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| <b>Reporting to:</b>            | <b>Trust Board - 1 December 2016</b>  |
| <b>Title</b>                    | Appointment of External Auditors  |
| <b>Sponsoring Director</b>      | Harmesh Darbhanga - Chair, External Audit Appointment panel   |
| <b>Author(s)</b>                | Julia Clarke, Director of Corporate Governance  |
| <b>Previously considered by</b> |   |
| <b>Executive Summary</b>        | <p>Under the Local Audit and Accountability Act 2014 NHS Trusts are required to have an Auditor Panel to advise on the appointment of their external auditors for the financial year beginning 1st April 2017, with the legislation requiring that the auditors are appointed by 31 December 2016.</p> <p>The direct appointment and management of External Auditors is intended to increase local accountability and move the Trust sector into line with the arrangements already in place for Foundation Trusts.</p> <p>In January 2016 the Board approved that, in line with requirements, the Trust's Audit Committee should act on behalf of the Board as the Audit Panel.</p> <p>Accordingly a panel consisting of the current Audit Committee members - Mr Harmesh Darbhanga NED (Chair) and Mr Clive Deadman (NED), supported by Mr Neil Nisbet (Finance Director) and Mrs Julia Clarke (Director of Corporate Governance) was arranged for 25 November by Mr Andrew Raybould (Procurement) to evaluate the tender received under the North of England Commercial Procurement Hub Framework Reference CPC00893</p> <p>Tenders were received from Ernst &amp; Young LLP and KPMG LLP.</p> <p>The outcome of the evaluation process held on 25 November was that the Panel recommends to the Board that the contract be awarded to KPMG. The period of the contract is for three years to 2019/20</p> <p>The value of the contract (excluding VAT) is £78,420 per annum to cover:<br/>         Statutory Audit<br/>         Quality Accounts<br/>         Charitable Funds</p> <p>See Attachment 1 for evaluation.</p> <p>The responses of the Specification Schedule and the Pricing Schedule were weighted.</p> <p>The summary of the questions and scoring approach is attached at Annex 2.</p> <p>The Procurement department have contacted the two companies to advise them of the outcome of the evaluation.</p> |

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| <p><b>Strategic Priorities</b></p> <ol style="list-style-type: none"> <li>1. Improving Quality and Safety</li> <li>2. Delivery of Operational Performance Standards</li> <li>3. Service Reconfiguration</li> <li>4. Workforce</li> <li>5. Stakeholder Engagement</li> <li>6. Finance and Investment Strategy</li> </ol> | <ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> Reduce harm, deliver best clinical outcomes and improve patient experience through our Quality Improvement Strategy</li> <li><input type="checkbox"/> To develop a transition plan, with supporting mitigation actions and contingency plans, that ensures the safety and short term sustainability of challenged clinical services. 2014/15</li> <li><input type="checkbox"/> To address the existing capacity shortfall and process issues to consistently deliver national healthcare standards. 2014/15</li> <li><input type="checkbox"/> To undertake a review of all current services at specialty level to inform future service and business decisions. 2015/16</li> <li><input type="checkbox"/> Complete and embed the successful reconfiguration of Women and Children's services</li> <li><input type="checkbox"/> Develop a sustainable long term clinical services strategy for the Trust to deliver our vision of future healthcare services through our Future Fit Programme</li> <li><input type="checkbox"/> Develop our leaders and promote staff engagement to make our organisation a great place to work through our People Strategy</li> <li><input type="checkbox"/> Embed a customer focussed approach and improve relationships with our GPs through our Stakeholder Engagement Strategy</li> <li><input type="checkbox"/> Develop a transition plan that ensures financial sustainability and addresses liquidity issues pending the outcome of the Future Fit Programme</li> <li><input type="checkbox"/> Develop a robust Investment Strategy to modernise our equipment and estate to support service transformation and increase productivity through the use of technology)</li> </ul> |
| <p><b>Board Assurance Framework (BAF) Risks</b></p>   | <ul style="list-style-type: none"> <li><input type="checkbox"/> If we do not deliver <b>safe care</b> then patients may suffer avoidable harm and poor clinical outcomes and experience</li> <li><input type="checkbox"/> If we do not implement our <b>falls</b> prevention strategy then patients may suffer serious injury</li> <li><input type="checkbox"/> Risk to <b>sustainability</b> of clinical services due to potential shortages of key clinical staff</li> <li><input type="checkbox"/> If we do not achieve safe and efficient <b>patient flow</b> and improve our processes and capacity and demand planning then we will fail the national quality and performance standards</li> <li><input type="checkbox"/> If we do not have a clear <b>clinical service vision</b> then we may not deliver the best services to patients</li> <li><input type="checkbox"/> If we do not get good levels of <b>staff engagement</b> to get a culture of continuous improvement then staff morale and patient outcomes may not improve</li> <li><input type="checkbox"/> If we are unable to resolve our (historic) shortfall in <b>liquidity</b> and the structural imbalance in the Trust's <b>Income &amp; Expenditure</b> position then we will not be able to fulfil our financial duties and address the modernisation of our ageing estate and equipment</li> </ul>  |
| <p><b>Care Quality Commission (CQC) Domains</b></p>   | <ul style="list-style-type: none"> <li><input type="checkbox"/> Safe</li> <li><input type="checkbox"/> Effective</li> <li><input type="checkbox"/> Caring</li> <li><input type="checkbox"/> Responsive</li> <li><input type="checkbox"/> Well led</li> </ul>  |
| <p><input type="checkbox"/> Receive    <input type="checkbox"/> Review<br/> <input type="checkbox"/> Note        <input type="checkbox"/> Approve</p>   | <p><b>Recommendation</b></p> <p><b>The Board is asked to APPROVE the recommendation from the Audit Panel to appoint KPMG as the Trust's external auditors for three years from April 2017.</b></p>  |

Tender Evaluation

External (Statutory) Audit Services Tender Evaluation

| Question No.                        | Award Criteria               | Quality Assessment   |
|-------------------------------------|------------------------------|--|
| 1                                   | STRATEGY & PLANNING APPROACH | <b>STRATEGY &amp; PLANNING APPROACH [SUB-WEIGHTING 5%]</b> Please outline your strategy and planning process for the Shrewsbury and Telford Hospital NHS Trust, taking into account the Contracting Authority's environment.   |
| 2                                   | DRAFT AUDIT PLAN APPROACH    | <b>DRAFT AUDIT PLAN APPROACH [SUB-WEIGHTING 5%]</b> Please provide a draft Audit Plan for the Shrewsbury and Telford Hospital NHS Trust, outlining your method of approach and planned resource deployment, detailing the Partner who will lead the Contract and the supporting team, with supporting Curriculum Vitae's outlining their audit experience. |
| 3                                   | INNOVATION & IMPROVEMENT     | <b>INNOVATION &amp; IMPROVEMENT [SUB-WEIGHTING 4%]</b> Please provide details of any areas of innovation or where providers could add value to the Shrewsbury and Telford Hospital NHS Trust.  |
| 4                                   | RISK MANAGEMENT              | <b>RISK MANAGEMENT [SUB-WEIGHTING 4%]</b> Please detail any risks, relevant to the Shrewsbury and Telford Hospital NHS Trust, identified from your specialist experience, which we can mitigate against, through use of your Services solution.  |
| 5                                   | RISK ANALYSIS APPROACH       | <b>RISK ANALYSIS APPROACH [SUB-WEIGHTING 4%]</b> Please include a risk analysis of the items relevant to your first year audit plan, from Question 2, which should provide more detail around your approach to the service element.  |
| 6                                   | QUALITY ASSURANCE            | <b>QUALITY ASSURANCE [SUB-WEIGHTING 4%]</b> Please provide details of your overall approach to quality assurance and the steps you will take if resolution cannot be made based purely on documentation that is available.   |
| 7                                   | REPORTING                    | <b>REPORTING [SUB-WEIGHTING 2%]</b> Please provide details of how you will monitor and report to the Shrewsbury and Telford Hospital NHS Trust, and how you intend to undertake this with seamless disruption to the Shrewsbury and Telford Hospital NHS Trust's day-to-day operations.  |
| 8                                   | HEALTHCARE SECTOR EXPERIENCE | <b>HEALTHCARE SECTOR EXPERIENCE [SUB-WEIGHTING 2%]</b> Please provide 2 signed references of other Healthcare or similar environments, which have operated in to provide External (Statutory) Audit Services, within the last 2 years.   |
| <b>Maximum Total Weighted Score</b> |                              | <b>30</b>  |

| KPMG LLP                            |                |                 |
|-------------------------------------|----------------|-----------------|
| Marked Awarded                      | Weighted Score | Sub-Total Score |
| 3                                   | 1.67           | 5               |
| 3                                   | 1.67           | 5               |
| 3                                   | 1.33           | 4               |
| 2                                   | 1.33           | 2.6666667       |
| 2                                   | 1.33           | 2.6666667       |
| 2                                   | 1.33           | 2.6666667       |
| 3                                   | 0.67           | 2               |
| 3                                   | 0.67           | 2               |
| <b>Maximum Total Weighted Score</b> |                | <b>26.00</b>    |

| ERNST & YOUNG LLP                   |                |                 |
|-------------------------------------|----------------|-----------------|
| Marked Awarded                      | Weighted Score | Sub-Total Score |
| 2                                   | 1.67           | 3.33333333      |
| 2                                   | 1.67           | 3.33333333      |
| 2                                   | 1.33           | 2.66666667      |
| 2                                   | 1.33           | 2.66666667      |
| 2                                   | 1.33           | 2.66666667      |
| 3                                   | 1.33           | 4               |
| 2                                   | 0.67           | 1.33333333      |
| 3                                   | 0.67           | 2               |
| <b>Maximum Total Weighted Score</b> |                | <b>22.00</b>    |

| Mandatory Criteria Headings         | Sub Criteria     | Weighting (%) |
|-------------------------------------|------------------|---------------|
| Total Cost                          | Total Fee Prices | 70            |
| <b>Maximum Total Weighted Score</b> |                  | <b>70</b>     |

| Total Cost Offer | Weighted Score |
|------------------|----------------|
| £235,260.00      | 30.00          |
|                  | 100.00         |

|                     |              |
|---------------------|--------------|
| Total Quality Score | 26.00        |
| Total Cost Score    | 70.00        |
| <b>Final Score</b>  | <b>96.00</b> |

Rank **1**

| Total Cost Offer | Weighted Score |
|------------------|----------------|
| £249,487.50      | 28.29          |
|                  | 94.30          |

|                     |              |
|---------------------|--------------|
| Total Quality Score | 22.00        |
| Total Cost Score    | 66.01        |
| <b>Final Score</b>  | <b>88.01</b> |

Rank **2**

**Shrewsbury and Telford Hospital NHS Trust  
External Audit Panel  
Trust Board 1 December 2016**

**1. Scoring Approach**

| Grade | Definition of Grade   |
|-------|---|
| 0     | Response is unclear, confused, inconsistent, poor and/or does not address the question.   |
| 1     | Response only partially displays relevant experience, knowledge and/or capability   |
| 2     | Response displays relevant experience, knowledge and/or capabilities.   |
| 3     | Response displays relevant experience, knowledge and/or capabilities and gives full, relevant and pertinent examples of where the bidder has previously delivered against this requirement. |

**2. Specification for External (Statutory) Audit**

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| <p>Question 1: STRATEGY &amp; PLANNING APPROACH [Quality Sub-weighting 5%].<br/><b>Please outline your strategy and planning process for the Shrewsbury and Telford Hospital NHS Trust, taking into account the Contracting Authority's environment.</b></p>   |
| <p>Question 2: DRAFT AUDIT PLAN APPROACH [Quality Sub-weighting 5%].<br/><b>Please provide a draft Audit Plan for the Shrewsbury and Telford Hospital NHS Trust, outlining your method of approach and planned resource deployment, detailing the Partner who will lead the Contract and the supporting team, with supporting Curriculum Vitae's outlining their audit experience.</b></p> |
| <p>Question 3: INNOVATION AND IMPROVEMENT [Quality Sub-weighting 4%].<br/><b>Please provide details of any areas of innovation or where providers could add value to the Shrewsbury and Telford Hospital NHS Trust.</b></p>  |
| <p>Question 4: RISK MANAGEMENT [Quality Sub-weighting 4%].<br/><b>Please detail any risks, relevant to the Shrewsbury and Telford Hospital NHS Trust, identified from your specialist experience, which we can mitigate against, through use of your Services solution.</b></p>  |
| <p>Question 5: RISK ANALYSIS APPROACH [Quality Sub-weighting 4%].<br/><b>Please include a risk analysis of the items relevant to your first year audit plan, from Question 2, which should provide more detail around your approach to the service element.</b></p>  |
| <p>Question 6: QUALITY ASSURANCE [Quality Sub-weighting 4%].<br/><b>Please provide details of your overall approach to quality assurance and the steps you will take if resolution cannot be made based purely on documentation that is available.</b></p>   |
| <p>Question 7: REPORTING [Quality Sub-weighting 2%]<br/><b>Please provide details of how you will monitor and report to the Shrewsbury and Telford Hospital NHS Trust, and how you intend to undertake this with seamless disruption to the Shrewsbury and Telford Hospital NHS Trust's day-to-day operations.</b></p>   |
| <p>Question 8: HEALTHCARE SECTOR EXPERIENCE [Quality Sub-weighting 2%]<br/><b>Please provide 2 signed references of other Healthcare or similar environments, which have operated in to provide External (Statutory) Audit Services, within the last 2 years.</b></p>  |