



Invitation to tender External Audit Services

Leasehold Advisory Service

Registered in England no 3296985

Registered address

Fleetbank House
2-6 Salisbury Square
London EC4Y 8JX

Lease Conferences Ltd

Registered in England no 4761269

Registered address

Fleetbank House
2-6 Salisbury Square
London EC4Y 8JX

Invitation to tender for the provision of External Audit Services for the Leasehold Advisory Service and Lease Conferences Ltd

1.0 Background

- 1.1 The Leasehold Advisory Service (LEASE) is an Executive Non-Departmental Public Body (NDPB) funded by government for the provision of free advice on residential leasehold law in England and Wales. LEASE also advises the public on Park Homes legislation. The principal sponsor is the Department for Communities and Local Government (DCLG) and there are supplemental contributions from the Welsh Government (WG). LEASE's grant funding forms part of the government's spending review. LEASE supplements its grant funding with commercial income earned through its wholly owned subsidiary, Lease Conferences Ltd (LC).
- 1.2 Leasehold and park homes law are both complex and our advisory staff are all legally qualified, most being solicitors. We deal with around 30,000 personal enquiries a year. Advice is in the main delivered online through our website (www.lease-advice.org), but a substantial proportion of enquiries also come to us by telephone, letter, personal visits to our office in Salisbury Square, London and outreach events across England and Wales.
- 1.3 With the intention of removing reliance on public funding, in order to sustain free advice services, LEASE has developed a commercial revenue stream through the provision of training, seminars and conferences on the relevant areas as well as through directly charging leasehold and park home practitioners for initial advice (written and by telephone), advertising and a practitioner's directory on the website.

2.0 Appointment

- 2.1 The external auditors of LEASE will be appointed by LEASE's Board, following recommendations from the Audit and Risk Assurance Committee (ARC). There is a presumption throughout the public sector that audit contracts are put out to competition every three years, and LEASE, as an NDPB, intends to follow this practice. In addition, after the end of each accounting year and before reappointing the external auditor for a further accounting year, LEASE will carry out a review of the audit in terms of quality, cost and independence.

3.0 Role and responsibilities of external auditors

- 3.1 External audit is responsible for forming an independent opinion on the annual financial statements which are laid before LEASE's Board of Directors. Their report will state whether, in their opinion, the financial statements give a true and fair view of the financial position of LEASE and its subsidiaries at 31 March of each year.

- 3.2 ARC is responsible to LEASE's Board for the provision of an external audit, however, for a day-to-day issue, the Chief Executive, who is also the Accounting and Consolidation Officer, directs the control of external audit. The external auditors will have direct access, as necessary, to the Chief Executive and to the Chairman of ARC.
- 3.3 Reporting on external audit progress to Chief Executive and Chairman of ARC, including attendance at ARC meetings and Board meetings as appropriate.
- 3.4 Provision of advice to LEASE's Board of Directors on technical accounting and financial matters including corporation tax matters.

4.0 Audit Standards

- 4.1 The audit shall be conducted in accordance with:
- a) the accounting and disclosure requirements of the Companies Act 2006;
 - b) United Kingdom Financial Reporting Standards and Statements of Standard Accounting Practice;
 - c) any guidance that the Treasury may issue from time to time in respect of the annual accounts of non-departmental public bodies eg the Financial Reporting Manual;
 - d) any other specific disclosure requirements of the Secretary of State; insofar as these requirements are appropriate to the Company and are in force for the year for which the financial statements are prepared, and except where agreed otherwise with the Secretary of State or the Treasury, in which case the exception shall be described in the notes to the financial statements.

5.0 Regulatory Compliance Report

- 5.1 The external auditors will be required to provide a Regulatory Compliance Report (RCR). In the RCR the external auditors will be asked to report whether, in their opinion, and in all significant respects, LEASE has complied throughout the year with the following:
- a) relevant principles set out in Government Accounting, the Financial Memorandum and Operating Guidelines issued to LEASE for its own operations;
 - b) other financial guidance supplied by the Department in the form of guidebooks and letters that you have ascertained from enquiry of LEASE; and
 - c) the Government Internal Audit Manual and the Government

5.2 The external auditors should also report on the following, having carried out specifically designed tests or other work:

- a) occasions when LEASE incurred expenditure or sold assets without following appropriate procedures for pre- and post- project appraisal, competitive tendering, financial viability assessments and monitoring progress or compliance;
- b) significant losses (as defined in Government Accounting);
- c) significant expenditure they believe may have been extravagant or wasteful;
- d) instances of possible fraud, theft or corruption not reported to the Department; and
- e) occasions when an interest was not declared during a Board meeting, or occasions when, in their opinion, proper procedures were not followed after an interest was declared.

5.3 The external auditors are also required to report if they find:

- a) any occasion when, in their opinion, Board members or senior employees fell short of the high standards of financial integrity expected of those responsible for the management of public assets; or
- b) any matter of public interest that they believe should be brought to the Department's attention; or
- c) grant-in-aid was received in the year in excess, or in advance, of requirements (ie, otherwise than as funding of last resort).

6.0 Liaison and reporting

6.1 The main contact within LEASE will be the Head of Operations through whom all 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 have a right of access to the Chief Executive who is also the Accounting and Consolidation Officer.

6.2 A draft version of the annual report and accounts must be forwarded to the principal sponsor typically by 30 May, but this is subject to variation. The accounts cannot be signed off by the Board until the principal sponsor has confirmed that this can be done. The final version of the annual report and audited accounts must be approved by LEASE's Board in time to be sent to the principal sponsoring team in DCLG in time for

forwarding to the Secretary of State and for laying in the libraries of the Houses of Parliament ahead of the summer recess.

6.3 The external auditors will be required to provide a Management Letter. In addition to any other comments, the Management Letter should make specific comments on:

- a) the effectiveness of LEASE's internal control system throughout the year, including control procedures to ensure adherence to the framework for financial regulation;
- b) the scope, nature and effectiveness of the work carried out by LEASE's internal auditors during the year;
- c) significant weaknesses in internal control and significant regulatory failures reported by LEASE's internal auditors during the year;
- d) possible improvements to the way in which LEASE operates that the external auditors have identified in the course of their work that might help LEASE maintain a high standard of performance;
- e) specific areas the external auditors believe should be studied in more detail or closely monitored in order to achieve the best value for money; and
- f) progress with matters identified in previous years' management letters.

6.4 The external auditors may be required to attend meetings of LEASE's Board to which LEASE's annual reports and financial statements are presented.

7.0 Access to documentation

7.1 The external auditors will have right of access during normal working hours to the accounting books, computerised systems, electronic records, accounts and supporting documentation of LEASE and to such information and explanations as thought necessary for the performance of their duties, including internal files and working papers.

7.2 All LEASE source materials referred to during the course of audit carried out by the successful bidder remain the property of LEASE and must be handed over to LEASE in the event of termination of the contract.

8.0 Selection criteria

8.1 A selection panel consisting of the Chairman of ARC, LEASE's Chief Executive and Head of Operations ARC will have regard to the following criteria in the selection process:

- a. the firm's track record of audits of a similar scale;
- b. the firm's interest in LEASE and how, outside of the audit role, it can assist the organisation;
- c. the cost of the external audit service;
- d. the firm must be able to demonstrate a high quality service to meet the specific needs of LEASE;
- e. the firm must be able to demonstrate the efficiency, quality and integrity of the audit approach proposed , together with the quality control procedures adopted; and
- f. the ability of the firm to perform the work in a timely fashion.
- g. The suitability of the audit approach.

9.0 Format of proposal

- 9.1 Bidders should set out the proposed staffing structure for the contract. Please provide the CV for each member of senior staff who will be involved in the provision of the external audit service. In addition, bidders should explain the training which will be given to junior staff and the measures that will be used to maintain continuity of senior staff.
- 9.2 The bidder should set out the level of audit coverage considered necessary for LEASE. The bidder should then set out, using the table in the Appendix, a fee structure for the required audit work. This structure should include:
 - (a) Total cost per annum
 - (b) Total audit time
 - (c) Breakdown of audit time between partner, manager, qualified and unqualified staff
 - (d) Hourly rate for each of the staff categories above

10.0 Additional information

- 10.1 The preparation of proposals may necessitate an initial audit needs assessment; bidders may wish to submit questions in writing before making their submissions. Questions should be addressed to the Chief Executive, Anthony Essien (anthonyessien@lease-advice.org), who will respond in writing – any additional information provided to one bidder will be provided to all bidders.

11.0 Submission

11.1 The deadline for receipt of submissions is **17.00 20 January 2017**. Late proposals will NOT be accepted. It is the responsibility of the bidder to ensure that the proposal has arrived by the deadline stated. Shortlisted firms will be invited to deliver a presentation to a selection panel made up of the Chairman of ARC, Chief Executive and Head of Operations in the **in the week commencing 6 February 2017**.

11.2 Submissions should be marked 'Private and confidential' and 'External Audit Services' and sent to:

Anthony Essien
Chief Executive
LEASE
Fleetbank House
2-6 Salisbury Square
London EC4Y 8JX

Electronic responses will also be accepted if received by the deadline above and with 'External Audit Services' as the subject line. Responses and questions or requests for clarification must be addressed to:

anthonyessien@lease-advice.org

11.3 LEASE reserves the right not to award a contract or to accept the lowest bid.

Appendix

Fee Structure

Breakdown of audit time between (a) Partner (b) Manager (c) Qualified staff (d) Unqualified staff	Total audit time	Hourly rate for each staff category	Total cost per annum Including VAT)