

Sheffield Teaching Hospitals

NHS Foundation Trust

EXECUTIVE SUMMARY REPORT TO THE COUNCIL OF GOVERNORS MEETING HELD ON 11th FEBRUARY 2014

Subject	Provision of External Audit Service
Lead	Neil Priestley
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Status¹	A

PURPOSE OF THE REPORT

To consider the recommendation from the Audit Committee to extend the current External Audit services contract, held with KPMG, past its initial expiry date of September 2014.

KEY POINTS

The present external audit service, provided by KPMG, is considered robust, objective, independent and competitively priced.

The contract permits a two year extension of the arrangement, up until September 2016. At that point, under the Monitor Audit Code, a full contract re-tender exercise will be required.

IMPLICATIONS

	Comments	Assurances Received
Achieve Clinical Excellence		
Be Patient Focused		
Engaged Staff		
Optimal Configuration of Clinical Services		
Financial Strength and Stability		Appropriate and robust audit service
Leadership Development		

RECOMMENDATIONS

The Council of Governors are asked to approve the Audit Committee recommendation for a two year extension of the current External Audit appointment, until September 2016

APPROVAL PROCESS

Meeting	Presented	Approved	Date
Audit Committee			14/1/14
Governors Council			11/2/14

¹ Status: A = Approval

A* = Approval & Requiring Board Approval

D = Debate

N = Note

SHEFFIELD TEACHING HOSPITALS NHS FOUNDATION TRUST

REPORT TO COUNCIL OF GOVERNORS – 11th FEBRUARY 2014

PROVISION OF EXTERNAL AUDIT SERVICES

1. INTRODUCTION

- 1.1 The Trust's current contract for external audit services expires with completion of the services for the 2013/14 Financial Year. The external audit service covers both financial and quality report audits and a review of the annual report.
- 1.2 The service was last tendered during 2011; the outcome being an initial three year contract with KPMG. The contract has the option to extend for a further two years.
- 1.3 Under Monitor's Audit Code for Foundation Trusts, such audit services should be formally market-tested at least every five years.
- 1.4 The Trust therefore presently has the options of:
- Formally re-tendering and market testing audit services during early 2014, or
 - Extending the existing contract until completion of the 2015/16 Financial Year, with a formal re-tendering exercise being undertaken in early 2016 to ensure compliance with the Monitor Audit Code.
- 1.5 These options were considered by the Audit Committee at their meeting on 14 January 2014, as to the next steps to ensure an external audit service can continue to be provided from Autumn 2014.
- 1.6 The Council of Governors is responsible for appointing the Trust's External Auditor. The Audit Committee takes responsibility for recommending an audit appointment to the Governors.

2. PROPOSED PROCESS AND TIMESCALES

- 2.1 Audit Committee consideration and discussion on the performance of the current incumbent, KPMG, was held in relation to:
- Quality and timeliness of work,
 - Pro-activeness and assistance in the application of new accounting treatments,
 - Effectiveness of liaison with the Internal Audit service,
 - Audit objectivity and evidence of independence (including no member of the audit team being a member or governor of the Trust).
 - Auditor compliance with the Monitor Audit Code (i.e. evidence of an established and demonstrable standing within the healthcare sector, the ability to show a high level of experience and expertise in the sector, and the undertaking of, and clean outcome from, a review of the robustness of KPMG internal quality control procedures (performed by Internal Audit)),
 - Attendance at, and contribution to, the Audit Committee,
 - Cost of the service
- 2.2 No issues were raised in relation to the first five bullet points above. Some concerns had previously been expressed at the level of attendance at Audit Committee by the KPMG partner but these had been discussed with KPMG and resolved to the satisfaction of the Chair of the Audit Committee. The Chair has again raised this in the context of consideration of a possible contract extension and has been assured that attendance will be as STH requires.

- 2.3 KPMG has indicated that it would be happy to accept an extension to the contract.
- 2.4 The outcome of the considerations by Audit Committee were that opting for the two year extension of the contract with KPMG will result in a fully satisfactory and cost-effective audit service. On that basis, it is recommended that this option is now taken.
- 2.5 It is worth noting that, should an extension of the current contract with KPMG not be approved, then in order for the Audit Committee to make a recommendation to the September Council of Governor's meeting on a new audit appointment, the tender outcome must be considered at the Audit Committee meeting in July. This would necessitate the following tender timetable:

Tender Stage	Date
OJEU Advert for interested parties	End February 2014
Expressions of Interest returned	Start April 2014
Expressions of Interest evaluated and shortlisted	Start April 2014
Specification agreed/ready for issue	Start April 2014
Tenders returned	Mid May 2014
Shortlisting of tenders completed	Mid May 2014
Interviews/Quality and Price Evaluation	Early June 2014
Selection report prepared for Audit Committee	End June 2014
Audit Committee consideration	July 2014

3. RECOMMENDATIONS

The Council of Governors is asked to approve the recommendation by the Audit Committee to extend the contract with KPMG for a further two years, to cover services to the completion of the 2015/16 Financial Year.

Neil Priestley
 Director of Finance
 February 2014