

Sheffield Teaching Hospitals

NHS Foundation Trust

EXECUTIVE SUMMARY REPORT TO THE COUNCIL OF GOVERNORS MEETING HELD ON 26th MARCH 2019

Subject	Provision of External Audit Service
Lead	Neil Priestley
Author	Julie Wright, Deputy Director of Finance (Financial Accounting)
Status¹	A

PURPOSE OF THE REPORT

To consider the recommendation from the Audit Committee to extend the current External Audit services contract, held with Mazars, past its initial expiry date of September 2019.

KEY POINTS

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

The contract permits a two year extension of the arrangement, up until September 2021. At that point, good practice would suggest a full contract re-tender exercise be undertaken.

IMPLICATIONS

AIM OF THE SHFT CORPORATE STRATEGY 2017-2020		TICK AS APPROPRIATE
1	Deliver the Best Clinical Outcomes	✓
2	Provide Patient Centred Services	
3	Employ Caring and Cared for Staff	
4	Spend Public Money Wisely	✓
5	Deliver Excellent Research, Education & Innovation	

RECOMMENDATIONS

The Council of Governors is asked to approve the Audit Committee recommendation for a two year extension of the current External Audit appointment, until September 2021.

APPROVAL PROCESS

Meeting	Presented	Approved	Date
Audit Committee	Neil Priestley	Yes	8/1/19

¹ Status: A = Approval

A* = Approval & Requiring Board Approval

D = Debate

N = Note

SHEFFIELD TEACHING HOSPITALS NHS FOUNDATION TRUST

REPORT TO COUNCIL OF GOVERNORS – 26th MARCH 2019

PROVISION OF EXTERNAL AUDIT SERVICE

1. INTRODUCTION

- 1.1 The Trust's current contract for external audit services expires with completion of the services for the 2018/19 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 2016 with the outcome being an initial three year contract awarded to Mazars. The contract has the option to extend for a further two years.
- 1.3 Good practice would suggest that external 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 2019, or
 - Extending the existing contract until completion of the 2020/21 Financial Year, with a formal re-tendering exercise being undertaken in early 2021.
- 1.5 These options were considered by the Audit Committee at its meeting on 8 January 2019.
- 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, Mazars, related 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 National Audit Office Code of Audit Practice (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 internal quality control procedures),
 - Attendance at, and contribution to, the Audit Committee,
 - Cost of the service
- 2.2 No adverse issues were raised in relation to the matters listed above with a generally very positive outcome.
- 2.3 Mazars has indicated that it would be happy to accept an extension to the contract, with the current fee held for a further two years.

- 2.4 The outcome of the considerations by the Audit Committee was that opting for the two year extension of the contract with Mazars will result in a fully satisfactory and cost-effective audit service. On that basis, it recommended that this option is now taken.
- 2.5 It is worth noting that, should an extension of the current contract with Mazars not be approved, then in order for the Audit Committee to make a recommendation to the September Council of Governors 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
Relevant framework identified Specification agreed/tender evaluation documents ready for issue Tenders returned	End April 2019
Tenders evaluated	End May 2019
Interviews/Quality and Price Evaluation	Early June 2019
Selection report prepared for Audit Committee	End June 2019
Audit Committee consideration	July 2019

3. RECOMMENDATIONS

The Council of Governors is asked to approve the recommendation by the Audit Committee to extend the contract with Mazars for a further two years, to cover services to the completion of the 2020/21 Financial Year.

Neil Priestley
Director of Finance
March 2019