

**SOUTH EAST ENGLAND DEVELOPMENT AGENCY (SEEDA)  
INVITATION TO TENDER**

**Financial, Appraisal and Monitoring (FAM) Audit of the Business Link Service in the South East 2010-2011**

**SEEDA/OP/AUG/2010/04**

**1. BACKGROUND**

SEEDA is a government sponsored body and is one of the nine regional development agencies (RDAs), established under the Regional Development Agencies Act 1998, which became fully operational on 1 April 1999. The South East region covers the counties of Buckinghamshire, Oxfordshire, Berkshire, Hampshire, Isle of Wight, East Sussex, West Sussex, Surrey and Kent. SEEDA wishes to contract for services to be delivered on behalf of all nine RDAs.

The Secretary of State for Trade and Industry, pursuant to section 6 of the Regional Development Agencies Act 1998, delegated the function of regional and local delivery of Business Link Services to the RDAs on 1 April 2005.

In 2009, following a competitive process, Serco was awarded the contract to deliver the Business Link service from 2010-13. Serco started to operate the service on the 1<sup>st</sup> of April 2010, following a period of Transition from September 2009 to March 2010.

Given that this is a new contractual arrangement with a commercial provider, SEEDA wishes to conduct an early comprehensive audit of the regional service delivered through Business Link South East (BLSE) – a division of Serco Regional Services Ltd (SRSL) which is a wholly owned subsidiary of the Serco Group. An outline of the content of the audit is attached at Annex 1 for information.

SEEDA wishes to confirm that the service is fully compliant with the:

- The Grant Framework Agreement
- The Annual Funding and Delivery Plan (April-September) and revised Annual Funding and Delivery Plan (September – March).<sup>1</sup>

Where appropriate, recommendations and action plans should be developed to address areas for improvement as identified during the course of the audit. The method by which this will be undertaken has yet to be agreed and SEEDA welcomes proposals that make recommendations as to how this might be achieved.

**2. PROJECT**

SEEDA seeks to appoint an organisation to conduct appropriate financial, appraisal and monitoring audits of the Business Link service in the South East and provide SEEDA with ongoing support to manage through audit findings for the period 1 April 2010 to 31 March 2011.

The audits will be used to verify that SEEDA and other public funds have been utilised and accounted for correctly, that the provider is complying with the terms of the Grant Framework Agreement(s) and validation of performance data reported to SEEDA.

As part of the FAM process SEEDA seeks to understand and review the terminal liabilities attaching to the project to inform the appropriate provision either to be held within the provider budgets in the form of reserves or identified as a contingency requirement by SEEDA.

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<sup>1</sup> In July Serco's in year budget was reduced, resulting in the need to agree a supplementary Annual Funding and Delivery Plan for September – March 2010.

### 3. REQUIREMENT

An outline of the work required is set out in Annex 1.

The audit team should be led by a Chartered Accountant with recognised audit certification.

Any variations and additions to the activities and work required will be agreed with the SEEDA contract manager, in writing, as appropriate.

### 4. TIMING

The timeline for tender submission and review is as follows:

- **The deadline for receipt of tenders is 12.00 midday 17 September 2010.**
- All tenders will be reviewed and scored by close of play 22 September 2010.
- Shortlisted tenderers may be asked to attend an interview between 14:00-16:00 on 27 September 2010.
- The successful tenderers will be informed of the outcome when a draft contract will be supplied for review and comment by 29 September 2010.
- The anticipated start date for this work is 1 October 2010.
- Agreement of audit plan by 15 October 2010.
- Audit preparation/background by 12 November 2010.
- On-site audit activity by 3 December 2010.
- Reporting by 10 December 2010.
- Follow up discussions/visits by January 2011.
- Follow up audit by April 2011.

### 5. TENDER RESPONSE

Please provide one bound copy and 3 unbound copies of your tender.

Tenders must include the following:

- Completed Form of Offer.
- Detailed breakdown of costs supporting the Form of Offer, broken down into a daily rate per person plus the number of days estimated to conclude the work.
- A coherent outline demonstrating understanding of the scope of the project and the issues critical to its implementation, development and forward strategy.
- Outline the chosen methodology for this assignment, supported by a robust workplan with key deliverables.
- Include details of individuals to be involved in this piece work, with information relating to their relevant expertise and experience. This should also include a full cost breakdown of the tender submission and the delegation of activities within the chosen methodology.
- Provide the most recent audited company accounts, where possible, or appropriate financial documentation relating to the financial stability of the company.
- Summarise the internal quality assurance, monitoring and evaluation measures and standards.

Tenderers must state if any of their proposed solution requires the use of sub-contractors. SEEDA reserves the right to reject the use of any particular sub-contractor.

## 6. IMPORTANT INSTRUCTIONS FOR SUBMISSION OF TENDERS

Please follow these instructions carefully as non-compliant tenders will not be accepted.

- Your tender must be returned to the Procurement Team in a plain envelope using only the label provided, and with no means of identifying the tenderer.
- Tenders must be returned no later than the due date and time above. (Tenders received after this time will not be accepted. If you are relying on couriers or the postal service, please send well in advance. No reasons will be accepted for missing the deadline).
- Electronic submissions (email) will not be accepted.
- Fax submissions will only be accepted by arrangement with the Procurement Team on the morning of the due date, and must be followed by hardcopies within one working day.
- Tenders must include the signed and completed Form of Offer.

Please ensure that you have included all information requested in this specification.

## 7. TENDER SELECTION

SEEDA reserves the right to exclude a tender from the evaluation for any one of the following reasons:

- Does not include all information requested in the **Tender Response** section above.
- Does not meet budget requirements.
- Does not demonstrate expertise and experience of carrying out similar audits of projects/programmes.
- Does not demonstrate capacity or capability to perform the required work.

## 8. CONTRACT AWARD

The contract will be awarded on the basis of the most economically advantageous tender and will be evaluated on the following (equally weighted) criteria:

- Price.
- Understanding of the issues/requirements and knowledge of RDAs and BL.
- Approach and methodology.
- Quality of proposed team.

## 9. TERMS AND CONDITIONS

The contract will be awarded on the basis of SEEDA's terms and conditions of contract and a copy of this can be found on the SEEDA website at:

[www.seeda.co.uk/documentbank/Consultancy\\_Agreement\\_for\\_single\\_assignments.doc](http://www.seeda.co.uk/documentbank/Consultancy_Agreement_for_single_assignments.doc)

SEEDA reserves the right to award the contract for all or any part of a tender, or not to award the contract. SEEDA also reserves the right to award the contract to more than one supplier.

## 10. FREEDOM OF INFORMATION ACT 2000

Under the Freedom of Information Act 2000, SEEDA must reserve the general right to disclose either information about your tender or the tender itself, including your price or range of prices, once a contract is awarded. However, you may request that certain information is not disclosed if to do so would prejudice your legitimate commercial interests.

Requests for non-disclosure must accompany your tender and include a clear and substantive justification together with a time limit when any confidential information could be disclosed – this is not normally expected to be more than 7 years. It would be helpful, if appropriate, if you could keep the areas that you consider should not be disclosed separate from the other areas of your tender.

## 11. FURTHER INFORMATION

Any requests for further information regarding this tender should be made in writing or email to:

Glen Atherfold  
South East England Development Agency  
Cross Lanes  
Guildford  
Surrey  
GU1 1YA

[GlenAtherfold@seeda.co.uk](mailto:GlenAtherfold@seeda.co.uk)

(In Glen's absence please contact Karen Lacey in the first instance at [KarenLacey@seeda.co.uk](mailto:KarenLacey@seeda.co.uk))

## ANNEX 1

### BUSINESS LINK FAM AUDIT – OUTLINE SPECIFICATION FINANCIAL YEAR 2010/11

#### 1. Purpose

- The overall purposes of the audit are to:
- Ensure that Serco Regional Services Ltd continues to be a "fit and proper" organisation to receive and administer public funds and assets.
- Ensure that the data submitted by Serco Regional Services Ltd can be relied upon as a fair representation of its performance in delivery of Business Link branded services.

#### 2. Audit Objectives

To meet the purposes above, the audit will address the following key audit objectives, to gain assurance that:

- Serco Regional Services Ltd is soundly governed and risk appropriately managed.
- SEEDA funds have been properly accounted for, claimed and utilised in accordance with the Grant Framework Agreement and AFDPs.
- Serco Regional Services Ltd has complied with specific requirements of the Grant Framework Agreement
- Unspent funds received from SEEDA to deliver Business Link services are clearly identified and in line with the terms of the Grant Framework Agreement.
- Terminal liabilities are clearly quantified to enable appropriate provisions to be made either in the form of reserves within the Serco Regional Services Ltd budget or within SEEDA budgets.
- Management Information and Performance Results data have been reported to SEEDA on the basis of systems and processes which provide a sound basis for validity and completeness.

#### 3. Outline Audit Approach

It is for bidders to determine the most appropriate methodology to deliver the audit objectives but we have included an outline here for guidance purposes. We believe that the audit will comprise five main stages:

1. Preparatory work and background reading.
2. Onsite audit activity.
3. Reporting (SEEDA and provider).
4. Follow up work to drive through any required remedial actions.
5. A further (lighter) audit to ensure compliance.

The nature of the audit work will focus on the adequacy of the systems and controls that underpin the achievement of the audit objectives, and will take into account audit reports. Where appropriate, detailed compliance and transaction testing may be undertaken.

An outline of the audit programme is set out below.

##### 3.1. Governance and risk management

*To gain assurance that Serco Regional Services Ltd and the delivery division BLSE are soundly governed and risk appropriately managed.*

**3.1.1. Review and understand the structure of the Organisation, in particular the roles and responsibilities as regards managing and controlling the Business Link service, to assess its adequacy as designed and operating, through for example:**

- Understanding the management arrangements structure at Serco and BLSE level, and the clarity of roles and responsibilities particularly regarding the Business Link service.
- Levels of delegated authorities.

- The extent to which the CEO of BLSE is autonomous e.g. in discharging his responsibilities to ensure best value through scrutinisation and challenge of recharged group costs.
- Understanding the processes for declaring and dealing with conflicts of interest and related party transactions.
- Reviewing the CEO performance objectives and wider SMT objectives, in the context of any performance bonus criteria, to ensure that there is no conflict with the overall interests of SEEDA and/or the service.
- Assessing the adequacy of the Business Planning and budget setting process, at an Organisational level and a Business Link service level, including the processes for the tendering out of services and awarding of contracts (focusing on probity and value for money).

**3.1.2. Review the effectiveness of budgetary and performance management control processes, through:**

- Understanding and assessing the processes of monitoring financial and operating performance at Serco Group, Serco Regional Services, SMT and management level, and the processes for identifying, understanding and following up variances and taking actions accordingly (including processes for virement of budgets).
- Review the recharges from Serco Group to Serco Regional Services Ltd/BLSE to ensure that these costs are properly detailed, justified and auditable and are being properly scrutinized and challenged by BLSE.
- Reviewing the control mechanisms to ensure that Senior Management Team recharges are based on actual salaries and actual availability (up to 220 days each) i.e. what generates the monthly claim figure and would it recognize if a member of the SMT had been absent for two weeks that month.
- Reviewing the format and content of management accounts reported, including operational performance data.
- Assessing the process for re-forecasting financial and operational performance, and the linking in with management action.

**3.1.3 Assess the adequacy of risk management processes as designed and operating, through:**

- Understanding the processes in place to identify risk at Group and BLSE level, and the extent to which this is linked in with the Business Planning process and ongoing financial and operation performance monitoring.
- Assess the adequacy of any internal audit arrangements in place (including reviewing their reports) or alternative arrangements appropriate to the organisation's size and complexity.
- Ensuring that an adequate disaster recovery plan is in place.

**3.1.4 Assess the financial strength of the Serco Group through:**

- Considering the latest management accounts and projections for the parent.
- Considering the latest audited financial statements lodged with Companies House.
- Reviewing share price movements.
- Reviewing financial commentaries.

**3.2. Claiming and use of SEEDA funds**

***To gain assurance that SEEDA funds have been properly accounted for, claimed and utilised in accordance with the Grant Framework Agreement.***

**3.2.1. Assess the adequacy of the overall financial systems that will underpin the claiming and use of SEEDA finds, through:**

- Understanding the financial IT systems used.
- The structure and staffing of the finance function including the split of responsibilities between BLSE and Group.
- The extent to which the financial processes are documented and appear to be followed in practice for the main accounts streams (i.e. funding claims, income from charges, expenditure, and payroll).
- Understanding the skills and experience of key finance staff.
- Understanding the extent to which financial responsibility is devolved to frontline staff and they are supported in carrying out that role.
- In respect of specific systems, understanding the process for billing and then recovery of debtors (review listing of any amounts written off in year), and the process of approving expenditure invoices and authorising payments (including sign off and authorisation controls).
- In respect of IT controls, establishing that regular computer back ups are made and held securely and that appropriate password protection processes are in place with regular password changes required.
- Reviewing appropriate external and internal audit reports.

**3.2.2. Assess the processes for recording and allocating income and expenditure to account codes, and between Business Link and non Business Link activities, through:**

- Establishing that the Business Link accounts have been clearly separated from the accounts of the remainder of the Organisation.
- Review the account codes listing and the allocation of income and expenditure codes between Business Link and non Business link activities, to establish that the coding is appropriate.
- For specific income and expenditure codes where the allocation is split with proportions being allocated to both Business Link and non Business link activities (for example support service salary costs, some operational staff salary costs, overheads, some third party expenditure contracts), establish that the basis of the split is reasonable both at a budgeted level and an actual level during the year, and that an apportionment adjustments made during the year appear appropriate and consistent.

**3.2.3. Assess the processes for completing financial returns and funding claims to SEEDA, through:**

- Reviewing the basis of completion of all financial returns to SEEDA and the reconciliation to the management and financial accounts, testing as appropriate.

**3.2.4. Assess the adequacy of the processes for determining services to be subcontracted and delivered under the Business Link brand, focusing on the selection of sub contractors, ensuring value for money is achieved in those contracts, the processes for managing the contracts and that the necessary BL brand licenses are in place and complied with.**

**3.3. Grant Framework Agreement compliance**

***To gain assurance that the BLP has complied with specific requirements of the Grant Framework Agreement.***

**3.3.1. Specific requirements of the Grant Framework Agreement which will be reviewed include that:**

- A fixed assets register should be maintained and details specified in the Grant Framework Agreement entered.



- State aid requirements be met.
- Procurement procedures are compliant.
- Assets write-offs have been properly notified.

**3.3.2. Review the Organisation's compliance with key quality requirements of the Operator Agreement, namely:**

- That processes set out to monitor Business Adviser activities are in place and being applied in practice.
- That an effective complaints process is in place and acted upon.
- That staff, providers and sub contractors who provide Business Link information and advisory services, are assessed against the Standards of Professional Competence.
- That the requirements to manage the quality of suppliers are in place and being applied in practice.

**3.4. Reserves**

***To gain assurance that unspent funds received from SEEDA to deliver BL services are clearly identified and in line with the terms of the Grant Framework Agreement, and a reasonable need for the level of reserves held is demonstrated by Serco Regional Services Ltd.***

Assess the processes for clearly identifying reserves and that the level held appears reasonable, through:

- Understanding the terminal liabilities attaching to the service and the amount of reserves derived from SEEDA funding to deliver BLP services.
- Reviewing all calculations in support of the terminal liabilities (ensuring that the recharged SMT are excluded from such calculations) including the exact treatment of management fees and recharges.
- Reviewing the reasonableness of all deferred income amounts, bad debt provisions and accruals (including likely levels to be held at the year-end), and establish the likely level of reserves to be held at year end.

**3.5. Management Information**

***To gain assurance that Management Information and Performance Results data have been reported to SEEDA on the basis of systems and processes which provide a sound basis for validity and completeness.***

Review and assess the adequacy of the systems and processes as a basis of collecting and reporting performance data as required by the 'Business Link Operator Management Information Requirement' supplemented by the 'South East Management Information Requirement' the latter of which also covered the Tasking Framework Outputs. This audit work will focus on assessing whether the requirements and definitions as set out in the guidance are being complied with, including:

- Reviewing the Regional Client Relationship Management Information System (RCRMIS) system involved in producing MI/performance data, with some testing of reports to source data.
- Assessing the adequacy of systems for collecting and reporting data and testing quality control procedures in place.
- Gauging whether internal processes are geared up to meet data submission and query response deadlines.

The work will also include, for example, the following in respect of specific Performance Management Framework Targets:

### **Penetration**

- Assessing whether all customers recorded as users for penetration purposes are recorded on the RCRMIS and that the details of all those businesses are made available to the independent survey agencies undertaking client satisfaction surveys.
- Assessing the systems in place to ensure that usage figures are not incorrectly stated by double counting customers, double counting businesses that have more than once branch receiving assistance; or counting “out of area” customers unless prior written authorization has been provided by SEEDA.

### **Intensive Assists**

- Reviewing the systems to ensure that customers counted as intensively assisted have a shared agreement (e.g. an action plan or formal agreement) that includes a specific forecast for change to GVA over a defined period, and have begun to implement the shared agreement at the point they are being counted.
- Assessing the systems used by the provider to ensure that they collect GVA data for all their IA customers in the correct format, that the GVA figure is calculated correctly and that appropriate quality checks are in place to ensure the accuracy of the figures entered onto the RCRMIS.
- Strict adherence to the “full” and “enhanced” IA definitions.

### **Customer Satisfaction/Perceived Business Benefit**

- Ensuring that the survey agency chosen by the provider is included in the Market Research Society (MRS) Research Buyer’s Guide or belongs to a professional association, which follows the MRS Code of Conduct.
- Ensuring that the agency chosen has undertaken all aspects of survey work, including selecting the random sample, conducting the research and analysing the results, and that the results have been reported accurately and completely to SEEDA.
- Assessing whether key aspects of the guidance have been followed including minimum sample sizes, agreement of any stratification of the sample, frequency of sampling, inclusion of core questions and ensuring that any local questions added do not distort the survey, that suitable information has been provided (either from the RCRMIS or by including suitable questions in the survey itself) to allow the specified desegregation of reporting, particularly with respect to gender and ethnicity of ownership, and that the identity (but not the individual results unless explicitly agreed by the client) of clients interviewed (or included in the sample to be interviewed) should be made known to the provider and recorded on the RCRMIS to lessen the possibility of repeated survey of the same client.
- Validate any methodology for excluding users of the penetration count and ensure the methodology is in line with the customer satisfaction survey guidance and is regularly reviewed.

### **3.6. Separation tests**

***To gain assurance that Serco Regional Services Ltd, in supplying both the Business Link branded brokerage service and non-branded business support services, are adequately separating the two activities and pass a series of separation tests.***

The separation tests will be carried out in accordance with the guidance set out in the Annexes to the Grant Framework Agreement.