

Report to:	Council of Governors	Agenda item:	8
Date of Meeting:	14 March 2024		

Title of Report:	Appointment of External Auditors
Status:	For Approval
Board Sponsor:	Alison Ryan, Chair
Authors:	Roxy Milbourne, Deputy Head of Corporate Governance / Abby Strange, Membership and Governance Administrator
Appendices	None

1. Executive Summary of the Report

The RUH, as an NHS Foundation Trust, is legally required to have an external auditor in place at all times. This is a legal requirement under the 2006 NHS Act.

The Trust’s current external audit contract ends on 31 March 2024. The Council of Governors and the Audit and Risk Committee carried out a competitive tender process

The Board of Directors, led by the Audit and Risk Committee, took part in a framework options analysis, and selected the “Crown Commercial Services (CCS) RM6188 - Audit & Assurance Services (A&AS) Lot 2 - External Audit Framework” which provided a wider pool of suppliers whilst remaining compliant with each Trust’s Standing Financial Instructions and was compliant with Public Contracts Regulation 2015 (PCR).

Viv Harpwood and Anne-Marie Walker, Public Governors, represented the Council of Governors on the Project Team and worked alongside Paul Fox, Chair of the Audit and Risk Committee (Non-Executive director), the Deputy Chief Financial Officer, and the Acute Hospital Alliance Deputy Head of Sourcing (Non-Clinical).

Following an independent evaluation by the Project Team and a presentation from Deloitte, the Project Team met virtually to evaluate the bid based on the following award criteria: Technical (80%) and Financial (20%). Deloitte LLP scored an overall total of 83% against the criteria.

2. Recommendations (Note, Approve, Discuss)

It is recommended that the Council of Governors approve the proposal to award a contract to Deloitte LLP for the provision of External Audit Services for an initial period of 3 years, with an option to extend for 2 periods of 12 months.

3. Legal / Regulatory Implications

It is a legal requirement for the Trust to have an appointed external auditor at all times

4.	Risk (Threats or opportunities, link to a risk on the Risk Register, Board Assurance Framework etc.)
<p>The Trust could breach legal requirements and forfeit its Foundation Trust Licence to operate if an external auditor is not appointed. Additional risks include:</p> <ul style="list-style-type: none"> • Risk of internal fraud if an external provider is not appointed. • Reputational risk if the contract is not awarded in a timely manner. • Pecuniary risk, from missed fraud, and external fines for not having a provider in post. 	
5.	Resources Implications (Financial / staffing)
<p>The contract will be funded through the Finance Revenue budget. The contract will increase by Retail Prices Index (RPI) and this is negotiated on an annual basis.</p>	
6.	Equality and Diversity
<p>N/A</p>	
7.	References to previous reports
<p>N/A</p>	
8.	Freedom of Information
<p>Exempt from disclosure by virtue of section 43 of the Freedom of Information Act 2000 (commercial sensitivity)</p>	
9.	Sustainability
<p>N/A</p>	
10.	Digital
<p>N/A</p>	

Appointment of the External Auditors

1. Background

- 1.1. The RUH, as an NHS Foundation Trust, is legally required to have an external auditor in place at all times. This is a legal requirement under the 2006 NHS Act.
- 1.2. Governors and/or members of the public can find out more about the process of appointing the external auditors via the following link:
<https://nhsproviders.org/media/1080/appointing-external-auditorscompressed.pdf>
- 1.3. In March 2021, the Council of Governors resolved to approve the appointment of Deloitte LLP, as the Trust's External Auditors for the next 3 years, with the option of a 12-month extension.
- 1.4. In September 2022, a competitive market exercise was undertaken across the Integrated Care System (ICS) to explore the opportunity to streamline external audit requirements. The provision was tendered in lots, as the organisations cannot have the same Internal and External Audit provider.
- 1.5. The mini competition yielded one response from the market for the External Audit lot, which was from Deloitte (the Trust's existing supplier). Salisbury NHS Foundation Trust (SFT) and Great Western Hospitals NHS Foundation Trust (GWH) agreed to move forward with the award to this supplier.
- 1.6. The RUH's Audit and Risk Committee required additional assurance and requested that a second exercise be conducted to understand if there were other providers in the market that may bid via a different framework to that of the original exercise. This process began in 2023.

2. External Audit Tender Process

- 2.1. The Board of Directors, led by the Audit and Risk Committee, took part in a framework options analysis, and selected the "Crown Commercial Services (CCS) RM6188 - Audit & Assurance Services (A&AS) Lot 2 - External Audit Framework" which provided a wider pool of suppliers whilst remaining compliant with each Trust's Standing Financial Instructions and was compliant with Public Contracts Regulation 2015 (PCR).
- 2.2. An expression of interest was sent to all thirteen (13) suppliers on this framework, however, by the deadline given, Deloitte and Grant Thornton were the only suppliers to submit bids. Grant Thornton was then identified as non-compliant and removed from the process as their services would not include Charities and Sulis.
- 2.3. Contact was made with the Council of Governors on 17 October 2023 to notify them that the Trust was due to take part in a joint external audit tendering process with other organisations in BSW ICS. They were briefed on the Governor role in appointing an external auditor and asked to put themselves forward if they were interested in participating.

<p>Author: Roxy Milbourne, Deputy Head of Corporate Governance / Abby Strange, Membership and Governance Administrator Document Approved by: Alison Ryan, Chair</p>	<p>Date: 12 March 2024 Version: 1.2</p>
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2.4. Viv Harpwood and Anne-Marie Walker, Public Governors, represented the Council of Governors on the Project Team and worked alongside Paul Fox, Chair of the Audit and Risk Committee (Non-Executive director), the Deputy Chief Financial Officer, and the Acute Hospital Alliance Deputy Head of Sourcing (Non-Clinical). Through the project group, the Governors were made aware of the purpose of an external auditor and were involved in the following key stages:

- Determining and identifying important considerations in appointing the external auditor.
- Evaluation of the tenders received.
- Final evaluation of tenders and identification of the recommended firm.
- Recommendation to the Council of Governors.

2.5. Following an independent evaluation by the Project Team and a presentation from Deloitte, the Project Team met virtually to evaluate the bid based on the following award criteria: Technical (80%) and Financial (20%). Deloitte scored an overall total of 83% against the criteria.

2.6. Based on the results of the tender evaluation, presentation and satisfactory references, the Governors on the Project Team and the Chair of the Audit and Risk Committee recommend to the Council of Governors that Deloitte is appointed as the Trust's external auditor.

3. Recommendation

3.1. It is recommended that the Council of Governors consider the report and approve the recommendation of the Project Team that a contract should be awarded to Deloitte LLP for the provision of External Audit Services for an initial period of 3 years, with an option to extend for 2 periods of 12 months.

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