

Extension of External Audit Contract

| | |
|--|---|
| Council of Governors | Item: 12 |
| 21st January 2020 | Enclosure: H |
| Purpose of the Report: To present the rationale for extending the External Audit Contract. | |
| For: Information <input type="checkbox"/> Assurance <input type="checkbox"/> Discussion and input <input type="checkbox"/> Decision/approval <input checked="" type="checkbox"/> | |
| Sponsor (Executive Lead): | Yarlina Roberts Interim Director of Finance |
| Author: | Susan Simpson Director of Corporate Governance |
| Author Contact Details: | Susan.simpson19@nhs.net 020 8934 2522 |
| Recommendations: The Council of Governors is asked to approve the extension of the current External Audit contract to 31 st March 2021. | |

Extension of External Audit Contract

1. The Trust is required to appoint an Auditor to carry out an External Audit on an annual basis. The initial term for the current contract with the incumbent, Grant Thornton, is due to expire on 31st March 2020, although the Trust has a right to extend the contract under the terms of the original procurement exercise.
2. The Board considers that it would be in the best interests of the Trust to extend the contract for a further period of 12 months for the following reasons:
 - Additional regulatory pressures are impacting on the market such that recent tender exercises carried out by other trusts have resulted in few or no expressions of interest. There is therefore no imperative to put contracts to tender now and doing so is likely to result in a significant increase in contract price.
 - Extending the contract term for external audit would provide greater opportunity to look at achieving a system-based approach to audit services, in line with the work of the SW London Acute Provider Collaborative.
3. Grant Thornton was appointed to the External Audit contract in 2017 following a comprehensive procurement process in which all eligible suppliers on the London Procurement Partnership's Audit Services framework were invited to tender. An evaluation panel consisted of the NED Chair of the Audit Committee (Joan Mulcahy), the Director of Finance (Jo Farrar) and the Head of Financial Accounting (Martin Linton) as voting members and two Governors (Marilyn Frampton and Frances Kitson) as non-voting members. Responses from four potential suppliers were evaluated based on a set of evaluation criteria created by the Evaluation Panel. Two shortlisted suppliers were invited to give a presentation to the Trust for further consideration of the quality and value for money of the services offered, after which the recommendation was made to appoint Grant Thornton.
4. Discussions leading to making the recommendation to extend the contract have included the Audit Committee and Governor members of the Evaluation Panel.
5. Negotiations are still to be concluded with Grant Thornton on the contract price for the one year extension. It is likely that an additional sum will be agreed to recognise the regulatory pressures that are impacting on the market as a whole. Informal benchmarking has indicated that the price levels under discussion are lower than would be achieved if the full contract was put to tender under current market conditions.
6. The Council of Governors is asked to approve the extension of the External Audit contract to 31st March 2021.