

**EXECUTIVE SUMMARY**  
**REPORT TO THE COUNCIL OF GOVERNORS MEETING**  
**HELD ON 13<sup>th</sup> SEPTEMBER 2016**

<b>Subject</b>	Provision of External Audit Service
<b>Lead</b>	Neil Priestley
<b>Author</b>	Julie Wright
<b>Status<sup>1</sup></b>	A

**PURPOSE OF THE REPORT**

To seek approval of the recommendation from the Audit Committee on the appointment of the Trust's External Auditor, commencing with the financial year 2016/17.

**KEY POINTS**

The contract for the present external audit service, provided by KPMG, ends in September 2016, with the report to the Council of Governors on the 2015/16 Annual Accounts and Report. The contract has already been extended for the maximum period under national governance guidelines and the contract provisions.

The Audit Committee has therefore overseen a tender process for renewal of the external audit contract and this paper outlines the process undertaken and the recommendation made to the Council of Governors as to the future appointment.

**IMPLICATIONS**

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

**RECOMMENDATIONS**

The Council of Governors is asked to approve the Audit Committee recommendation to appoint Mazars as the Trust's External Auditor for a period of three years, with an option to extend by two years. The proposed appointment will commence for the 2016/17 financial year.

**APPROVAL PROCESS**

<b>Meeting</b>	<b>Presented</b>	<b>Approved</b>	<b>Date</b>
Audit Committee			5/7/16
Governors Council			13/9/16

<sup>1</sup> Status: A = Approval  
A\* = Approval & Requiring Board Approval  
D = Debate  
N = Note

# **SHEFFIELD TEACHING HOSPITALS NHS FOUNDATION TRUST**

## **COUNCIL OF GOVERNORS – 13 SEPTEMBER 2016**

### **APPOINTMENT OF EXTERNAL AUDITOR**

#### **1. INTRODUCTION**

1.1 The Trust's existing External Auditor appointment, which was extended to the maximum of five years, ends with the 2015/16 financial year. A procurement process was therefore required to make a new appointment for the 2016/17 audit.

1.2 The outline tender process and draft service specification were therefore agreed by the Audit Committee in January 2016. This process commenced in February 2016 with the Trust Supplies team, who identified a Framework Agreement for External Audit Services. After checking the framework would satisfy the Trust specification agreed by the Audit Committee, it was deemed appropriate to use the framework. The suppliers on this framework were BDO, Deloitte, Ernst Young, KPMG, Mazars and PwC. The Trust then commenced a mini-competition under the framework agreement in May 2016 and invited expressions of interest. Of the 6 organisations on the framework, only two expressed an interest – KPMG and Mazars. The reasons for none response from other organisations were:

- BDO & PwC – insufficient capacity to meet requirements.
- Ernst Young – conflict of interest with VAT advisor role to the Trust.
- Deloitte – no reason provided (despite requests).

1.3 Both respondents were deemed to meet the Trust specification, and, as per the agreed process, a panel was established to consider the tenders and receive presentations from each of the shortlisted organisations. The panel met on 13 June 2016 and had the following membership:-

John O'Kane	Chair of Audit Committee
Neil Priestley	Director of Finance
Neil Riley	Trust Secretary
Julie Wright	Deputy Director of Finance

Jacquie Kirk offered to be involved in the process from a Governor perspective but was unfortunately unable to attend the presentation date.

The panel was supported by the Supplies Department.

1.4 The panel had an agreed scoring matrix for assessing the 2 tenders and was not aware of the financial aspects of the tenders until the presentations and non-financial scoring processes were completed. The elements covered by the non-financial scoring matrix were as follows:

- Evidence of Entitlement to act as Auditor of an FT (Pass/Fail only).
- Technical and Professional Capability
- Quality Assurance and Control Processes
- Process for avoidance of conflict of interest on non-statutory work

- Business Continuity
- Legislative and Ethical Compliance
- Past & Existing Contracts and Projects
- Qualified staff numbers/staff mix
- Professional Indemnity
- Evidence of Service Delivery

1.5 The Trust Secretary discussed the panel's recommendation with the lead Governor, who confirmed agreement with the proposal.

1.6 The Audit Committee then considered the panel's recommendation for appointment at its meeting on 5<sup>th</sup> July 2016 and confirmed the recommendation was appropriate.

## 2. AUDIT COMMITTEE RECOMMENDATIONS

2.1 The Audit Committee concluded that both KPMG and Mazars were capable of providing a high quality external audit service and that both of them fully met the Trust requirements. KPMG scored slightly higher than Mazars on the extent of FT experience (years auditing and volume of client base) and on the experience of undertaking Quality Report Audits.

2.2 However, Mazars offered a more competitive price for the service provision and, when the combined quality and cost of the service were considered within the overall value for money evaluation, Mazars was determined as the preferred provider.

## 3. RECOMMENDATIONS

The Council of Governors is asked to:-

3.1 Approve the Audit Committee's recommendation to appoint Mazars as the Trust's external auditors for 3 financial years from 2016/17.

3.2 Note that an annual review of the external auditor's performance will be undertaken by the Audit Committee to ensure that a service of an appropriate standard is maintained.

3.3 Agree that the contract is now formally awarded to Mazars and that planning work for the 2016/17 financial year is formally commenced.

Neil Priestley  
 Director of Finance  
 September 2016