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Appendix B – Statement of Requirements
REDACTED

V6.0 26/04/2017



1. PURPOSE

- 1.1 The Provider will be required to provide a comprehensive range of annual assurance services under the Internal Audit Contractor Framework (RM4167) **Lot 1 - Core Internal Audit Services**, including Advisory Services, on behalf of the Health Group Internal Audit Service (HGIAS), which is part of the Government Internal Audit Agency (GIAA).
- 1.2 The specific assurance services (for the purpose of this procurement) which the Provider will be providing on behalf of HGIAS are for the following Arm’s Length Bodies (ALBs):
 - 1.2.1 Care Quality Commission;
 - 1.2.2 Health Education England;
 - 1.2.3 NHS Improvement;
 - 1.2.4 NHS Blood and Transplant; and
 - 1.2.5 NHS Business Services Authority.

2. BACKGROUND TO THE CONTRACTING AUTHORITY

- 2.1 HGIAS is a part of the GIAA and currently delivers audit services for the Department of Health and several of its ALBs. The work undertaken by HGIAS provides independent assurance on risk management, internal control and governance. This service is delivered through an in-house team of civil servants and a co-source Contract which will expire at the end of March 2017. From the 1st April, the GIAA, as an executive agency of Her Majesty’s Treasury, shall perform the role of the Contracting Authority for this requirement on behalf of Her Majesty’s Treasury.

3. BACKGROUND TO REQUIREMENT/OVERVIEW OF REQUIREMENT

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

4. DEFINITIONS

Expression or Acronym	Definition
HGIAS	Health Group Internal Audit Service
GIAA	Government Internal Audit Agency
GCIA	Group Chief Internal Auditor
ALB	Arm’s Length Bodies
CQC	Care Quality Commission
HEE	Health Education England
NHSI	NHS Improvement
NHSBT	NHS Blood and Transplant
NHSBSA	NHS Business Services Authority



MHRA	The Medicines and Healthcare products Regulatory Agency
HIA	Head of Internal Audit
ARC	Audit & Risk Committee

5. SCOPE OF REQUIREMENT

- 5.1 The scope of the requirement for annual assurance services will be as defined under **Lot 1 - Core Internal Audit Services**, including Advisory Services of the GIAA framework. The Authority requires external expertise and flexible resource to assist in the delivery of HGIAS internal audit and related assurance and advisory services.
- 5.2 The duration of the requirement will be from 1st April 2017 and until the following dates for each ALB:
- 5.2.1 NHS BSA - 1 year from 1st April 2017 until 31st March 2018 with an option for 1 further year;
 - 5.2.2 CQC - 1 year from 1st April 2017 until 31st March 2018 with an option for 1 further year;
 - 5.2.3 NHSI - 1 year from 1st April 2017 until 31st March 2018;
 - 5.2.4 NHS B&T – 1 year from 1st April 2017 until 31st March 2018;
 - 5.2.5 HEE – 3 years from 1st April 2017 to 31st March 2020; and
 - 5.2.6 MHRA – A single audit review in 2017

6. THE REQUIREMENT

- 6.1 The objectives of the internal audit function (assurance services) provided to the ALBs listed in 1.2 will be:
- 6.1.1 To provide an independent assessment of the adequacy, efficiency, economy and effectiveness of operations and associated control environment;
 - 6.1.2 To assess and comment on value added in the delivery of strategy in relation to core deliverables;
 - 6.1.3 To fulfil the internal audit role by carrying out risk based audits in accordance with strategic and operational plans;
 - 6.1.4 To carry out the function in a cost effective manner;
 - 6.1.5 To ensure the function is secure in terms of data protection and confidentiality of information;
 - 6.1.6 To review, appraise and report on:
 - 6.1.6.2 the extent of compliance with, and the financial effect of, relevant established procedures;

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- 6.1.6.3 the adequacy and application of financial and other related management controls;
 - 6.1.6.4 the suitability of financial and other related management data; and
 - 6.1.6.5 the extent to which assets and interests are accounted for and safeguarded from loss of any kind.
- 6.2 The Provider will be required to provide the role of Head of Internal Audit (HIA) for the ALBs listed in 1.2, which will include delivery of the following (note: this list is not exhaustive):
- 6.2.1 the development of a risk based Internal Audit annual work plan;
 - 6.2.2 liaising and reporting to the Audit Committee;
 - 6.2.3 attendance at each Audit Committee meeting;
 - 6.2.4 direct access to Audit Committee Chair and Members;
 - 6.2.5 written progress reports against the audit work plan for each Audit Committee meeting;
 - 6.2.6 the production of the HIA Opinion and Annual Report;
 - 6.2.7 regular liaison with external audit (as/when required); and
 - 6.2.8 other HIA advice and guidance as requested by the ALB.
- 6.3 Furthermore, the Provider's applicants for the HIA role will be expected to:
- 6.3.1 work for the particular ALB and demonstrate impartiality (i.e. how they will not be conflicted with their firm);
 - 6.3.2 work within the existing health shared service environment, in particular, keeping the Group Chief Internal Auditor satisfied as to the consistency of their plans and the quality of their in-year and year end reviews and opinion; and
 - 6.3.3 comply with (reasonable) requests for data/information from the Group Chief Internal Auditor relating to draft and final versions of annual audit plans, in-year and year-end reviews and the annual opinion, and as otherwise required to comply with the HGIAS quality assurance process as set out in paragraph 13.2 below.
- 6.4 The Provider's HIA may be expected to use a mix of Provider and GIAA resource to deliver audit plans.
- 6.5 Person specific skill requirements for the HIA role are:
- 6.5.1 knowledge/experience to discharge the HIA role (as detailed in 6.2); and

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6.5.2 knowledge and/or experience of the regulator sector relating to each ALB will be beneficial.

6.6 The Contract will commence on 1st April 2017 and audit planning will be required immediately for audit delivery from April 2017 onwards (subject to agreement of an audit plan by the relevant Audit & Risk Committee (ARC)).

6.7 The actual number of audit days will be dependent on the annual audit budget (which is a matter for agreement between the ALB and the Department) and agreed audit plan (there will be no minimum Contract value). The audit plan will be initially agreed between the HIA and the Finance Director (or designated person) prior to, or around the start of, each financial year and approved by the ARC.

7. KEY MILESTONES

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

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

8. AUTHORITY'S RESPONSIBILITIES

8.1 HGIAS is responsible for the overarching delivery of the shared audit service under the direction of the Group Chief Internal Auditor (GCIA).

9. REPORTING

9.1 The Provider's HIAs for the ALBs listed in 1.2 will be expected to report to the GCHIA at the agreed requested intervals (e.g. progress reports in terms of delivery against the plan, Key Performance Information or as otherwise agreed).

9.2 The need may arise to provide additional ad hoc work and advice to the ALB. If this is the case, then this work will need to be cleared with the GCIA to ensure that there are no conflicts of interest and that the proposed work falls within the scope of the contract with the Authority.

10. VOLUMES

10.1 Background information in relation to the number of audits undertaken:



ALB	Number of audits undertaken in 2015/2016 and annual audit days delivered	Number of audits undertaken in 2014/2015 and annual audit days delivered
CQC	REDACTED audits (REDACTED annual audit days delivered)	REDACTED audits (REDACTED annual audit days delivered)
HEE	REDACTED audits (REDACTED annual audit days delivered)	REDACTED audits (REDACTED annual audit days delivered)
NHSI	REDACTED audits (REDACTED annual audit days delivered)	REDACTED audits (REDACTED annual audit days delivered)
NHSBT	REDACTED audits (REDACTED annual audit days delivered)	REDACTED audits (REDACTED annual audit days delivered)
NHSBSA	REDACTED audits (REDACTED annual audit days delivered)	REDACTED audits (REDACTED annual audit days delivered)

11. CONTINUOUS IMPROVEMENT

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

12. SUSTAINABILITY

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

13. QUALITY

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

14. PRICE

- 14.1 The pricing model will be as per the GIAA framework rate card and aligned to staff grades as per the Internal Audit Contractor Framework (RM4167) **Lot 1 - Core Internal Audit Services, including Advisory Services.**

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15. STAFF AND CUSTOMER SERVICE

- 15.1 The Authority requires the Provider to provide a sufficient level of resource throughout the duration of the Contract in order to consistently deliver a quality service.
- 15.2 Provider staff assigned to the Contract shall have the relevant qualifications and experience to deliver the audit services. Qualified internal auditors holding the Institute of Internal Auditors CMIIA qualification or CCAB (or a qualification accepted by the GIAA’s Contract Manager as equivalent to, or better than CMIIA/CCAB).
- 15.3 The Provider shall ensure that staff understand the Authority’s vision and objectives and will provide excellent customer service to the Authority throughout the duration of the Contract.

16. SERVICE LEVELS AND PERFORMANCE

- 16.1 The Authority will measure the quality of the Provider’s delivery by:

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

KPI/SLA	Service Area	KPI/SLA description	Target
#1	Quality of Service	The Provider shall consistently deliver a quality service to reasonable satisfaction of the Contracting Authority and the Client, measured by a Client Satisfaction Survey and follow up discussions with the Client by the Authority as necessary.	80% for each question of the Client Satisfaction Survey
#2	Value for Money	Deliver within agreed budgets	Agreed budget and agreed variations thereto.
#3	Timely Delivery	Deliver within agreed timescales	Agreed deadlines and variations thereto.
#4	Governance	Demonstrate impact on improved governance, risk management and/ or controls and delivery of the relevant public service	Impact on at least one of the three areas: Governance, and/ or Control management, linked to the relevant public service.
#5	Compliance	Compliance with GIAA and other audit services quality assurance requirements	100% compliance, unless agreed otherwise with



			contracting Authority.
#6	Client and specialism development	Demonstrate added value as agreed for each piece of work	Measured as agreed per piece of work

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

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

17. SECURITY REQUIREMENTS

17.1 As per GIAA Attachment 4b –Framework Schedule 2, section 3.

18. INTELLECTUAL PROPERTY RIGHTS (IPR)

18.1 All audit products (including working papers) produced during the course of the service provided to the ALBs listed in 1.2 will be owned by HGIAS. This will include any documents related to the audit methodology referenced at 13.1.

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

19. PAYMENT

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

19.2 The Provider will be expected to keep, and when required by the Authority, provide, supporting evidence (e.g. Time sheets, including appropriate narrative) for all personnel who undertake audit work relating to this contract. The Provider will be expected to submit monthly invoices for work completed during a period, up to and including the final completion of each audit review. It is not GIAA or HGIAS practice to bill only on completion of an audit review.

20. LOCATION

20.1 The location of the Services will be carried out as agreed with the ALBs listed in 1.2.