

Clinical Commissioning Group Governing Body
Paper Summary Sheet
Date of Meeting: 24 May 2016

For: PUBLIC session PRIVATE Session

For: Decision Discussion Noting

Agenda Item and title:	GOV/16/05/14 External Audit Procurement
Author:	Ian Loveys, Financial Accountant
Lead Director/GP from CCG:	Simon Truelove, Chief Financial Officer
Executive summary:	This paper outlines the process for the procurement of the contract for external audit services.
Evidence in support of arguments:	<p>“Auditor Panels – Guidance to help Health Bodies meet their Statutory Duties, September 2015”</p> <p>“Guidance on the Local Procurement of External Auditors for NHS Trusts and CCGs, March 2016”</p>
Who has been involved/contributed:	Chief Financial Officer
Cross Reference to Strategic Objectives:	
Engagement and Involvement:	
Communications Issues:	N/A
Financial Implications:	Should the CCG fail to appoint an external auditor, the legislation provides for the Secretary of State for Health or NHS England to either appoint an auditor for the CCG, or direct the CCG to appoint a named auditor. The CCG would then lose the ability to negotiate contract values.
Review arrangements:	N/A
Risk Management:	The CCG would not be compliant with the law if it fails to appoint an external auditor.
National Policy/ Legislation:	<i>Local Audit and Accountability Act 2014</i>

Equality & Diversity:	
Other External Assessment:	None
What specific action do you wish the Governing Body to take?	<ul style="list-style-type: none">- That the Governing Body agree a joint procurement process with BANES CCG, Swindon CCG and Gloucestershire CCG for the external audit contract- That the Governing Body delegates the procurement process to be overseen by the CCG's auditor panel.

**NHS Wiltshire Clinical Commissioning Group Governing Body
External Audit Procurement
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1. INTRODUCTION

This paper explains the requirement for the CCG to follow a procurement process for the awarding of a new external audit contract, to take effect from 1 April 2017. Previously, the CCG's external audit contract was managed by the Audit Commission, who awarded the contract to KPMG LLP. KPMG have been the CCG's external auditors since its inception on 1 April 2013.

Following the abolition of the Audit Commission on 31 March 2015, a new framework for the audit of public sector bodies has been established as part of the *Local Audit and Accountability Act 2014*. The CCG **must** appoint an external auditor to audit the annual accounts by 31 December 2016, so the contract will run from the 2017/18 financial year. The appointment can be for longer than a year, but there **must** be an appointment process at least once every 5 years.

The CCG must establish an auditor panel to advise on the selection, appointment and removal of external auditors, and on maintaining an independent relationship with them. This advice must be taken into consideration by the Governing Body when they come to select and appoint an external auditor.

The auditor panel would normally be the organisation's Audit Committee.

2. PROCUREMENT PROCESS

The Department of Health has produced some guidance on the procurement process in its document "Guidance on the Local Procurement of External Auditors for NHS Trusts and CCGs". This can be summarised as follows:

- Organisations should consider whether a joint procurement with one or more other NHS bodies would be appropriate. This could offer some economies of scale, for example, sharing the procurement cost. Governance arrangements and oversight between the bodies would need to be agreed.
- A procurement specification for audit services would need to be drawn up. This would outline what was expected from the external auditor and include the core specification (to comply with the Code of Audit Practice prepared by the Comptroller

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and Auditor General and approved by Parliament and have regard to any guidance to auditors issued by the Comptroller and Auditor General), the audit scope and reporting requirements.

- The auditor panel would have to decide the evaluation criteria for each contract tender received. This allows each bid to be compared to the audit specification, and could cover areas such as audit methodology and approach, resources, organisational capability and experience, along with costs.
- The options for procuring external audit services are to either call off an existing framework agreement or to undertake a new tendering exercise following an appropriate procurement process (an open or restricted procedure). An open or restricted procedure is required if the value of the contract is equal to or greater than the value specified in the Official Journal of the European Union (OJEU). For CCGs, this value is £164,176. Therefore, given that the 2015/16 audit fee is £81,000 (inclusive of VAT), an open or restricted procedure is not deemed necessary, and the CCG can undertake a mini competition using an existing framework agreement.
- A framework agreement sets out the terms and conditions under which Audit Services can be procured. A key advantage of using an established framework agreement is that it has already been advertised in OJEU and been subject to OJEU procurement processes. A framework agreement gives the CCG assurance that all suppliers have based the selection process based on technical ability, financial standing, and have demonstrated previous experience.

Wiltshire CCG has the opportunity to undertake a joint procurement with Swindon CCG, Gloucestershire CCG and BANES CCG and form a joint auditor panel. The panel would be supported with help from the procurement team at NHS South, Central and West Commissioning Support Unit (the CSU). The CSU has identified a framework which could be used for the procurement, the “Crown Commercial Services” framework, and has produced an indicative timeframe for the procurement. This is detailed below:

No.	Stage	Dates
1	Invitation to Tender (ITT) released to bidders	07/07/2016
2	Clarification Deadline	12pm 14/07/2016
3	Tender submission closing date	12pm 21/07/2016
4	ITT Evaluation process	28/07/2016
5	Bidder Presentations (if required)	03, 04 or 05/08/2016
6	Consensus meeting	1 day/afternoon following presentations
7	Formal award decision made	10/08/2016
8	Formal Contract(s) award announced	12/08/2016
9	Finalise contract terms with successful bidder	16/09/2016
10	Service commencement date	01/04/2017

The benefits of a joint procurement with BANES CCG, Swindon CCG and Gloucestershire CCG are that it will increase the opportunity for gaining discounts as an audit company has the chance to win the contract with more than one CCG. It will also mean that the tender processes are no duplicated in all 4 CCG areas. The outcome could see a joint contract across 2 or more CCGs. However, CCGs would still have the option to have their own contract if there are differing views amongst the tendering organisations.

3. RECOMMENDATION

- The Governing Body is asked to recommend that a joint procurement process with BANES CCG, Swindon CCG and Gloucestershire CCG be carried out to award an external audit contract via a joint auditor panel.
- The Governing Body is asked to delegate authority to the Audit and Assurance Committee to agree the makeup of the joint auditor panel with the other CCGs, and the specific Wiltshire representation on this.

Equality Impact Analysis – the EIA form

Title of the paper or Scheme: **External Audit Procurement Process**

For the record	
Name of person leading this EIA Steve Perkins, Deputy Director of Finance	Date completed 18 May 2016
Names of people involved in consideration of impact Ian Loveys, Financial Accountant	
Name of director signing EIA Simon Truelove, Chief Financial Officer	Date signed 18 May 2016

What is the proposal? What outcomes/benefits are you hoping to achieve?
 The process has been drafted to detail the steps to be undertaken to procure an External Auditor for the CCG by December 2016. It is proposed that there is a joint procurement process with BANES CCG, Swindon CCG and Gloucestershire CCG as this will increase the opportunity for gaining discounts where an audit company has the chance to win the contract with more than one CCG. It will also mean that the tender processes are no duplicated in all 4 CCG areas.

Who's it for?
 This proposal is intended to benefit the CCG and the other participating CCGs.

How will this proposal meet the equality duties?
 The proposal itself has no direct impact on the equality duties but a full and thorough process will enable the CCG to contract with the most appropriate external audit provider.

What are the barriers to meeting this potential?
 None

2 Who's using it Refer to equality groups
 The proposal and, subsequently, external audit contract will indirectly support all equality groups.

What data/evidence do you have about who is or could be affected (e.g. equality monitoring, customer feedback, current service use, national/regional/local trends)?
 The CCG does not believe there to be a direct affect so no data is considered.

How can you involve your customers in developing the proposal?
 The proposal for the process is presented to the Governing Body in public. The Joint Auditor Panel membership has yet to be determined.

Who is missing? Do you need to fill any gaps in your data? (pause EIA if necessary)
 No gaps.

3 Impact Refer to dimensions of equality and equality groups
 Show consideration of: age, disability, sex, transgender, marriage/civil partnership, maternity/pregnancy, race, religion/belief, sexual orientation and if appropriate: financial economic status, homelessness, political view

Using the information in parts 1 & 2 does the proposal:
a) Create an adverse impact which may affect some groups or individuals. Is it clear what this is? How can this be mitigated or justified?
 There is no adverse impact.

What can be done to change this impact?

N/A

b) Create benefit for a particular group. Is it clear what this is? Can you maximise the benefits for other groups?

There is an equal benefit for all groups.

Does further consultation need to be done? How will assumptions made in this Analysis be tested?

No further consultation is needed at this time.

4 So what?

[Link to business planning process](#)

What changes have you made in the course of this EIA?

None

What will you do now and what will be included in future planning?

The process will be enacted and panel membership will be determined.

When will this be reviewed?

There must be an appointment process at least once every 5 years.

How will success be measured?

The Audit & Assurance Committee will oversee this process.