

INVITATION TO TENDER (ITT) FOR:
The Provision of External 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: 13th January 2017

Dear Tenderer

INVITATION TO TENDER (ITT) For External 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 **no later than 17.00 hours on the 10th 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 with the subject heading marked '**No Tender External Audit**'.
4. Please contact tenders@saffronhousing.co.uk if you have any questions about the tendering procedure. The subject heading of your email should be '**Clarifications & Questions – External 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 on 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 th January 2017
PQQ and Tender Return	10 th February 2017
Selections of firms for Presentation	13 th - 24 th February 2017
Invitation of firms for Presentation	27 th February 2017
Presentation Day	13 th March 2017
Audit Committee Ratification of Selection Panel Decision	28 th March 2017
Board Approval	20 th April 2017
Appointment of External Auditors at AGM	September 2017
Start Date of Contract – Date of AGM	September 2017
Mobilisation Period	September 2017 – June 2018
Audit Plan for 2017/18 Accounts to Audit Committee	June 2018
First Final Audit Findings Report to Audit Committee	September 2018

- 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 1st April 2017 to 1st 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 Questionnaire, issued separately to this ITT, 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 Final Audit Findings Report (Q9)
 - Copy of your proposed Letter of Engagement (Q10)
 - Copy of your Data Security Plan (Q12)
 - 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 with subject heading ‘**External 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 10th 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 13th 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 External 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 with the subject heading '**Clarifications & Questions – External 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 27th 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 tenderers by **Friday 3rd 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 tenderer; 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’.

EVALUATION MATRIX				
	Weighting	Award Criteria	Sub-weighting	Question
TENDER RETURN				
Price	35%		105 marks	Annex 5
Quality	65%		195 marks	
Total	100%		300 marks	
		Team Structure, Management and Continuity	45 marks	Q1 – Q2
		Housing, External Audit and Specialist Expertise	45 marks	Q3 – Q4
		Audit Approach	55 marks	Q5 – Q6
		Quality Assurance	35 marks	Q7
		Social Value	15 marks	Q8
		Template Final Audit Findings Report	Information Only	Q9
		Proposed Letter of Engagement	Information Only	Q10
		Data Security	Information Only	Q11 – Q12
PRESENTATION, Q&A SESSION AND REFERENCES				
		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 combined annual cost of auditing the three sets of accounts (Saffron Housing Trust, Crocus Contractors and Saffron Housing Finance plc) and will be scored as follows:

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

Consolidation of quality and price evaluation

- 1.8 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.
- 1.9 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.
- 1.10 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.
- 1.11 Proposed contract staff (Partner and Audit Manager) must be available to attend the Presentation and Q&A Session.
- 1.12 The total marks available for the Presentation, Q&A Session and references is 50.
- 1.13 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 external audit providers with experience of external audit in the housing sector.
- 1.2 The external 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 External Audit Service for Saffron Housing Trust, Crocus Contractors Ltd and Saffron Housing Finance PLC for accounts 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 28th 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

Technical requirements

- 4.1 The technical requirements are those elements of the contract that relate directly to the delivery of external audit services. The primary role of the External Auditors will be to report on the Financial Statements and to carry out whatever examination of the Statements and underlying records and control systems is necessary to reach their opinion on the Statements. The audit of the Financial Statements is generally undertaken between April and September with the field work at the end of July. The draft Final Audit Findings Report is required for review by the end of August.

Audit Personnel

- 4.2 The External Audit Provider must appoint an Audit Partner to oversee the audit programme and meet with the Audit Committee. An Audit Manager must also be in place to manage the audit process and on-site team.
- 4.3 The External Audit Provider must ensure that audits are staffed with suitably qualified and experienced personnel, for example, the Audit Partner and Audit Manager should hold a CCAB qualification and have a number of years' experience of providing an External Audit Service to other housing clients for example, a Housing Trust like Saffron Housing Trust or a Housing Association and staff below Audit Manager should be studying for an appropriate CCAB qualification, and that work is properly controlled and reviewed.

Audit Visits

- 4.4 The planning meeting for the audit should take place in April annually, followed by the audit fieldwork at the end of July. There will be an audit review meeting mid-August and the Financial Statements will be finalised for forwarding to the Audit Committee meeting in September.

Date	Action
April	Audit Planning meeting
June	Audit plans ready for Audit Committee
End July	Audit Fieldwork
Mid-August	Audit Review meeting
September	Audit Report to Audit Committee and Board. Accounts presented at AGM

Reporting and Meetings

- 4.5 The External Audit Provider will report functionally to the Audit Committee and operationally to the Director of Finance who will act as the liaison point for the external audit.
- 4.6 The External Audit Provider will nominate a senior partner to be responsible for Saffron Housing Trust's audit services who will be the main point of contact for Saffron Housing Trust.
- 4.7 Each year, the Audit Partner and/or Audit Manager is expected to attend the Audit Committee held in June to present the Audit Plan and in September to present the Final Audit Findings Report to review the draft Financial Statements.
- 4.8 The escalation process for any matters not satisfactorily resolved during audit work or for a breach of protocol or a reportable incident 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.

Audit Outcomes

- 4.9 The External Audit Provider will report to Saffron Housing Trust in the form of a Final Audit Findings Report which highlights any significant accounting and control issues arising from the audit. The report will be drafted by mid-August for consideration at the audit review meeting and finalised for review by Audit Committee in September (papers for this meeting will need to be prepared end of August).

Additional Services

- 4.10 On an ad-hoc basis Saffron Housing Trust may request additional services from the External Audit Provider, such as special investigations, taxation compliance and advice and consultancy. Any such service would be subject to a fee quotation being supplied and would only be requested if it did not compromise the independence of the external auditor and was in accordance with the policy for non-audit work of external auditors.

Independence

- 4.11 The independence of the external auditor is characterised by integrity and an objective approach to the audit process. The concept requires the auditor to carry out his or her work freely and in an objective manner.
- 4.12 The External Audit Provider must avoid any official, professional and personal relationships or interests which might cause them to limit the extent or nature of their audit.
- 4.13 The External Audit Provider must have policies and procedures in place to be able to assess whether the independence of the Firm and the staff members involved in the audits of Saffron Housing Trust is compromised.

- 4.14 If specific investigations are required, they should not significantly compromise the independence of the External Auditor Provider.
- 4.15 The External Audit Provider should not have any management responsibilities other than for external audit.

Work Standards

- 4.16 All external audit work should be of a sufficiently high standard and completed with due professional care to meet the requirements as specified in the professional Code of Ethics and in accordance with International Standards on Auditing.

Contract Management and Monitoring

- 4.17 The contract will be performed in line with the agreed Audit Plan, professional Code of Ethics and International Standards on Auditing.
- 4.18 The External Audit Provider will be monitored and assessed by the Audit Committee against an agreed set of performance indicators. The performance indicators will be agreed at the commencement of the contract. The Audit Committee will make a recommendation to the Board and subsequently the shareholders at the AGM, regarding reappointment of the External Auditors each year.
- 4.19 The contract will be monitored by the Audit Committee. Any variations required to the contract must be agreed in writing with Audit Committee.
- 4.20 The External Audit Provider will be required to attend an annual contract review meeting, where performance against the agreed performance indicators will be discussed.
- 4.21 In the event of failure by the External 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.
- 4.22 In the event of continuing failure or an unsatisfactory resolution by the External Audit Provider, Saffron Housing Trust shall be entitled to terminate the contract. Saffron Housing Trust agrees to give the External Audit Provider three-months written notice should it intend to no longer make use of the External Audit Provider's services. Saffron Housing Trust will automatically review the other unsuccessful bidders in the first instance.

Relationship with Internal Auditors and other Consultants

- 4.23 The External Audit Provider is expected to liaise with the appointed Internal Auditor and other consultants appointed by Saffron Housing Trust and bodies as required and necessary during the contract to enhance the level of service provided and avoid duplication of effort.

Confidentiality

- 4.24 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.

Team Structure, Management and Continuity	
Q1	<p>Please provide details of the relevant skills and qualifications of the staff members who will be assigned to the audit of Saffron Housing Trust.</p> <p>Your response should include:</p> <ul style="list-style-type: none"> a) Details of the audit team, showing the reporting lines, start date of employment and the location of team members; (Answer not to exceed one side of A4 paper) b) The key role and responsibilities of each team member; and (Answer not to exceed two sides of A4 paper) c) The CVs of the Audit Partner and the Audit Manager. Details should include: professional and educational qualifications, employment details, professional memberships, the number of clients managed (housing and other) 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) <p>(Max words – 700)</p> <p>Total marks – 35</p>
A1	[Please enter response to Q1 here]
Q2	<p>Please detail how you will manage staff continuity, for example, in the event of planned and unplanned absences such as sickness, annual leave or resignations, and succession planning within the audit team.</p> <p>Total marks – 10</p> <p>Max words – 500</p>
A2	[Please enter response to Q2 here]

Housing, External Audit and Specialist Expertise	
Q3	<p>Please detail your structure, size, capacity of your firm to undertake the work specified and the relevant experience of your firm within the housing sector and in completing external audit.</p> <p>Your response should include:</p> <ul style="list-style-type: none"> a) A list of the housing organisations where you provide / have provided external 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; b) The specific details of your external audit experience; c) Your capacity to fulfil the contract; and d) Details of how your experience will benefit Saffron Housing Trust currently. <p>Total marks – 30 Max words for b), c) and d) – 750</p>
A3	(Please enter response to Q3 here]
Q4	<ul style="list-style-type: none"> a) Please provide details of any specialist expertise and other relevant services within your firm (for example, taxation, VAT) which you could be provided to Saffron Housing Trust. b) Please indicate if any you provide any services free of charge for example, training in new financial reporting standards. c) Identify one specific example of expertise or a service which would be of value to Saffron Housing Trust currently and explain why it would be of value. <p>Total marks – 15 Max words – 650</p>
A4	[Please enter response to Q4 here]
Audit Approach	
Q5	<p>Please provide your views on any specific technical issues relative to Saffron Housing Trust.</p> <p>Total marks – 5 Max words – 300</p>
A5	[Please enter response to Q5 here]

Q6	<p>Please detail your overall approach to audit work for Saffron Housing Trust in relation to: -</p> <ul style="list-style-type: none"> a) Strategy and planning; b) Scope and materiality; c) Control and co-ordination; d) Reporting; e) Transition; f) Timetable; and g) Your proposed programme. This should include what preparation you would undertake and what input, support or information you will require from Saffron Housing Trust. <p>Total marks – 50 Max words – 1500</p>
A6	[Please enter response to Q6 here]
Quality Assurance	
Q7	<p>Please provide details of your quality assurance processes and how you will ensure that you retain your independence.</p> <p>Your responses should include: -</p> <ul style="list-style-type: none"> a) Approach to quality assurance; b) Approach to dealing with emerging accounting issues; c) Approach to potential conflicts; d) Policies on independence, rotation and compliance with regulatory and professional bodies; and e) Processes your firm will employ to address matters related to client satisfaction, performance measurement and continuous improvement. <p>Total marks – 35 Max words – 1500</p>
A7	[Please enter response to Q7 here]
Social Value	
Q8	<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 Max words – 500</p>
A8	[Please enter response to Q8 here]
Information only	
Q9	Please provide a copy of the Final Audit Findings Report you are proposing to use for Saffron Housing Trust.
A9	[Please include as an attachment in the email of your tender submission]

Q10	Please provide a copy of your proposed Letter of Engagement .
A10	[Please include as an attachment in the email of your tender submission]
Data Security – Information only	
Q11	<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>
A11	[Please enter response to Q11 here]
Q12	<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>
A12	[Please include as an attachment in the email of your tender submission]

PRICING SCHEDULE

1. PRICES

1.1 Please detail your fee proposal for the cost of each annual audit for each of the three companies in the Saffron Housing Trust Group.

Member of Group	Annual Audit Cost (£) Excl. VAT
Saffron Housing Trust	
Crocus Contractors	
Saffron Housing Finance PLC	
Total	

1.2 Please provide details of your proposed invoicing schedule and timings.

Enter your answer here.

1.3 Please provide details of any mechanisms you have in place to review the charges involved in completing the Audit Plan. Please provide details of the categories of expenditure which may impact on the charges.

Enter your answer here.

2. OTHER CHARGES

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

Charge	(£) Excl. VAT
(Please specify)	

3. ADDITIONAL SERVICES

3.1 Please detail in the table below any other services which may be available to Saffron Housing Trust under the Contract and the cost of these.

Service	Category of Staff*	Daily Rate / Fee* (£) Excl. VAT
(Please specify)		

*Amend as appropriate

4. DISCOUNTS AND REBATES

4.1 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		

5. INVOICING AND PAYMENT VARIATION IN CHARGES

5.1 The External 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

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

5.3 Tenderers must note that:

- Prices/fees are to be given in £ Sterling.
- All prices/fees must be shown exclusive of VAT but be inclusive of materials, overheads and profit.
- All day rates will be based on 7 hours and 30 minutes working days, exclusive of lunch breaks.
- Charges will remain fixed for the duration of the contract.
- Any proposed increases to fees for audit work will be required to be justified with explanation as to why the costs to the External Audit Provider have increased.

- Any other general increases for example, an annual CPI% increase will be 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.

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 **10th 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:	(BLOCK CAPITALS)
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.