**Appendix E – Service Requirements**

1. **The External Audit Service- overview to requirement**
   1. City College Plymouth is legally subject to External Audit. The College is expected to follow the Statement of Recommended Practice (SORP) on Accounting for Further and Higher Education, and the Accounts Direction issued annually by the Skills Funding Agency. The 2007 SORP introduced a requirement for an operating and financial review, and institutions are encouraged to use this as an opportunity to demonstrate their effectiveness, accountability and performance. From financial year 2019/20, the external auditor is also required to provide assurance to the Office for Students (OFS) on the use of OFS funding income.
   2. The primary role of the External Audit Service Provider is to report on the financial statements of the College and its group subsidiaries and to carry out whatever examination of the statements, and their underlying records and control systems, is necessary to reach their opinion on the statements. The External Audit Service Provider reports should also state whether, in all material respects, recurrent and specific grants from the relevant Funding Agencies (The Skills Funding Agency/ Education Funding Agency), Office for Students (OFS) (and other bodies and restricted funds where appropriate) have been properly applied for the purposes provided, and in accordance with the College’s Financial Memorandum with the agencies; in other words, that the conditions of grant have been met.
   3. The external auditor is required to conduct the audit in accordance with International Standards on Auditing (UK) (ISAs UK) and applicable law.
   4. City College Plymouth will require the External Audit Service Provider to undertake the formal tasks of External Auditors, whereupon they will report on whether, in their opinion:

* Give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Group’s and of the College’s affairs as at 31 July 2020 and of the Group’s surplus of income over expenditure for the year then ended;
* Have been properly prepared in accordance with the United Kingdom Generally Accepted Accounting Practice; and
* Have been properly prepared in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education.
  1. The External Audit Service provider will be required to provide a statutory opinion on the financial statements of the College Group, including the college subsidiary Achievement Training Ltd (ATL), College Entity, as well as the Teachers’ Pension Return (TR17A), annual Sub contract certification as well as ad hoc grant claims, as listed below.
  2. As part of the annual audit, the External Audit Service provider will be required to report whether, in its opinion, the use of the ‘Going Concern’ basis for preparation of the accounts is valid and to undertake such checks as are required to substantiate this opinion.
  3. The External Audit Service Provider will be expected to use relevant Internal Audit Reports, both to avoid duplication of effort and to ensure that there is a coordinated approach. Whilst the External Audit Service Provider task is different, there is considerable common ground. The External Audit Service Provider will be required to take a holistic view of the financial statements and carefully weigh the meaning of the words being used to ensure clarity and validity.
  4. Where appropriate, the External Audit Service Provider shall liaise with the Internal Audit Service Providers staff on matters of work planning, individual Audits and any other matters. This will be primarily to enable the External Audit Service Provider to place reliance on the Internal Audit Service Provider work performed and to ensure that no duplication of effort occurs but it may also, on occasion, extend to participating in joint projects.
  5. The Internal Audit Service Provider will be expected to make all records, reports, documents and any other information related to the undertaking of this Agreement available to the External Audit Service Provider immediately on demand. The Internal Audit Provider shall give the External Audit Service Provider every assistance in identifying and locating such records and information. As soon as practicable after making any records, reports, documents or other information available to the External Audit Service Provider, the Internal Audit Service Provider shall inform the College of the records etc. made available to the External Audit Service Provider.
  6. The External Audit Service Provider must ensure that in addition to the requirements of International Standards on Auditing (UK or Ireland), that auditors satisfy themselves that the College has provided all necessary evidence to confirm any possible significant adjustments to past or future grants from the funding agencies or OFS funding streams.
  7. The External Audit Service Provider shall issue a report to those charged with governance within City College Plymouth – normally referred to as a management letter or Audit Completion Report– which highlights accounting issues and control deficiencies arising from the External Audit. This is to allow the College management to provide written responses to any recommendations made or issues raised. The Joint Code is not prescriptive about the format or title of a management letter, but it should reveal what observations have been made about the internal control system and how management has responded.
  8. This would include where economies could be made or where resources could be used more effectively, together with advice on improvement. These matters will include:
* Weaknesses in the structure of accounting systems and internal controls
* Deficiencies in the operation of accounting systems and internal controls
* Inappropriate accounting practices and internal regulations
  + Non-compliance with legislation, accounting standards or other relevant regulations
* Benchmarking the College’s financial performance against the sector average and the average for general Further Education colleges and providing a supporting commentary.
  1. The External Audit Service Provider will have the right to ask the Chair of Audit Committee of City College Plymouth to convene a meeting of the Audit Committee if necessary and have the right to attend Audit Committee meetings where relevant business is to be discussed.
  2. The External Audit Service Provider will be required to attend meetings of Audit Committee to which the Management Letter and Financial Statements are presented.
  3. The External Audit Service Provider may also be asked from time to time to provide additional services beyond the scope of the External Audit. These will be the subject of separate agreement. However, there is no obligation on City College Plymouth to utilise the services of the External Audit Service Provider for these additional services.
  4. The External Audit Service Provider may also be asked from time to time to attend any committee or any specific meeting of the College as required.

1. **Detailed Specifications of Requirements**

**2.1 Role and Responsibilities of External Auditors**

External audit is responsible for forming an independent opinion on the accounts and other financial statements which are to be laid before the Governing Body. Their report will state whether, in their opinion, the financial statements give a true and fair view of the financial position of the College of each year.

Formally the Audit Committee is responsible to the Governing Body of the College for the provision of an external audit service, however, for day-to-day issues, the Audit Committee delegates the co-ordination, direction and control of internal audit to the Chief Finance Officer (CFO). The External Auditors appointed will have direct access, as necessary, to the CFO, Principal as accounting officer and to the Chair of the Audit Committee.

**2.2 Audit Standards**

External Audit is conducted in accordance with published auditing standards and guidelines.

In arriving at their opinion, the External Auditors are required to consider the following matters and to report on any aspect on which they are not satisfied, namely whether:

* Proper records are being kept by the College.
* The financial statements are in agreement with the accounting records.
* They have obtained all the information and explanations they think are necessary for the purpose of audit.
* In all material respects monies expended out of all non-recurrent grants and other funds from whatever source administered by the College for specific purposes, have been properly applied to those purposes and, if appropriate, managed in compliance with any relevant legislation.

**2.3 Irregularities and Fraud**

The External Auditors will report any serious weaknesses, fraud, irregularities or breakdown in accounting controls which they come across in the normal course of their duties in writing to the CFO and the Chair of the Audit Committee without delay.

**2.4 Liaison and Reporting**

The main contact within the College will be the CFO through whom arrangements will be made for the conduct of the audit and with whom issues arising from the audit will be cleared. The External Auditors will also have a right of access to the, Principal, the Chair of the Audit Committee and the Chair of the Governing Body.

The audited accounts must be approved by The Governing Body and submitted to the Skills Funding Agency no later than 31 December following the year ended (i.e. accounts for the financial year to 31 July 2020 must be approved and submitted no later than 31 December 2020). However, it is normal practice for the accounts to be approved in advance of the agreed date by the College’s Finance Committee and Corporation and the College expects the External Auditors to meet this timetable. The External Auditors will report to The Governing Body via the Audit Committee by way of a management letter within the timescale agreed with the College and in accordance with the Joint Audit Code of Practice.

The management letter will report any significant matters arising from the audit which might lead to material errors or have an impact on future audits including, for example, where economies could be made or where resources could be used more effectively, together with advice on improvement. These matters will include:

* Weaknesses in the structure of accounting systems and internal controls
* Deficiencies in the operation of accounting systems and internal controls
* Inappropriate accounting practices and internal regulations
* Non-compliance with legislation, accounting standards or other relevant regulations
* Benchmarking financial performance against the sector averages

The External Auditors have the right to ask the Chair of Audit Committee to convene a meeting of the Audit Committee if necessary and have the right to attend Audit Committee meetings where relevant business is to be discussed.

The External Auditors may be required to attend meetings of Audit Committee to which the management letter and financial statements are presented.

**2.5 Audit Planning**

The external auditor is required to hold an annual audit planning meeting with the CFO in May each year to agree the audit approach and timescales for the forthcoming audit.

The External auditor is required to submit an annual audit planning report to the Audit Committee price to the commencement of the audit, normally to the June committee meeting.

Whilst it is expected that the auditor will be on site during the main audit, a remote audit can be accommodated.

The external auditor should provide details of the audit team to the CFO in advance of the audit.

**2.6 Access to Documentation**

The External Auditors will have right of access at all times to the books, accounts and supporting documentation of the College and to such information and explanations as thought necessary for the performance of their duties, including Internal Audit files and working papers.

All files and working papers prepared during the course of audits carried out by the successful applicant remain the property of the College and must be handed over to the College in the event of termination of the contract.

Day to day access to documentation during the course of the audit should be coordinated via the Head of Finance.

The External auditors will be required to submit to the Head of Finance a schedule of working paper requirements in advance of commencement of the audit to enable timely submission of information for initial audit review.

The external auditor is expected to provide a secure facility for upload of working papers and supporting documentation.

**2.7 Scope included within this tender**

The following audits are included within this tender opportunity:

* Annual statutory financial statement audit and audit opinion (October)
* Annual Teacher pension scheme (TPS) audit and issue of audit certificate and report (May)
* Annual sub contract audit and issue of audit certificate and report (July)
* Annual Appendix G Maths Centre of Excellence (MCE) audit certification and report (December)

**2.8 Additional Services**

The External Auditors may also be asked from time to time to provide additional services beyond the scope of the external audit and opportunities outlined in section 2.7+. These will be the subject of separate agreement. However, there is no obligation on the College to utilise the services of the External Auditors for these additional services.