

Cover Sheet

Council of Governors Meeting: Wednesday 13 October 2021

CoG2021.26

Title: Report from the External Audit Working Group

Status: For Decision

History: A new paper which follows on from COG 2021.10 and CoG 2021.18

Board Lead: Audit Committee Chair

Author: Richard Gardner, Senior Finance Manager Governance & Assurance

Confidential: No

Key Purpose: Assurance, Performance.

Executive Summary

1. This report sets out the work undertaken by the External Audit Working Group and requests that the Council of Governors approve the Terms of Reference for the group.
2. Procurement is underway utilising an existing NHS Framework agreement and currently a “mini-competition” is being run between all the firms on the framework.
3. The next meeting of the Working Group is due to consider the results of the mini-competition and agree a shortlist.
4. Presentations from the shortlisted bidders and a recommendation to the Council of Governors are due in January 2022 and the new contract would commence in June 2022.

Recommendations

5. The Council of Governors is asked to:
 - Approve the Terms of Reference of the Working Group.
 - Note the progress being made.

Report from the External Audit Working Group

1. Purpose

- 1.1. This report sets out the work undertaken by the External Audit Working Group and requests that the Council of Governors approve the attached Terms of Reference for the group.

2. Background and work undertaken to date

- 2.1. The Trust is required to always have an external auditor in place and the existing contract with Mazars concludes in 2022. The Council of Governors considered and agreed the approach to the retendering of the external audit service in CoG 2021.18.
- 2.2. When seeking a new contract, Foundation trusts must follow the Public Contracts Regulations, a legal framework that helps ensure that public procurement (the process for buying goods and services) is conducted fairly and openly. Given the potential value of this contract, our SFI's envisage that competitive tenders are sought, or procurement is via an existing NHS Framework agreement.
- 2.3. The committee have endorsed the use of the NHS Standard Business System (SBS) Framework for external audit which is specifically designed to assist NHS organisations to appoint external auditors. This framework includes all the firms licensed and authorised by the Institute of Chartered Accountants in England and Wales (ICAEW) to undertake external audit in the NHS.
- 2.4. The External Audit Working Group was established following the Council of Governors meeting held on 14th July with a membership of: -
- 2.4.1.1. Three Governors
 - 2.4.1.1.1. Martin Havelock18
 - 2.4.1.1.2. Shad Khan
 - 2.4.1.1.3. Nina Robinson
 - 2.4.1.2. Two non-executives
 - 2.4.1.2.1. Paula Hay-Plumb (Chair of Audit Committee)
 - 2.4.1.2.2. Katie Kapernaros (member of Audit Committee)
 - 2.4.1.3. Eileen Walsh (Chief Assurance Officer)
- 2.5. The Working Group has met twice and agreed: -
- 2.5.1. The Working Group would be chaired by Paula Hay-Plumb

- 2.5.2. The draft Terms of Reference of the Working Group which are now submitted to the Council of Governors for formal approval.
- 2.5.3. The procurement should be undertaken using the Standard Business System (SBS) framework and a “mini-competition” run between all the firms on that framework.
- 2.5.4. A proposed timetable for the exercise, which envisages a recommendation on the appointment of the external auditor being made in January 2022.
- 2.5.5. The Invitation to tender (ITT) document and the Service Specification document.
- 2.6. The successful bidder would commence in June 2022
- 2.7. There are indications that the market is challenged and that not all of the approved firms may bid for the tender. Efforts are being made to encourage as many bids as possible.

3. Future planned activity

- 3.1. The next meeting of the Working Group is scheduled for the end of November and is due to consider the bids received and to formulate a short list.
- 3.2. Presentations from shortlisted bidders are due to be held in early January and a recommendation on the appointment of an external auditor will then be made to the Council of Governors meeting on 19th January.

4. Conclusion

- 4.1. The procurement phase of the process is currently underway, and a short list of bidders should be agreed in November.
- 4.2. The Council of Governors is asked to approve the Terms of Reference of the Working Group, attached as an annex to this paper.

5. Recommendations

- 5.1. The Council of Governors is asked to:
 - Approve the Terms of Reference of the Working Group
 - Note the progress being made.

External Audit Working Group

Terms of Reference

1. Authority

- 1.1. The External Audit Working group (the Committee) is constituted as a sub-committee of the Council of Governors for the sole purpose of undertaking a “market testing” exercise in respect of the provision of External Audit services.
- 1.2. The Committee has no executive powers, other than those specifically delegated in these Terms of Reference.
- 1.3. The Terms of Reference can only be amended with the approval of the Council of Governors.

2. Purpose of the Committee

- 2.1. The Committee is responsible for making recommendations to the Council of Governors in respect of the outcome from the “market testing” of External Audit services.

3. Membership

- 3.1. The membership of the committee shall be composed of the following: -
 - Three Governors
 - Two Non –Executive Directors, one of whom shall be the chair of the Audit Committee.
 - Chief Assurance Officer.
- 3.2. The Committee will seek advice, as required, from other officers of the Trust.
- 3.3. The Committee will elect its chairman from amongst its members.

4. Attendance and Quorum

- 4.1. The quorum for any meeting of the Committee shall be attendance of a minimum of three members of which two will be Governors and one a Non-executive Director.

4.2. If Governors, Executive or Non-executive Directors are unable to attend a meeting they should nominate a deputy, subject to consultation with the Committee Chairman. Deputies will be counted for the purpose of the quorum.

4.3. The Chair may request attendance by relevant staff at any meeting.

5. Frequency of meetings

5.1. The Committee will meet, as required by the timetable for the tender process and initially it is envisaged that four meetings may be required as set out in the table below: -

Proposed Date	Objective of meeting
August 2021	To consider draft specification of service and contract award criteria.
September 2021	To agree final specifications of service and other documentation
November 2021	To discuss and confirm shortlisted suppliers
December 2021	Presentations by Shortlisted Suppliers and recommendation to the Council of Governors.

5.2. The Chairman may at any time convene additional meetings of the Committee to consider business that requires urgent attention.

6. Specific Duties

6.1. The specific responsibilities of the Committee are to:

- To agree the service specification for the proposed External Audit services
- To agree the contract award criteria
- To agree any other supporting documentation
- To agree the shortlist of firms asked to present to the Committee
- To receive the presentations from the short-listed firms and to make a recommendation to the Audit Committee and Council of Governors concerning the outcome of the “market testing” exercise.

7. Administrative Support

7.1. The Committee will be supported by the Chief Finance Officer, as the nominated lead Executive Director. The Committee will be supported administratively by the Finance Directorate, whose duties in this respect will include:

- Agreement of the agenda with the Committee Chairman, collation and distribution of papers at least five working days before each meeting.
- Keeping a record of matters arising and issues to be carried forward.
- Providing support to the Chair and members as required.

8. Accountability and Reporting arrangements

8.1. The Committee shall be directly accountable to the Council of Governors

8.2. The Chair of the Committee shall report on progress to the Audit Committee and Council of Governors detailing actions agreed and issues to be referred to the Audit Committee / Council of Governors. At the conclusion of the exercise, the Chair will produce a summary report, setting out the recommendations of the group, which will be submitted to the Audit Committee and then the Council of Governors.

Date approved: [13 October 2021]

Approved by: Council of Governors.