

Council of Governors: Summary Sheet

Title of Paper: Appointment of External Auditors to the Trust - Contract Extension

Presented By: Margaret Saunders

Action Required:

For Information	<input type="checkbox"/>	For Ratification	<input type="checkbox"/>	For a decision	<input checked="" type="checkbox"/>
For Feedback	<input type="checkbox"/>	Vote required	<input type="checkbox"/>	For Receipt	<input type="checkbox"/>

To which duty does this refer:

Holding non-executive directors individually and collectively to account for the performance of the Board	<input type="checkbox"/>
Appointment, removal and deciding the terms of office of the Chair and non-executive directors	<input type="checkbox"/>
Determining the remuneration of the Chair and non-executive directors	<input type="checkbox"/>
Appointing or removing the trust's auditor	<input checked="" type="checkbox"/>
Approving or not the appointment of the trust's chief executive	<input type="checkbox"/>
Receiving the annual report and accounts and auditor's report	<input type="checkbox"/>
Representing the interests of members and the public	<input type="checkbox"/>
Approving or not increases to non-NHS income of more than 5% of total income	<input type="checkbox"/>
Approving or not acquisitions, mergers, separations and dissolutions	<input type="checkbox"/>
Jointly approving changes to the trust's constitution with the Board	<input type="checkbox"/>
Expressing a view on the Trust's forward plans	<input type="checkbox"/>
Consideration on the use of income from the provision of goods and services from sources other than the NHS in England	<input type="checkbox"/>
Monitoring the activities of the Trust to ensure that they are being conducted in a manner consistent with its terms of authorisation and the constitution.	<input type="checkbox"/>
Monitoring the Trust's performance against its targets and strategic aims	<input type="checkbox"/>

How does this item support the functioning of the Council of Governors?

Governors will fulfill their statutory responsibility for appointing the external Auditors to the Trust.

Author of Report: Phillip Easthope

Designation of Author: Executive Director of Finance

Date: 08/12/2017

SUMMARY REPORT

Report to: Council of Governors

Date: 14th December 2017

Subject: Appointment of External Auditors to the Trust - Contract Extension

From: Audit Committee

Prepared by: Phillip Easthope, Executive Director of Finance

1. Purpose

Approve the recommendation of the Audit Committee to exercise the option of an additional 2 years within the external audit contract. Not approving this option would require a decision to go out to tender for the external audit service.

2. Summary

As presented to Audit Committee:

The Trust's current contract period with KPMG for the provision of its External Audit Services is from 01 April 2015 for a period of three years, with an option to extend for a further two years.

The contract was awarded following a competitive tender exercise under the NHS Commercial Procurement Collaborative (CPC) framework for External Audit Services in January 2015.

It is therefore necessary to decide if we should trigger the provision in the contract to extend for a further two years or to tender for the service from 1 April 2018.

The evaluation criteria for the contract award were:

Criteria	Weighting %
Experience of the audit team	25
Quality of service delivery	20
Quality of communications	10
Added value offered	10
Quality of engagement with Council of Governors	15
Fee competitiveness	20

The Audit Committee monitors its effectiveness on an ongoing basis and produces an annual report following self-assessment utilising the Audit Committee Handbook self-assessment questionnaires. Part of this process is to review the effectiveness of External Audit. These reports were received at Audit Committee in April 2017 and Committee members agreed that they were assured by the quality of assurance and communication received by External Audit. The Committee hasn't raised or escalated any concerns about the quality of service provision or any other factors over the life of the contract; nor has it received feedback of dissatisfaction from other sources i.e. Board of Directors or Council of Governors.

Given the satisfaction of service highlighted above, and giving due consideration to the Trust's priorities over the coming months, it is felt that continuity of the current service is preferable as to not detract internal resources/capacity to embark on a tender process.

Recommendation

A recommendation is made to the Council of Governors to enact the contract provision and extend the term for two years.

The above recommendation was approved by the Audit Committee on 17th October 2017 and this paper requests the Council of Governors to approve the extension of term of the current External Auditors KPMG.

3. Next Steps

Executive Director of Finance to liaise with KPMG (External Audit) to ensure the appropriate contract documentation is in place to formalise the extension of contract.

4. Required Actions

Agree the Audit Committee recommendation or instruct retendering of the External Audit Service

5. Monitoring Arrangements

Through Audit Committee

6. Contact Details

For further information, please contact:

Margaret Saunders
Director of Corporate Governance (Board Secretary)
Tel: (0114) 305 0727
Email: Margaret.Saunders@shsc.nhs.uk