

External Auditor Procurement

Paper for Trust Board 29th March 2017

EXECUTIVE SUMMARY

The purpose of this report is to provide the Trust Board with an update on the work of the Council of Governors External Audit Sub Group in re-procuring the External Audit service from 2017/18 and to seek ratification of the recommendations made by the Council of Governors in selecting External Auditors for the Trust.

BACKGROUND

The Trust last went out to open procurement for the External Audit service in 2010 – this contract was awarded to Deloitte on a 3+2 year basis (up to 2014/15). This contract has been extended – in 2015/16 and 2016/17 – and migrated onto the existing NHS Shared Business Services (SBS) Framework.

In early 2016 the Council of Governors External Audit Sub Group took the decision to re-procure the service from 2017/18 onwards. A decision was also made to follow a new national framework for the procurement of External Audit services for NHS bodies.

The original 2010 specification had three elements to it:

1. Core External Audit for WWL NHS FT
2. External Assurance of the Quality Report
3. External Audit of the WWL Health Services Charity (3 Wishes)

Recent changes have been made to the income threshold for Charities requiring an External Audit, it was therefore decided to separate this element of the service specification in 2017 and to identify it as a potential additional contract that would be subject to negotiation with the Trustees of the Charity.

In 2016/17 the value of the total contract was £59,695 – plus VAT and disbursements (costs).

PROCUREMENT PROCESS

The Terms of Reference for the External Audit Sub Group were updated in December 2016, the size of the committee was reviewed and the number of Governors on the Committee increased – membership now includes Up to 7 governors, one representing each constituency, plus Lead Governor.

The Sub Group, working with Trust staff from Procurement, Finance and the Assistant Trust Board Secretary, developed a new specification for the service based on the audit of Trust finances and the assurance of the Quality Report.

The decision to follow a national framework – known as the SBS Framework Agreement - meant that the Trust ran a mini competition between a shortlist of pre-approved external audit providers. This list has been provided by SBS to streamline the process for NHS bodies. There are 8 companies on this list that WWL invited to tender:

- BDO Ltd
- Deloitte LLP
- Ernst & Young
- Grant Thornton LLP
- KPMG
- Mazars LLP
- Moore Stephens LLP
- Price Waterhouse Coopers LLP.

The invitation to Tender was issued on January 20th, with a deadline of 9th February. Five companies submitted tenders:

- Deloitte LLP
- Grant Thornton LLP
- KPMG
- Mazars LLP
- Price Waterhouse Coopers LLP.

Each tender was scored against published criteria with weightings given for finance and quality – including the details of how the companies proposed to undertake the audit, manage risks, their approach to quality and their plans to work with different parts of the Trust – including the Council of Governors. These assessments were conducted under the rules of the Trust's Standing Financial Instructions by representatives from Finance, Procurement and the Assistant Trust Board Secretary, and an update was presented to the Sub Group at their meeting on 14th February 2017, where the scores were scrutinised.

The Sub Group agreed to shortlist two companies to interview based on the assessment criteria:

- Deloitte LLP
- KPMG

Interviews took place on 22nd February. The members of the Governor's sub group were joined by Rob Forster, Director of Finance and Carole Hudson, Chair of the Audit Committee. Both companies were invited to make presentations and to answer questions set by the members of the Sub Group.

Following the interviews the Sub Group considered the relative merits of each proposal and reviewed the scores given to their submissions. Following a discussion it was unanimously agreed to recommend that Deloitte should be awarded the contract to be the Trust's External Auditor. The value of this contract, over two years, will be £106,000 (plus VAT) – this figure includes any costs for expenses / disbursements – this figure represents an annual saving of £6,695 over the current contract.

Under the rules of the SBS Framework, contracts can be awarded for up to 4 years – this includes 2+1+1 arrangements. It was the unanimous decision of the Governor's Sub Group that the contract should be awarded on a two year basis and kept under review by both the Trust's Audit Committee and CoG External Audit Sub Group, which will meet three times a year.

The Sub Group agreed that the Trustees of the 3 Wishes Charity should approach Deloitte in relation to their requirements for an independent examination or audit, but that any decision on this should be made by the Charity trustees, rather than the External Audit Sub Group.

RECOMMENDATIONS:

The following recommendations were agreed by the full Council of Governors when it met on 8th March 2017:

1. To award the contract for External Audit services to Deloitte
2. That the contract should be awarded initially on a 2-year basis and kept under review.

Trust Board are recommended to ratify the decision of the Council of Governors.