# Title

**Provision of External Audit Services**

## Status

For approval

## History

This paper follows on from a market testing exercise and previous papers CoG 2016.20, CoG2017.04 and CoG2017.27

## Board Lead(s)

| Mrs Anne Tutt | Chairman of External Audit Working Group |

## Key purpose

| Strategy | Assurance | Policy | Performance |
## Executive Summary

1. Foundation Trusts are expected to periodically market test the external audit service. Ernst & Young have been the External Auditor since 2012 and their current appointment ends in September 2018.

2. The Council of Governors appoint the external auditors and the Audit Committee supports the Council of Governors in this process. The process was described in CoG2017.04.

3. An External Audit Working Group has been established with representation from the Council of Governors, the Audit Committee and Director of Assurance and this group has overseen this market testing exercise.

4. As a result of the market testing exercise, three firms presented to the External Audit Working Group on 22 November 2017 and following these presentations the Working Group have agreed that a recommendation for the appointment of an External Auditor for financial year 2018/19 should be put to the Council of Governors at their meeting in January.

5. **Recommendation**

   The Council of Governors is asked to agree to the appointment of Mazars, as External Auditor for the 2018/19 financial year and for the subsequent two years subject to satisfactory performance.
Provision of External Audit services

1. Introduction
   1.1. Ernst & Young have been the Trust’s External Auditors since 2012.
   1.2. The Council of Governors agreed to extend their appointment till September 2018 at their meeting in January 2017 (CoG2017.04).
   1.3. Current guidance is that the external audit service should be periodically subjected to a “market testing exercise”.
   1.4. It is a legal requirement under the 2006 NHS Act that Foundation Trusts must have an external auditor in place at all times.
   1.5. The external auditors are appointed by the Council of Governors and the Audit Committee supports the Council of Governors in the appointment process.
   1.6. The process for the appointment of the external auditors was set out in the paper considered by the Council of Governors in January 2017. (Appendix 1 of CoG2017.04).

2. External Audit Working Group
   2.1. An External Audit Working Group (EAWG) comprising three Governors, two members of the Audit Committee and the Director of Assurance, was established to oversee the “market testing exercise” and formulate the recommendation to the Council of Governors.
   2.2. The Terms of Reference of this group were approved by the Council of Governors in October 2017 (CoG 2017.27).
   2.3. A market testing exercise was undertaken using the Standard Business System framework agreement for External Audit services and a mini competition was run between all the suppliers on this framework, seeking a contract that would start from 1 September 2018 for an initial period of 36 months with the possibility of an extension of up to a maximum of an additional 12 months.
   2.4. The framework included all eight major suppliers and three firms responded to the request for a proposal. These were Ernst & Young, Grant Thornton and Mazars.

3. Evaluation of submissions
   3.1. Each of the submissions was carefully evaluated against the criteria set out in the tender documents, taking account of both quality and commercial factors.
   3.2. The initial evaluation indicated that all three submissions were “above the line” and that their draft scores were very close.
   3.3. EAWG agreed that all three firms should be asked to present their submissions to them and these presentations took place on 22 November. This allowed the group to clarify a number of issues relating to the provisional evaluation of the submissions and to confirm the scoring, subject to a small number of further clarifications.
   3.4. Following the presentations, these further clarifications were addressed and the EAWG has now been able to confirm its evaluation of the submissions.
   3.5. The evaluation indicated that Mazars scored highest when both qualitative and commercial factors were evaluated.
3.6. The External Audit Working Group recommends that the Council of Governors should appoint Mazars to provide an External Audit service for the 2018/19 financial year and for the subsequent two years subject to satisfactory performance.

4. Next Steps
4.1. Subject to the agreement of the Council of Governors, the three firms will be notified of the outcome of the tender exercise in early February.

4.2. This will allow the successful tenderer to commence the handover process well in advance of having to prepare the 2018/19 Audit Plan in the autumn of 2018.

5. Recommendation
5.1. The Council of Governors is asked to appoint Mazars to provide an External Audit service for the 2018/19 financial year and for the subsequent two years subject to satisfactory performance.

Mrs Anne Tutt
Chairman of External Audit Working Group
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