincerely

Saffron Housing Trust.

**INSTRUCTION AND INFORMATION ON TENDERING PROCEDURES**

- 1.1 Please read through these instructions carefully. Failure to comply with any of the requirements set out in this ITT may result in the rejection of your whole tender the grounds of non-compliance.
- 1.2 These instructions are designed to ensure that all tenders are given equal and fair consideration. Therefore, It is important that you provide all the information asked for in the format and order specified. Please refer to 1.19 for details on how to contact us if you have any doubts as to what is required, if you have difficulty in providing the information requested or if you have any questions or wish to clarify a point. Pre-tender negotiations are **not** allowed.
- 1.3 The tendering timetable is as follows:

PQQ and Invitation To Tender Issue	13 <sup>th</sup> January 2017
PQQ and Tender Return	10 <sup>th</sup> February 2017
Selections of firms for Presentation	13 <sup>th</sup> - 24 <sup>th</sup> February 2017
Invitation of firms for Presentation	27 <sup>th</sup> February 2017
Presentation Day	13 <sup>th</sup> March 2017
Audit Committee Ratification of Selection Panel Decision	28 <sup>th</sup> March 2017
Board Approval	20 <sup>th</sup> April 2017
Start Date of Contract	1 <sup>st</sup> May 2017
Mobilisation Period	1 <sup>st</sup> May – late June / early July 2017
First Internal Audit Strategic and Annual Plan to Audit Committee	Later June / Early July 2017

- 1.4 On reaching a decision in respect of the contract award, Saffron Housing Trust will notify all potential providers of the decision and operate a standstill period of at least 10 calendar days. The contract award notification will be sent to all tenderers who submit a tender
- 1.5 Saffron Housing Trust will inform all unsuccessful tenderers of the identity and relative advantages and characteristics of the successful tender as compared with addressee's tender.

**Contract Period**

- 1.6 The contract period is to be for a period of 1<sup>st</sup> April 2017 to 1<sup>st</sup> March 2020 with an option to extend for two further 12 month periods, subject to status and performance.

**Incomplete Tenders**

- 1.7 Tenders may be rejected if the information asked for in the ITT and specification is not given at the time of tendering.

## Returning Tenders

- 1.8 By “tender” we mean the following documents that form part of your bid:
- The document and signed PQQ, issued separately to this ITT, Questionnaire (including the financial documentation that you need to provide for section 5 and your organisation structure chart, if relevant).
  - Annex 4 – Tender Questions and Responses
  - Annex 5 – Pricing Schedule
  - Copy of your proposed audit report (Q12)
  - Copy of your proposed Letter of Engagement (Q13)
  - Copy of your Data Security Plan (Q15)
  - Annex 6 – Form of Tender - signed
- 1.9 Completed tenders should be submitted as a single MS Word format document or PDF document, with all ancillary documents attached, by email to: [tenders@saffronhousing.co.uk](mailto:tenders@saffronhousing.co.uk) with subject heading ‘**Internal Audit Tender Return**’.
- 1.10 Emails must be no more than 5MB and should otherwise be split into numbered parts (for example by separating and cross referencing any large embedded document(s) or alternatively should be zipped).
- 1.11 The deadline for receipt of the completed tenders is **17.00 on 10<sup>th</sup> February 2017**. Failure to provide a complete response on or before this deadline will result in the exclusion of your tender.
- 1.12 Tenders will be received up to the time and date stated. Saffron Housing Trust **will not** consider or accept responses submitted after the deadline. IT problems within your own system will not be grounds for a late submission. It is the responsibility of the tenderer to ensure that their tender is received by Saffron Housing Trust no later than the deadline documented.
- 1.13 You must provide all of the information requested in this ITT and structure your response in accordance with the questions and using the forms provided. Where a question is not relevant to you, this should be indicated with an explanation. The word and page limits should be respected and responses must be provided in English.
- 1.14 You should also ensure that your response to each question is only documented in the answer to that question; Saffron Housing Trust will not look for extra information in the answers to other questions.
- 1.15 Tenderers shall promptly notify Saffron Housing Trust of any errors, omissions or details contained within the documentation which precludes them from tendering for this service.
- 1.16 Saffron Housing Trust reserves the right to reject any tender which it considers incomplete or which does not provide all requested information.

## Receipt of Tenders

- 1.17 Tenders will be received up to the time and date stated. Those received before the due date will be retained unopened until the tendering opening day.
- 1.18 Tenders will be formally opened on the 13<sup>th</sup> February 2017 and logged in accordance with Saffron Housing Trust’s procurement processes. The tenders will undergo a compliance check to ensure that all of the information requested has been received. Further checks will

be made to ensure that all of the instructions have been complied with and Saffron Housing Trust may disqualify a tenderer who:

- Alters any documentation in the ITT;
- Gives a response to any question that is incorrect or incomplete;
- Fails to comply with any of these instructions;
- Includes in any response a material misrepresentation; and/or
- Fails to provide a complete response by stated deadlines.

### **Acceptance of Tenders and Contract Award**

- 1.19 By issuing this invitation, Saffron Housing Trust is not bound in any way and does not have to accept any tender.
- 1.20 Saffron Housing Trust and the successful Internal Audit Provider, the 'Contractor', will be the parties to the Contract, which will constitute, as a minimum, the Statement of Requirements, the completed Pricing Schedule, the signed Form of Tender, the signed Letter of Engagement and the signed Terms and Conditions in addition to any other document referred to in the Contract Award Letter.
- 1.21 Saffron Housing Trust will form the legally binding Contract by accepting the successful tender and detailing all the documentation forming the Contract in the Contract Award Letter. The successful External Audit Provider will be required to acknowledge receipt of the Contract Award Letter and that the Contract has been entered into as set out in the Contract Award Letter. The agreed Letter of Engagement and Saffron Housing Trust's Terms of Conditions will also be required to be signed.

### **Clarifications and Questions**

- 1.22 Questions or clarifications regarding this ITT should be submitted by email to [tenders@saffronhousing.co.uk](mailto:tenders@saffronhousing.co.uk) with the subject heading '**Clarifications & Questions – Internal Audit Tender**'. No Approach in connection with this ITT should be made via any other route.
- 1.23 The deadline for requesting clarifications or asking questions is **Friday 27<sup>th</sup> January 2017**.
- 1.24 With regards to questions or requests for clarification, both the question and response will be anonymously communicated via email to all tenderers who requested the tender documents. Clarifications/amendments to the requirements of this ITT will be communicated via email.
- 1.25 Questions will be answered via email to the tenderers by **Friday 3<sup>rd</sup> February 2017** at the latest. Tenderers are encouraged to ask any questions as early as possible.
- 1.26 It is not appropriate to contact any employee of Saffron Housing Trust to obtain information about this ITT other than by making use of the above generic e-mail address. To attempt to do so other than by this service may affect the integrity of the process and cause your submission not to be evaluated.

### **Inducements**

- 1.27 Offering an inducement of any kind in relation to obtaining this or any other contract with Saffron Housing Trust will disqualify your tender and may render you blocked from our supply chain, we may also seek legal advice on our findings so as to make this information public.

## **Confidentiality of Tenders**

- 1.28 Please note the following requirements, you must not:
- Try to obtain any information about anyone else's tender or proposed tender before the time limit for delivery of tenders.
  - Disclose, copy, reproduce, distribute or pass any information about this tender on to another person at any time except for the purpose of enabling a response to be made.
  - Make any arrangements with another organisation about whether or not they should tender.
- 1.29 Failure to adhere to these conditions will lead to disqualification of your tender and may affect future tenders.

## **Consortia and Sub contracting**

- 1.30 If a consortium or sub-contracting approach is proposed where provision and information are shared, all information requested should be given in respect of the proposed prime contractor or consortium leader. Relevant information should also be provided in respect of consortium members or sub-contractors who will play a significant role in the delivery of the service. Responses must enable Saffron Housing Trust to assess the overall proposed.
- 1.31 Saffron Housing Trust recognises that arrangements in relation to the proportion of any contract awarded that the Potential Provider proposes to subcontract.

## **Cost and Expenses**

- 1.32 You will not be entitled to claim from Saffron Housing Trust any costs or expenses which you may incur in preparing and/or submitting your tender whether the tender is successful or not.

## **Additional Information**

- 1.33 No information contained in this ITT or in any communication made between Saffron Housing Trust and any Potential Provider in connection with this ITT shall be relied upon as constituting a contract, agreement or representation that any contract shall be offered. Saffron Housing Trust reserves the right to change without notice the basis of, or procedures for, the tendering process or to terminate the process at any time. Under no circumstances shall Saffron Housing Trust incur any liability in respect of this ITT or any supporting documentation.
- 1.34 Any tenderer who directly/indirectly canvasses any officer, member, employee or agent of Saffron Housing Trust concerning this process, or who directly/indirectly obtains or attempts to obtain information from any stated in this document, other than by following procedure set out in this ITT regarding questions or clarifications will be disqualified.
- 1.35 Tenderers may be excluded from this ITT where:
- Their response to the ITT is submitted late, completed incorrectly or incomplete;
  - There is any material misrepresentation in their response to the ITT and/or the process;  
or
  - There is a change in identity, control, financial standing or other factors impacting on the selection and/or evaluation process affecting the tenderer.
- 1.36 Saffron Housing Trust reserves the right to:
- Cancel this procurement process at any time;

- Not to appoint any Potential Provider; and
- Amend the terms and conditions of the ITT at any time.

1.37 The tenderer must/may be excluded at any stage during the selection and evaluation process, under the evaluation scoring matrix set out below.

#### **Debriefing**

1.38 Following the award of contract, debriefing will be available to unsuccessful tenderers on request.

#### **Purchasing Strategy**

1.39 Saffron Housing Trust purchasing strategy is designed to promote fair and open competition, and constructive co-operation between Saffron Housing Trust and suppliers.

#### **Data Security Standards**

1.40 For contracts/frameworks which require the holding or processing of either personal data and/or restricted data, the successful provider will need to assure Saffron Housing Trust that they have a risk adverse system in place. Failure to operate this could lead to legal action.

#### **Conclusions**

1.41 Whilst every endeavour has been made to give tenderers an accurate description of Saffron Housing Trust's requirements, tenderers should make their own assessment about the methods and resources needed to meet those requirements but this must be done within the guidelines set out in this ITT.

**1. TENDER EVALUATION CRITERIA**

1.1 The aim of the evaluation is to select the most appropriate tender for Saffron Housing Trust’s requirements, which offers value for money and ensures that tenderers have met the requirements detailed in the Statement of Requirements, **Annex 3**. The evaluation will be based on a Quality : Price ratio of 65:35.

Scoring of Quality Evaluation

1.2 The evaluation of quality will be based on five areas. Each area has a total score value, as detailed in the table below, and comprises up to three questions. Each question will be scored and a mark allocated up to the maximum score indicated for each question as detailed in **Annex 4**, ‘Tender Questions and Responses’. A word and / or page limit for each question(s) is also detailed in **Annex 4**, ‘Tender Questions and Responses’, which tenderers must adhere to.

<b>EVALUATION MATRIX</b>				
	<b>Weighting</b>	<b>Award Criteria</b>	<b>Sub-weighting</b>	<b>Question</b>
<b>TENDER RETURN</b>				
Price	35%		105 marks	<b>Annex 5</b>
Quality	65%		195 marks	
Total	100%		300 marks	
		Team Structure, Management and Continuity	45 marks	Q1 – Q3
		Housing, Internal Audit and Specialist Expertise	45 marks	Q4 – Q5
		Audit Approach	55 marks	Q6 – Q9
		Quality Assurance	35 marks	Q10
		Social Value	15 marks	Q11
		Template Audit Report	Information Only	Q12
		Proposed Letter of Engagement	Information Only	Q13
		Data Security	Information Only	Q14 – Q15
<b>PRESENTATION, Q&amp;A SESSION AND REFERENCES</b>				
		Total Available	50 marks	

- 1.3 Scores for each question will be awarded on the following basis by each member of the Selection Panel as detailed in the table below.

Performance	Judgement	Scoring Available
Meets the standard almost / completely	Excellent	100%
Meets the standard well but not completely	Good	75%
Meets the standard in majority of aspects but fails in some	Satisfactory	50%
Fails to meet the standards in majority of aspects but meets in some	Unsatisfactory	40%
Significantly fails to meet the standard	Poor	20%
Completely fails to meet the standard	Failed	0%

- 1.4 The Selection Panel will comprise members of the Audit Committee including the Chair of the Audit Committee and the Director of Finance.
- 1.5 Once each Selection Panel Member has scored all the questions, Selection Panel Members will review their scores together and where scores differ for each question, reach a consensus as to the final score for each question and the total score for each of the five areas.
- 1.6 A final total score for quality will then be calculated for each tenderer by casting the total scores for each of the five areas.

#### Scoring of Price Evaluation

- 1.7 Price will be assessed on the daily rates for each staff category detailed in the table at **2.3 of Annex 5** (50% weighting) and the total price for a 50-day contract as detailed in the table at **2.5 of Annex 5** (50% weighting). The two weighted marks will be added together to derive a total score for each tenderer.
- 1.8 Both price requirements, as detailed in **Annex 5**, will be scored as follows:

Lowest price	105 marks
2 <sup>nd</sup> lowest	90 marks
3 <sup>rd</sup> lowest	75 marks
4 <sup>th</sup> lowest	60 marks
5 <sup>th</sup> lowest	45 marks
Between 5 <sup>th</sup> lowest and highest	30 marks
Highest	15 marks

### Consolidation of quality and price evaluation

- 1.9 The total scores for quality and price for each tenderer will then be added together and divided by the total marks available for both quality and price, to derive a total percentage score for each tenderer and an associated ranking.
- 1.10 The three highest ranking tenderers from the Tender Return Stage will be invited to the Presentation and Q&A Session. References will be taken up following this session.
- 1.11 Instructions for the Presentation will be issued at invitation. The Presentation and Q&A Session will run for a total of 45-60 minutes. The time allowed for the presentation will be 15 minutes.
- 1.12 Proposed contract staff (Partner, Head of Internal Audit, Internal Audit Manager) must be available to attend the Presentation and Q&A Session.
- 1.13 The total marks available for the Presentation, Q&A Session and references is 50.
- 1.14 The total marks for the Presentation, Q&A Session and references will be added to the tenderers total mark for the Tender Return Stage and tenderers will then be ranked to derive an overall winner.

## **STATEMENT OF REQUIREMENTS**

The Statement of Requirements details the scope of our requirements together with background detail about Saffron Housing Trust.

### **1. INTRODUCTION**

- 1.1 Saffron Housing Trust is seeking tenders from internal audit providers with experience of internal audit in the housing sector.
- 1.2 The internal audit contract will be for a period of three years, from 1st April 2017, with an option to extend for two further twelve month periods where both parties to the contract agree to do so.

### **2. INVITATION TO SUBMIT PROPOSALS**

- 2.1 You are invited to submit a proposal to provide an Internal Audit Service for Saffron Housing Trust from 1 April 2017.
- 2.2 It is anticipated that other services may also be required from time to time in relation to the provision of consultancy and advice.

### **3. BACKGROUND**

- 3.1 The Saffron Housing Trust Group is made up of the following bodies:
  - Saffron Housing Trust Ltd
  - Crocus Contractors Ltd
  - Saffron Housing Finance PLC

#### **Saffron Housing Trust**

- 3.2 Saffron Housing Trust is the parent company of the Saffron Housing Trust Group based in Long Stratton, Norfolk, operating in four counties within the Eastern Region, managing assets of £140m and delivering housing services to residents of over 5900 homes. Saffron Housing Trust was established in 2004 when 4,300 properties were transferred from South Norfolk Council. The company has an annual turnover of £29.5 million (2015/16) and employs 200 people.
- 3.3 Saffron Housing Trust is a dynamic and successful housing association that finds and implements innovative solutions and aims to provide the optimum level of service to its customers.
- 3.4 Saffron Housing Trust has an ambitious development programme and has increased its stock profile by over 1,000 homes since 2011 and has a growth rate of 5% per annum. (5.1% in 2015/16). As a leader in the development of new affordable homes in East Anglia, Saffron Housing Trust is close to realising its ambitious plans to increase its stock to over 6,000 and continues to look for new opportunities.
- 3.5 Saffron Housing Trust is a business with charitable aims, where the surplus from our activities is reinvested back into the business to develop new homes and improve services, and an exempt charity registered with the Financial Conduct Authority (FCA) as a 'Registered Society'.

## **Crocus Contractors Ltd**

- 3.6 Crocus Contractors Ltd is a wholly owned subsidiary company of Saffron Housing Trust Group, focused on increasing the Group's value and furthering its objectives. In particular, Crocus builds quality homes for sale and for rent that provide a financial and commercial return. Crocus also exploits the expertise within the Saffron Housing Trust Group in the pursuit of commercial opportunities that benefit local communities in their area of operation.

## **Saffron Housing Finance PLC**

- 3.7 Saffron Housing Finance PLC is also a wholly owned subsidiary of the Saffron Housing Trust Group and its principal activity is to issue bonds on behalf of the Saffron Housing Trust Group. Saffron Housing Finance PLC successfully raised a £125 million bond of which £75 million was issued on 9 July 2013 with £50 million paid at that date and a further £25 million paid on 9 July 2014. In September 2014, the £50 million retained bond was sold. The bond has a final maturity of 2048 and a fixed interest rate of 4.641%.

## **Strategic Priorities**

- 3.8 Saffron Housing Trust's strategic priorities are:
- Build Relationships and Partnerships with key Stakeholders
  - Improve all channels of Communication both internally and externally
  - Ambition to develop and build more homes and increase Saffron's Stock Profile
  - Raise the profile of Saffron
  - Look after existing stock
  - Deliver social responsibility
  - Support / Nurture Tenants

## **Position in sector re performance**

- 3.9 Saffron Housing Trust performs well financially compared to the sector, Saffron Housing Trust has an operating margin of 45.66% (2015/16) which is in the top 5% of all Housing Associations and the highest in Moody's rated portfolio.
- 3.10 Saffron Housing Trust has an ambitious development programme with a growth rate of 5.1% (2015/16) compared to a sector average of 1.1%. In 2015/16 Saffron Housing Trust delivered the second highest rate of new homes relative to the size of the organisation. Saffron Housing Trust currently has 691 new developments in the pipeline which is over 11% of the current stock profile.
- 3.11 Saffron Housing Trust continues to perform better the sector average for Housing Management areas such as lettings, tenancy management, rent arrears and collection. However Saffron Housing Trust performs below the sector average in handling ASB cases.
- 3.12 Saffron Housing Trust performs below average in responsive repairs despite the repairs costs per property being the lowest in the sector (£463.70 in 2014/15). The average number of days taken for Saffron Housing Trust to complete a repair is 14.3 days compared to a sector average of 8.9 days (2015/16). Despite low performance in responsive repairs, performance is better than the sector in major works and cyclical maintenance. Saffron Housing Trust conducted a Total Property Management (TPM) survey on 97% of properties, therefore Saffron Housing Trust understands the quality of all assets and anticipated cycle for major repairs.
- 3.13 Customer Satisfaction was higher compared to the sector average in 2015/16 and was in the top quartile for five out of the 6 satisfaction indicators. Despite this, performance in 2016/17 has dipped particularly in repairs where satisfaction has dropped from 85.1% (March 2016) to 78.7% (November 2016). To mitigate this drop in satisfaction a dedicated contact centre has been introduced to improve communication with tenants which was highlighted as the main factor for decreasing satisfaction.

- 3.14 Crocus Contractors Ltd is a growing subsidiary of the Saffron Housing Trust Group who are currently building their first open market homes in a 36 homes development. Crocus Contractors Ltd continue to perform well financially and made a net profit of £364k in 2015/16.

### **Finance and relationship with lenders and LSE**

- 3.15 Saffron Housing Trust borrows money to fund social housing property developments and the loans consist of bank loans of £40m on an interest only repayment basis and a bond issue of £125m which amortises over the last 10 years of its life from 2038. The £40m bank loan is due for repayment in 2030 and the final instalment of the bond in 2048. All borrowing is on a fixed rate basis.
- 3.16 Saffron Housing Trust's long term issuer rating issued by Moody's is A2. 'Summary rating rationale - This reflects its very strong operating performance, as evidenced by an operating margin which continues to be among the highest in Moody's rated portfolio, strong interest coverage and stable cash flows, and sustained focus on low-risk social housing lettings. The rating also takes into account Saffron Housing Trust's relatively small size, ambitious growth strategy, and relatively high level of indebtedness.' (Moody's Credit Opinion dated 7th December 2016)

### **Local political relationships**

- 3.17 Saffron Housing Trust maintains good local political relationships by partnership working, support and communication. Saffron Housing Trust has good working relationships with:
- South Norfolk Council
  - Local MP's
  - District Councils
  - County Councils
  - Community Stakeholders
  - Police
  - NHS
- 3.18 Saffron Housing Trust were recently involved in a new £18.9m care village in partnership between NorseCare, the Homes and Communities Agency, Norwich City Council and Norfolk County Council.

### **Customers and shareholders**

- 3.19 Saffron Housing Trust has approximately 7,460 customers within 5,900 properties. Saffron Housing Trust is a customer focused Housing Association and has its own Customer Advisory Panel (CAP) made up of 25 CAP Members who are all Saffron Housing Trust tenants. CAP works closely with the Board and the employees to ensure that the customer perspective on decisions is considered and that they can review information and participate in the decision-making process. CAP review and provide feedback on all services that Saffron Housing Trust provide, CAP also review and recommend Saffron Housing Trust development schemes, reports and policies and procedures prior to Board approval. Saffron Housing Trust has worked hard to increase the level of participation of tenants to gather more insight. A recent CapChat initiative is an e-communication tool that currently has over 400 active participants, this provides valuable tenant feedback. CAP also has three Members on the Saffron Housing Trust Board.
- 3.20 Saffron Housing Trust has 46 Shareholders, 31 of whom are Saffron Housing Trust tenants, Saffron Housing Trust have certain rights granted to them by law and by the Rules of Saffron Housing Trust. The rights granted currently include: -
- To receive notice of and attend general meetings of Saffron Housing Trust;
  - To vote in person at such meetings in accordance with the Rules of Saffron Housing Trust; and

- To receive the latest accounts and annual report.
- 3.21 Saffron Housing Trust seeks to strengthen its relationship with stakeholders and has introduced quarterly meetings with Shareholders starting in January 2017.
- Regulation**
- 3.22 As a registered provider of social housing, Saffron Housing Trust is regulated by the Home and Community Agency (HCA).
- 3.23 The regulatory framework for social housing in England, from the 1st April 2015, is made up of:
- Regulatory requirements – what registered providers need to comply with;
  - Codes of practice – a code of practice can amplify any economic standard to assist registered providers in understanding how compliance might be achieved; and
  - Regulatory guidance – this provides further explanatory information on the regulatory requirements and includes how the regulator will carry out its role of regulating the requirements.
- 3.24 The regulatory standards for social housing in England are at the core of the regulatory framework requirements. Each standard sets out required outcomes and specific expectations of registered providers.
- 3.25 The HCA's role is to proactively regulate the three standards which are classified as 'economic'. These are
- The Governance and Financial Viability Standard;
  - The Value for Money Standard; and
  - The Rent Standard.
- 3.26 The HCA has issued one code of practice which amplifies the Governance and Financial Viability Standard.
- 3.27 The remaining four standards are classified as 'consumer'. These are:
- The Tenant Involvement and Empowerment Standard;
  - The Home Standard;
  - The Tenancy Standard; and
  - The Neighbourhood and Community Standard.
- 3.28 For the consumer standards, the HCA's role is reactive in response to referrals or other information received. Their role is limited to intervening where failure to meet the standards has caused or could have caused serious harm to tenants.
- 3.29 Where the HCA conclude this, they publish a regulatory notice.
- 3.30 The HCA take a co-regulatory approach which means that boards who govern providers' service delivery are responsible for ensuring their organisation is meeting the standards, and for being open and accountable in how their organisation meets its objectives. Co-regulation also requires providers to support tenants in the shaping and scrutinising of service delivery and in holding boards to account.
- 3.31 The HCA is risk-based in its regulatory approach and uses its sector risk analysis and assessments of registered providers with 1,000 or more social housing units to identify those it judges to be more complex and who consequently have an increased level of risk exposure. The sector risk profile is published annually and it can help registered providers to manage risks effectively.
- 3.32 The HCA must obtain sufficient assurance that the economic standards are being met by providers particularly the Governance and Financial Viability Standard. The HCA maintains regulatory judgements on performance against governance and financial viability.

## **Regulatory Judgement**

- 3.33 As a result of the publication of a regulatory judgement by the HCA on 28<sup>th</sup> September 2016, Saffron Housing Trust's governance status has been downgraded from G1 to G3. This reflects historical errors in the appointment of independent Board members dating from 2008 to 2015.
- 3.34 The Regulator said, 'Saffron Housing Trust does not currently meet all the requirements on governance set out in the Governance and Financial Viability standard. The material now available to the regulator reveals that Saffron Housing Trust has failed to comply with its code of governance, failed to manage its affairs with an appropriate degree of skill, diligence, prudence and foresight and failed to be accountable to the regulator and to other key stakeholders over an extended period.' (HCA Regulatory Judgement on Saffron Housing Trust Housing Trust September 2016)
- 3.35 Saffron Housing Trust is undertaking a thorough and independent review of its governance arrangements and is in the process of procuring consultants for this review, having agreed a specification for the work. The review is scheduled to commence in February 2017 and could take up to six months to be fully completed.
- 3.36 The Regulator's assessment of Saffron Housing Trust's compliance with the financial viability element of the Governance and Financial Viability Standard is unchanged.

## **4 OUR REQUIREMENTS**

- 4.1 The role of internal audit is to provide independent assurance that an organisation's risk management, governance and internal control processes are operating effectively.
- 4.2 Saffron Housing Trust is seeking an internal audit provider who can support us in achieving our strategic priorities, within the context of the HCA's regulatory framework, by providing an independent, objective assurance and consulting activity, that adds value and helps us improve our operations and delivery.
- 4.3 Saffron Housing Trust's risk maturity was assessed as 'risk aware' in late 2016 by the current Internal Auditors; therefore, Saffron Housing Trust will require advice and guidance on its risk management system, to enable Saffron Housing Trust to progress to 'risk managed' and then 'risk 'enabled'.
- 4.4 In addition, advice and guidance will also be required on the development of a Board Assurance Framework (BAF).
- 4.5 Therefore, Saffron Housing Trust is seeking an internal audit provider who can work with them to develop:
- An enterprise wide risk management approach, embedded and integrated into everything that Saffron Housing Trust does; and
  - A BAF that recognises, reflects and encourages an integrated approach to assurance, drawing in the full range of assurance components beyond the traditional external and internal audit core services.
- 4.6 The Internal Audit Provider will be responsible for conducting an independent appraisal of the full range of the Saffron Housing Trust's activities, services and operations, including those of its subsidiaries, and be responsible for providing assurance to Saffron Housing Trust's Board, via the Audit Committee.
- 4.7 In addition, the Internal Audit Provider will be responsible for ensuring that the scope of their work is sufficient to provide the assurances required and informing the Audit Committee of the risks to which Saffron Housing Trust may be exposed to, if the scope or coverage is limited in any way.

- 4.8 Where limitations are imposed on scopes by management or the Executive, the Internal Audit Provider will be responsible for reporting this immediately to the Audit Committee.
- 4.9 The Internal Audit Provider may be asked to conduct special investigations or reviews by the Audit Committee or Board, or fraud related work or investigations.
- 4.10 Annually, the Internal Audit Provider will be required to provide an opinion and report that can be used by Saffron Housing Trust in its governance statement, on the adequacy and effectiveness of Saffron Housing Trust's framework for risk management, governance and internal control.
- 4.11 The internal Audit Provider will be required to develop a three-year strategic and annual risk-based plan. Noting Saffron Housing Trust's current risk maturity level, the Internal Audit Provider will be required to use their own judgement of risk, after consideration of input from the Executive Team and the Audit Committee and be required to review and adjust the resulting plan in response to changes in Saffron Housing Trust's business, risks, operations, programmes, systems and controls. The Plan must consider the requirement to provide an annual opinion. Any work and opinion on governance must take account of external review of governance being undertaken.
- 4.12 The Plan must be developed in consultation with the Executive and the Audit Committee as well as drawing on the provider's expertise and knowledge of the sector, and over time Saffron Housing Trust itself.
- 4.13 The Internal Audit Provider will be required to prepare and present an Internal Audit Charter for review and approval by the Audit Committee at the beginning of the contract. This will set out the purpose, responsibilities, position authority, reporting lines and scope of the internal audit service.

## **5 AUDIT PERSONNEL**

- 5.1 The Internal Audit Provider's team should be professionally qualified to the levels detailed below as a minimum and have experience of providing an internal audit service to other housing clients for example, a Housing Trust like Saffron Housing Trust or a Housing Association.
- 5.2 Partner / Head of Internal Audit (HIA) – CMIIA (Chartered Member of the Institute of Internal Auditors) and the QIAL (Qualification in Internal Audit Leadership). Studying towards the QIAL is acceptable and must be / have been an HIA for housing clients.
- 5.3 Internal Audit Manager – CMIIA and must be / have been a Manager for housing clients.
- 5.4 Senior Internal Auditor – PIIA / Certified Internal Auditor (CIA). Experience of carrying out audits at housing clients is essential.
- 5.5 Internal Auditor – studying to achieve CIA status. Experience of carrying out audits at housing clients is desirable.

## **6 ACCESS**

- 6.1 The Internal Audit Provider has rights of access to all Saffron Housing Trust's records, information and assets which it considers necessary to fulfil its responsibilities. The Head of the Internal Audit Service has a right of direct access to the Chair of the Board, the Chair of the Audit Committee and the Chief Executive Officer. The Internal Audit Provider will agree to comply with any requests from the External Auditor for access to any information, files or working papers.

## **7 REPORTING AND MEETINGS**

- 7.1 The Internal Audit Provider will report functionally to the Audit Committee and operationally to the Director of Finance who will act as the liaison point for all audits.
- 7.2 The Internal Audit Provider should report any serious weaknesses in internal control systems, significant fraud, or major accounting control breakdown discovered during the normal course of audit work to the Director of Finance, Chief Executive Officer and the Chair of the Audit Committee.
- 7.3 If the Internal Audit Provider is aware that the matter reported has not been reported to the Audit Committee, then the Internal Audit Provider is expected to report to the matter to the Audit Committee directly.
- 7.4 The escalation process for any matters not satisfactorily resolved by the Audit Sponsor during audit work is firstly the Director of Finance, secondly the Chief Executive Officer, and then the Chair of the Audit Committee and finally the Chair of the Board.
- 7.5 The Internal Audit Provider will provide the following reports and plans to the Audit Committee:
- Annual report.
  - Final reports on audit work completed detailing audit findings, risks and recommendations on an exception basis. Work should be planned and completed so that the Audit Committee receives several final reports at every meeting. Draft reports are not accepted by the Audit Committee unless the Committee requests to see one.
  - Progress Report, the content of which will be agreed with the chosen provider.
  - Three-Year Internal Audit Strategic and Annual Plan.
  - Final reports on specific or special reviews as required.
  - Any other reports deemed appropriate by the internal audit provider and the Chair of the Audit Committee.
- 7.6 The Audit Committee meets a minimum of four times per year, normally in September, December, March and June. The appointed Head of Internal Audit for Saffron Housing Trust from the Internal Audit Provider will be expected to attend every meeting, which will be additional to the days required for audit.
- 7.7 Audit reports should be appropriately graded with an assurance level and should set out the findings and recommendations arising and include an opinion on the adequacy and effectiveness of the system of internal control reviewed. Recommendations should also be appropriately graded.
- 7.8 Draft reports should be issued within 15 working days following the last day of fieldwork which is expected to be the last day on site and final reports within seven working days upon receipt of management responses.
- 7.9 Audit findings and proposed recommendations should be discussed with the audit sponsor at the end of fieldwork, prior to the issue of the draft report for factual accuracy, clarification and balance at the Feedback Meeting. The Feedback Meeting is expected to take place on the last day of fieldwork.
- 7.10 The Audit Sponsor will respond to audit recommendations once the draft report is received with the proposed action, time frame and the person responsible. The Director of Finance will assist in the timely turnaround of reports.
- 7.11 The Internal Audit Provider will be required to follow up recommendations to ensure that appropriate remedial action has been or will be taken within an acceptable timeframe. The outcome of this follow up should be reported to the Audit Committee in a separate report. The Internal Audit Provider should include days within the plan for follow up work.

7.12 The Internal Audit Provider must produce an annual report on the work undertaken during the audit year which will be Saffron Housing Trust's financial year, 1<sup>st</sup> April to 31<sup>st</sup> March. The annual report must detail the opinion, summarise the work that supports the opinion, and include a statement on conformance with Public Sector Internal Audit Standards (PSIAS) and the results of the provider's Quality Assurance and Improvement Programme (QIAP).

## **8 INDEPENDENCE**

8.1 Independence enables internal auditors to carry out their work in an impartial and unbiased manner. Recognition of the independence of the Internal Audit Provider is fundamental to its effectiveness. In considering the work to be undertaken the following key points must be considered:

- Internal auditors must avoid any official, professional and personal relationships or interests which might cause them to limit the extent or nature of their audit.
- If specific investigations are required, they should not significantly compromise the achievement of the audit plan unless approved by the Audit Committee.
- The Internal Audit Provider should not have any management responsibilities other than for internal audit.

## **9 WORK STANDARDS**

9.1 All audit work should be completed with due professional care in accordance with the requirements of the internal auditing professional body, the Chartered Institute of Internal Auditors (CIIA) and in accordance with the PSIAS.

9.2 The Internal Audit Provider should implement measures to monitor the effectiveness of the service and compliance with the PSIAS. A statement on conformance with the PSIAS will be required to be included in the annual report to the Audit Committee.

## **10 CONTRACT MANAGEMENT AND MONITORING**

10.1 The contract will be performed in line with the agreed Strategic and Annual Internal Audit and Audit Plan and the Internal Audit Charter.

10.2 The Internal Audit Provider's performance will be monitored and assessed against an agreed set of performance indicators. The performance indicators will be agreed at the commencement of the contract.

10.3 The contract will be monitored by the Audit Committee. Any variations required to the contract must be agreed in writing with Audit Committee.

10.4 The Internal Audit Provider will be required to attend an annual contract review meeting, where performance against the agreed performance indicators will be discussed.

10.5 The roles and responsibilities of the Internal Audit Provider will be detailed in the Internal Audit Charter which will be prepared by the Internal Audit Provider and presented to the Audit Committee for review and approval at the beginning of the contract.

10.6 In the event of failure by the Internal Audit Provider to meet the agreed performance levels, both Saffron Housing Trust and the Internal Audit Provider shall meet and discuss areas of concern on formal basis and decide how the problems may be resolved.

10.7 In the event of continuing failure or an unsatisfactory resolution by the Internal Audit Provider, Saffron Housing Trust shall be entitled to terminate the contract. Saffron Housing Trust agrees to give the Internal Audit Provider three-months written notice should it intend to no longer make use of the Internal Audit Provider's services. Saffron

Housing Trust will automatically review the other unsuccessful bidders in the first instance.

## **11 RELATIONSHIP WITH EXTERNAL AUDITORS AND OTHER CONSULTANTS**

- 11.1 The Internal Audit Provider is required to liaise and work with the external auditors, the consultants completing the external governance review and any other consultants completing reviews for Saffron Housing Trust during the contract as required and necessary during their work to enhance the level of service provided and avoid duplication of effort.

## **12 CONFIDENTIALITY**

- 12.1 All information obtained during audit work and all reports prepared shall be treated as confidential and remain the property of the Saffron Housing Trust. Any such information or report shall not be divulged to any other party without the express approval in writing of either the Chief Executive Officer or the Board.

**TENDER QUESTIONS AND RESPONSES**

In completing responses, tenderers should particularly bear in mind the State of Requirements, both the background detail about Saffron Housing Trust and our requirements in Annex 3.

Tenderers must not submit any other information with their answers. Only the responses to the evaluation questions will be scored by the Selection Panel.

<b>Team Structure, Management and Continuity</b>	
Q1	<p>Please details your proposed audit team for Saffron Housing Trust.</p> <p>Your response should include:</p> <ul style="list-style-type: none"> <li>a) A team organisational chart, showing the reporting lines and start date of employment for each team member; (Answer not to exceed one side of A4 paper)</li> <li>b) The key role and responsibilities of each team member; (Answer not to exceed two sides of A4 paper).</li> <li>c) The CVs of the Partner, the Head of Internal Audit, the Internal Audit Manager, the Senior Internal Auditor (or equivalent titles in your organisation) and any other senior staff you would intend to assign to Saffron Housing Trust. CV details should include: professional and educational qualifications, employment details, professional memberships, the number of clients managed (housing and other) for Manager level and above and the details of any relevant voluntary work undertaken such as non-executive or trustee roles (Each CV must not exceed one side of A4 paper); and</li> <li>d) Details of how the proposed team will benefit Saffron Housing Trust currently and in moving towards a compliant governance position.</li> </ul> <p>(Max words – 700)</p> <p>Total marks – 30</p>
A1	[Please enter response to Q1 here]
Q2	<p>Please detail your approach to:</p> <ul style="list-style-type: none"> <li>a) Managing the proposed team to ensure a high standard of service is always provided; and</li> <li>b) How you will manage the Internal Audit Service contract with Saffron Housing Trust.</li> </ul> <p>Total marks – 10</p> <p>Max words for both a) and b) – 500</p>
A2	[Please enter response to Q2 here]
Q3	<p>Please detail how you will manage continuity for example, in the event of planned and unplanned absences such as sickness, annual leave and resignations.</p> <p>Total marks – 5</p> <p>Max words – 300</p>
A3	[Please enter response to Q3 here]

<b>Housing, Internal Audit and Specialist Expertise</b>	
Q4	<p>Please detail your structure, size and capacity of your firm to undertake the work specified and the relevant experience of your firm within the housing sector and in completing internal audit.</p> <p>Your response should include:</p> <ul style="list-style-type: none"> <li>a) A list of the housing organisations where you provide / have provided internal audit services in the last five years. The list should include the name of organisation, the start date of contract, the end date of contract if applicable and the length of contract;</li> <li>b) The specific details of your internal audit experience;</li> <li>c) Your capacity to fulfil the contract; and</li> <li>d) Details of how your experience will benefit Saffron Housing Trust currently and in moving towards a compliant governance position.</li> </ul> <p>Total marks – 30 Max words for b), c) and d) – 750</p>
A4	(Please enter response to Q4 here]
Q5	<ul style="list-style-type: none"> <li>a) Please provide details of any specialist expertise and other relevant services within your firm (for example, taxation, IT systems or value for money audits) which you could be provided to Saffron Housing Trust.</li> <li>b) Please indicate if any you provide any services free of charge for example, update in changes to Standards.</li> <li>c) Identify one specific example of expertise or a service which would be of value to Saffron Housing Trust in its current situation and explain why it would be of value.</li> </ul> <p>Total marks – 15 Max words – 650</p>
A5	[Please enter response to Q5 here]
<b>Audit Approach</b>	
Q6	<ul style="list-style-type: none"> <li>a) Please detail the approach you will be proposing to take in preparing your first Internal Audit Plan for Saffron Housing Trust.</li> </ul> <p>Your response should include the specific activities, meetings, document review, timescales and the team members involved as well as a consideration of Saffron Housing Trust’s current risk maturity and non-compliant governance position.</p> <ul style="list-style-type: none"> <li>b) Please detail how you propose to help Saffron Housing Trust move from its current risk maturity rating of ‘risk aware’ to ‘risk defined’ as part of your first year’s work.</li> </ul> <p>Total marks – 40 Max words – 1000</p>
A6	[Please enter response to Q6 here]

Q7	<p>Please detail how you will identify the need for changes to the Internal Audit Plan in year and how these will be communicated to the Executive Team and the Audit Committee.</p> <p>Total marks – 5</p> <p>Max words - 300</p>
A7	[Please enter response to Q7 here]
Q8	<p>Please detail your approach to liaising with for example, the External Auditors, other assurance services and internal management reviews and checks and how they will be of service to you in delivering an Internal Audit Service to Saffron Housing Trust and providing an integrated approach to assurance.</p> <p>Total marks – 5</p> <p>Max words – 300</p>
A8	[Please enter response to Q8 here]
Q9	<p>Please detail the process you will be using to identify any potential overruns with internal audit work, how these will be communicated and how you will seek to resolve them.</p> <p>Total marks – 5</p> <p>Max words – 300</p>
A9	[Please enter response to Q9 here]
<b>Quality Assurance</b>	
Q10	<p>Please provide details of your Quality Assurance and Improvement Programme.</p> <p>Your response should cover:</p> <ul style="list-style-type: none"> <li>a) The ongoing monitoring of the performance of the internal audit activity: the day to day supervision and the review of internal audit activity that is built into your policies and procedures.</li> <li>b) The periodic self-assessment to assess conformance with the International Professional Practices Framework (IPPF) that includes the Definition of Internal Auditing, the Code of Ethics and the International Standards and the results of your latest self-assessment; and</li> <li>c) The external assessments of conformance to the IPPF once every five years by a qualified, independent assessor or assessment team from outside your firm.</li> <li>d) Please provide your latest FULL external quality assessment report showing your level of conformity with the Standards.</li> </ul> <p>Total marks – 35</p> <p>Max words for a), b) and c) – 850</p>
A10	[Please enter response to Q10 here]

<b>Social Value</b>	
Q11	<p>Please indicate how you may seek to add to our wider social objectives, such as in enhancing local employment or community capacity.</p> <p>Total marks – 15</p> <p>Max words – 500</p>
A11	[Please enter response to Q11 here]
<b>Information only</b>	
Q12	Please provide a copy of the <b>audit report</b> you are proposing to use for Saffron Housing Trust.
A12	[Please include as an attachment in the email of your tender submission]
Q13	Please provide a copy of your proposed <b>Letter of Engagement</b> .
A13	[Please include as an attachment in the email of your tender submission]
<b>Data Security – Information only</b>	
Q14	<p>Has your organisation had any breaches to their data in the last 5 years?</p> <p>If yes, what was the breach, how did it happen, how did you become aware of the breach, was the breach reported to the ICO and did the ICO pose any sanctions on you and what steps were taken to ensure the breach would not happen again?</p>
A14	[Please enter response to Q14 here]
Q15	<p>Please provide a copy of your Data Security Plan.</p> <p>The Data Security Plan sets out the proportionate security measures to be implemented and maintained by bidders in relation to all aspects of the contract. Bidders are required to provide evidence that they have in place sufficiently robust security measures and procedures at all times to meet the requirements of the contract and comply with Data Protection Legislation.</p> <p>Provision of your Data Security Plan is mandatory and failure to submit a valid plan will cause your tender to be considered incomplete.</p>
A15	[Please include as an attachment in the email of your tender submission]

**PRICING SCHEDULE**

**1. PRICES**

1.1 Prices are to be given in £ Sterling, excluding VAT.

**2. SPECIFIC REQUIREMENTS AND COSTINGS FOR TENDER**

2.1 Please indicate below your daily rates for each staff category and work stream shown in the table below. Daily rates should be exclusive of VAT but be inclusive of materials, overheads, profit and travel and subsistence.

2.2 If you employ blended daily rates for internal audit work, then please detail the same daily rate for each staff category.

2.3 If you do not employ blended daily rates, for the purposes of evaluation we will calculate an average daily rate from the daily rates provided for each staff category.

<b>Service</b>	<b>Partner</b>	<b>Head of Internal Audit</b>	<b>Internal Audit Manager</b>	<b>Senior Internal Auditor</b>	<b>Internal Auditor</b>	<b>Trainee Internal Auditor</b>
	£	£	£	£	£	£
Internal Audit						

2.4 In the table below, please indicate, for an Internal Audit Plan of 50 days in total (covering finance, risk management, governance and other housing areas), the split of staff time in days, the staff member daily rate and total cost and the overall total cost for a 50 day contract. Daily rates should be exclusive of VAT but be inclusive of materials, overheads, profit and travel and subsistence.

2.5 If you employ blended daily rates, then please detail the same daily rate for each staff category.

<b>Staff Category</b>	<b>Time spent on a 50-day contract (days)</b>	<b>Daily rate (£)</b>	<b>Total Cost (£)</b>
Partner			
Head of Internal Audit			
Internal Audit Manager			
Senior Internal Auditor			
Internal Auditor			
Trainee Internal Auditor			
Other (please specify)			
<b>Total Cost</b>			

**3. OTHER CHARGES**

3.1 Please detail below any other charges which may be made to the Saffron Housing Trust under the Contract.

Charge	Daily rate (£) Excl VAT

**4. ADDITIONAL SERVICES**

5.1 Please detail in the table below the daily rate each service detailed, for each category of staff. Daily rates should be exclusive of VAT but be inclusive of materials, overheads, profit and travel and subsistence. Please add in any other services which may be available to Saffron Housing Trust under the Contract.

Service	Category of Staff	Daily Rate (£)
Advisory / Consultancy Work		
Special Reviews		
Fraud Investigations		
Other (please specify)		

**2. DISCOUNTS AND REBATES**

6.1 Please give below details of any discounts or rebates which may apply to the above prices:

Prompt Payment Discount	_____ %	For payment within ___ days of invoice
Other Discount/Rebates Please List		

**3. INVOICING AND PAYMENT VARIATION IN CHARGES**

7.1 Charges will remain fixed for the duration of the engagement except for an annual CPI percentage increase subject to a satisfactory performance review. See 7.4 below for further details.

7.2 The Internal Audit Provider will be required to submit invoices on completion of work done, for work completed to the satisfaction of Saffron Housing Trust Housing Trust Ltd in accordance with the Terms & Conditions. Value Added Tax (VAT), where applicable, shall be shown separately on all invoices as a strictly net extra charge. Each invoice shall be uniquely identified and shall specify the following minimum information:

- Order number (where relevant);

- Contract title & reference number;
- Deliverable details;
- Charges and total due including a deduction for any applicable discounts; and
- Total value excluding VAT

7.3 Payment will be made within 30 days of receipt of a valid invoice.

7.4 Tenderers must note that:

- The daily rates / hourly rates may be increased by the CPI percentage in March each year subject to the outcome of the annual contract review meeting, where performance against the agreed performance indicators will be discussed as detailed in Annex 3.
- Discounts are fixed for the duration of the engagement from the Commencement Date.
- All charges must be shown exclusive of VAT but be inclusive of materials, overheads, profit and travel and subsistence.
- All day rates will be based on 7 hours and 30 minutes working days, exclusive of lunch breaks.

**FORM OF TENDER**

(\* DELETE AS APPROPRIATE)

\*I/We the undersigned do hereby contract and agree on the acceptance of the tender by Saffron Housing Trust, to provide the Statement of Requirements in accordance with the Annexes, and, where ordered by the Contract, delivery of the Contract and at the Charges [and discounts] entered in the Pricing Schedule and in accordance with the Terms & Conditions.

\*I / We agree to abide by this tender from **10<sup>th</sup> February 2017** the date fixed for receiving tenders, until the award of the Contract.

\*I / We understand that Saffron Housing Trust is not bound to accept the lowest or any tender.

Signature:	
Name:	<b>(BLOCK CAPITALS)</b>
Designation:	

Duly authorised to sign Tenders for and on behalf of:

Name of Tenderer:	
Nature of Firm:	
Address:	
Telephone No:	
E-mail:	
Date:	

It must be clearly shown whether the Tenderer is a limited liability company, statutory corporation, partnership, or single individual trading under his own name.