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| **The Home-Grown Cereals Authority Pension Plan** |
| Invitation for Quotation |
| **Audit Services**  Reference: 2017-241 |

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| HGCA Pension Plan  September 2017 |

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3. **Introduction**

The Home-Grown Cereals Authority (HGCA) Pension Plan is undertaking a quotation process for its audit services and this document outlines information on the Pension Plan, the employer and the process. The contract is with the HGCA Pension Plan and will take effect so that that the provider can undertake the audit for the financial year ending 31 March 2018.

1. **Information on the Employer - AHDB**

The original Home-Grown Cereals Authority (HGCA) was a Non Departmental Public Body (NDPB) established in 1965 to support the cereals and subsequently oilseeds industries. HGCA was dissolved on 31 March 2008 and its activities and responsibilities, including the HGCA Pension Plan, passed to the Agriculture and Horticulture Development Board (AHDB). AHDB is a NDPB created on 1 April 2008, which took over the responsibilities of five legacy NDPBs and has responsibility for five sectors - cereals and oilseeds, horticulture, potatoes, milk and red meat. It is based in Stoneleigh, Warwickshire.

AHDB’s income is primarily derived from statutory levies raised from the relevant agricultural sectors. AHDB’s 2016 Annual Report is available on AHDB’s web-site ([www.ahdb.org.uk](http://www.ahdb.org.uk)) and its 2017 Annual Report should be available in September.

The transfer terms for the pension schemes were embodied in the Statutory Instrument that created AHDB (The Agriculture and Horticulture Development Board Order 2008). AHDB offers its new employees a group personal pension arrangement. Management of this arrangement, and of the other legacy schemes, does not rest with the HGCA Pension Plan Trustee Directors.

1. **The HGCA Pension Plan**

The HGCA Pension Plan (“the Plan”) was created in January 1973 by the merger of the HGCA’s Superannuation Fund and its Supplementary Superannuation Funds.

The Plan is a defined benefit (DB) scheme, which has been effectively closed to new entrants since 2005.

The Plan remains open to future accrual. Until 2010 the Scheme was non–contributory however active member contributions were introduced from 1 August 2010. AHDB’s payroll department is responsible for paying the HGCA Scheme pensioners through its payroll. Pension increases are paid in April, usually in line with the Pension Increase Order, although the employer has the discretion to ask the Trustee to pay a higher amount.

Plan expenses are currently borne principally by the employer. The financial year for both the HGCA Pension Plan and AHDB is 1 April – 31 March.

Definitions of contribution can be found in the Trust Deed and Rules and in the Schedule of Contributions, which are available on request.

The actuarial, investment and administration services of the Plan are provided by Barnett Waddingham.

The Plan is currently reviewing its investment management strategy but currently has two investment managers.

**Plan Assets**

The net assets of the Plan as at March 2017 were £23.23m. Based on the 2017 Actuarial Update, the Plan had a deficit of £731k, is 97% funded and there is recovery plan in place which runs to June 2024. The next actuarial valuation is planned for March 2019.

**The Trustee Board**

The Plan has a Corporate Trustee, HGCA Pension Plan Trustees Limited, which has eight Directors: three Member Nominated Trustee Directors and five Employer Nominated Trustee Directors. The current Chairman of the Trustee Board is Independent. Trustee meeting are usually held three/four times per year. The Plan Secretary is appointed by the Trustee and is the first and principal point of contact with the advisers in their relationship with the Trustee.

**Current Advisers - Table 1**

|  |  |
| --- | --- |
| Current Advisers | |
| Plan Actuary | Barnett Waddingham |
| Plan Administrators | Barnett Waddingham |
| Plan Investment Advisors | Barnett Waddingham |
| Investment Managers | BMO (LDI Fund) and  Standard Life (GARS Fund) |
| Plan Legal Advisors | DLA Piper |
| Annuities held | Clerical Medical |
| Insurers | Canada Life |
| Secretary | Bernadette Garvey Consulting |

**Membership Statistics - Table 2**

The table below shows the breakdown of the membership.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Membership Statistics as at 31 March 2017 | | | | |
|  | Actives | Deferred | Pensioners | Total |
| Numbers | 4 | 79 | 46 | 129 |

There are a small number of members whose pension is paid via annuities. The value of these are recorded in the Annual Report and Accounts.

1. **The Audit Service**

This opportunity is for quotation for the appointment as Auditor to the HGCA Pension Plan. The contract will be for a period of five accounting years. The financial year for the Plan is from April to March and the first audit of the appointed auditors will be for the year ending 31 March 2018.

The services required by the Plan are listed in Appendix 1.

1. **The Quotation Process**

It is envisaged that the process will be conducted as follows:

**Quotation process - Table 3**

|  |  |
| --- | --- |
| Activity | Deadline |
| Opportunity advertised | 22 September 2017 |
| Deadline for queries | 9 October 2017 |
| Closing date for receipt of completed quotes | 16 October 2017 |
| Trustee sub-group meeting | 8 November 2017 |
| Top 3 quotes interviewed by Trustee sub-group | 17 November 2017 |
| Final decision by Trustee Board | 28 November 2017 |
| Notification of outcome | 4 December 2017 |
| Contract commencement date | 1 February 2018 |

Please note that the individuals who attend the interview should be those who would be the principal client contacts if appointed.

You are required to treat this quotation and the information contained therein in confidence.

To allow any clarification information may be sent to you, you are advised to register your expression of interest in this opportunity at [procurement@ahdb.org.uk](mailto:procurement@ahdb.org.uk)

All clarification questions relating to this opportunity must be sent by email for the attention of the Authorised Officer as outlined below by no later than **9 October**. Please note that to ensure open/fair competition questions and answers will be circulated on an anonymous basis simultaneously to all applicants (who have expressed interest) except where the nature of a query or answer is deemed by the HGCA Pension Plan Trustee, in its reasonable opinion, to be confidential or proprietary to a particular organisation, in which case an anonymised summary of the response will be generally circulated insofar as it is practicable in the circumstances.

You are not required to submit a hardcopy of your quotation. Submissions should be done via e-mail to [procurement@ahdb.org.uk](mailto:procurement@ahdb.org.uk)

**The closing date for receipt of quotations is 16 October 2017.**

It your responsibility to ensure that all calculations and prices and other data in the quote are correct at the time of submission. No amendment to the quotation documents will be allowed after the closing time for submissions.

All communication with HGCA Pension Plan should be by e-mail and carry the reference **2017-241 HGCA Pension Plan** FAO Authorised Officer as outlined below.

The HGCA Pension Plan has appointed the following Authorised Officer at AHDB for the purpose of this quotation process: Judith Hemming; Email: [procurement@ahdb.org.uk](mailto:procurement@ahdb.org.uk)

All queries must be submitted on or before the relevant date specified in the quotation process timetable above.

HGCA Pension Plan is not bound to accept the lowest priced quote or any quote, and reserves the right to call for additional quotations should it consider this desirable. HGCA Pension Plan will in no case be responsible or liable for any costs incurred by organisations in the preparation, clarification or negotiation of their quotes regardless of the outcome of the process.

1. **Fees**

Fees should be quoted as a fixed cost for the annual activity and include the hourly rate of key staff involved in the service. Quotations should also provide fees for any other costs not covered in **Appendix 1** that you consider relevant. All costs should be exclusive of VAT and include travel and subsistence based on attendance at one meeting per year (to be held at a London location). Any additional work will be outside of this fixed cost and will be quoted for separately if required.

1. **Structure of Responses**

You are required to email a written response setting out answers to the questions highlighted in Appendix 2.

1. **Assessment Criteria**

Assessment of submissions will be based on the following three criteria. Quotes that fail the qualification criteria will not be taken through to the next stage. We reserve the right to deselect suppliers should qualification information provided about the organisation and clients prove not to be satisfactory. The top 3 quotes will be invited to interview as the final assessment stage, this will be scored out of a further 10% and scores from stages 2 and 3 will be combined giving a final total out of 110%. We reserve the right to omit the interview stage if it is deemed unnecessary based on the assessment of the award criteria.

|  |  |
| --- | --- |
| Assessment Criteria | Maximum score |
| Qualification Criteria   * Organisation * Clients | Pass/Fail  Pass/Fail |
| Award Criteria   * Approach to delivering the specification * Quality control * People * Cost | 25%  30%  15%  20% |
| Interview | 10% |

Representatives from the HGCA Trustee Board have formed a panel (Trustee sub-group) to assess the submissions.

1. **Terms and Conditions of the Contract**

A final contract should include:

* No portion of this contract is eligible for sub-contracting without written agreement of the Trustee Board.
* You agree not to send any Plan data outside of the UK.
* You will be fully compliant with the new General Data Protection Regulations (GDPR) by 25 May 2018.
* You are required to give nine months’ notice should you wish to terminate the contract.
* HGCA Pension Plan can terminate the contract with a maximum six months’ notice.
* Audit fees are paid for by AHDB.

Suppliers must submit a copy of their Terms and Conditions upon submission of the quotation. Any contract awarded as a result of this process will be subject to the agreement of Terms and Conditions of contract by both parties.

1. **Contract Period**

The contract period is for a total of 5 annual auditing periods. The start date of the contract will be 1 February 2018.

1. **Further Information**

Further information on the HGCA Pension Plan is available upon request and includes the following documents:

* The Trust Deed and Rules
* Summary Funding Statement
* 2016 Annual Report and Accounts

To obtain this information please email [procurement@ahdb.org.uk](mailto:procurement@ahdb.org.uk) and include ‘2017-241 HGCA Pension Plan’ in the subject header.

HGCA Pension Plan

September 2017

Appendix 1

**Description of Audit Services to be provided (Specification)**

* Audit and report on the financial statements of the HGCA Pension Scheme including the three annuity policies, to an agreed timetable in line with the prevailing legislation, regulations and guidance. Report if other information included in the financial statement is appropriate and consistent.
* Assess the control environment operated by the Trustee Board and make recommendations on how control processes can be improved.
* Report if the financial statements have been properly prepared in accordance with UK law and accounting practices and the guidance set out in the Statement of Recommended Practices (SORP).
* Audit and report that the contributions made to the Scheme are in line with the Schedule of Contributions and the recommendations of the Scheme Actuary.
* Present the findings to the Trustee Board in an agreed manner and in accordance with auditing regulations to include such matters as setting out responsibilities, providing an overview of the audit process, any significant finding, any comments on fraud or non-compliance and deficiencies in internal control.
* Update the Trustee Board on relevant audit matters and provide advice on changes and the impact on the Plan.
* Undertake any additional project work as specified by the Trustee Board.

Appendix 2

**Specific questions to be covered in your response**

Qualification questions

1. **The Organisation**
   1. Provide details of the structure and a brief profile of your organisation
   2. Which bodies regulate the conduct of your business?
   3. Are you currently involved in any litigation pertaining to the audit services you provide? If yes please give brief details.
   4. Since 1 January 2014 has there been any compensation paid to any of your clients due to errors in your audit services? If yes please give details.
   5. Please provide a copy of your organisation’s audited report and accounts or nearest equivalent for the last financial year.
   6. Please provide details of the cover under your professional indemnity insurance in respect of the pension Plans advised by your organisation.
2. **Clients**
   1. How many clients do you provided pensions audit advice to? Please give a breakdown of the number, size of membership, and value of the Plan?
   2. In terms of membership how typical is the HGCA Pension Plan compared to your existing clients?
   3. Please provide the names and contact details of three corporate clients who would be willing to provide references.

Award questions

1. **Your Approach**
   1. From which of your offices would you provide the services required?
   2. How would you tailor your approach for the provision of services to the HGCA Pension Plan?
   3. How will the audit help the Trustee manage financial risks and to comply with statutory requirements on internal financial controls?
   4. What approach do you adopt to relay problems uncovered during the audit to the Trustee?
   5. Explain how your organisation would approach the “take on” of the services.
   6. Produce an annual Audit Plan outlining how the audit will be undertaken with an associated timetable.
2. **Quality Control**
   1. Provide an example of a client agreement that your organisation is currently operating for a corporate client with similar services requirements, size and structure. Please give examples of KPIs in place with current clients.
   2. What internal procedures does your organisation have for ensuring the quality of the service? Describe the planning process your company adopts when conducting an annual audit for a Pension Plan
   3. Describe your procedures and safeguards used to guarantee:
      1. Client data integrity including protection from cybercrime
      2. Authorised data access only
      3. Data confidentiality
      4. Security of any hard copy documents for Plan related data
      5. Conflict of Interest
3. **People**
   1. In total how many professional staff with pensions audit experience does your organisation employ and what approaches do you adopt to keep professional knowledge up to date?
   2. Describe the arrangement that you would envisage for servicing the HGCA Pension Plan if appointed, giving the name of the team leader and/or the principal client contract and their deputy. Please provide biographical details for the key individuals including their qualifications and relevant experience to undertake this service.
4. **Costs**
   1. Provide details of your annual audit cost, indicating time based and fixed fee structures.
   2. Please indicate which services (as outlined in the document) would be included in a fixed or core fee.
   3. Please indicate any additional activities, which would be seen as extra, you believe should be included on a time charge basis.
   4. Please indicate any termination fees that may apply to the contact.