


Council of Governors	Guy's and St Thomas'  NHS Foundation Trust
Tender Report T2332: Contract for the Provision of External Audit Services	July 2015 CoG/15/17

This paper is for:		Sponsor:	Steve Weiner – Audit Committee Chair
Decision	<input checked="" type="checkbox"/>	Author:	
Discussion	<input type="checkbox"/>	Reviewed by:	
Noting	<input type="checkbox"/>	CEO*	
Information	<input type="checkbox"/>	ED*	
		Board Committee*	<input checked="" type="checkbox"/> Audit Committee – May 2015
		TME*	
		Other*	

* *Specify*

1. Summary

The Trust recently tendered for the provision of external audit services and the tender panel, which included representation from the Council of Governors, recommends the award of a contract to KPMG LLP. The estimated contract cost is £115,300 pa (excluding VAT) and £576,500 (excluding VAT) over five years with the option to extend for a further two years subject to annual re-appointment by the Council of Governors. The contract achieves a cost saving of £17,900 (13%) in year one and a total saving of £89,500 over five years. The service contract is VAT recoverable.

The service contract was subject to Crown Commercial Services (CCS) Consultancy One National Framework Agreement standard terms and the Monitor Audit Code. The contract is funded from the Finance Division revenue budget. The contract was last competitively tendered in 2010 and a contract awarded to Deloitte LLP. The current annual cost is £133,200.

The award is recommended on the basis of the award criteria below:

Award Criteria	Weighting (%)
Cost	40
Resources	30
Methodology	30

2. A paper was presented to the Audit Committee on the outcome of the tender exercise. Monitor's Audit Code stipulates that the appointment of the external auditor is the responsibility of the *Council of Governors*. The *Council of Governors* is asked to recommend the appointment of KPMG LLP as the Trust's external auditors with effect from 1st December 2015.

3. Procurement Process

The service contract requirement was tendered under the Crown Commercial Service's ConsultancyONE Framework agreement (a mini-competition exercise) in accordance with the Trust's Standing Financial Instructions and the Public Procurement Regulations. The mini competition was managed via the Delta, the e-Tendering portal. Bids were received from two suppliers:

- Deloitte LLP (the incumbent)
- KPMG LLP

The evaluation panel shown below evaluated the tenders:

Steve Weiner	Audit Committee Chair & Non-Executive Director
Tom Hoffman	Governor
Ken Hayes	Governor (was not at the presentations)
Martin Shaw	Director of Finance
Daniel Carlen	Chief Accountant
Satwinder Singh Nandrha	Acting Head of Internal Audit
Claire Saunders	Portfolio Manager, Procurement

The evaluation panel examined each provider and assessed the tenders against the award criteria (Quality Analysis -refer to Appendix 1). A summary of the three tenders is shown below:

Deloitte LLP

- Addressed the entire requirements well but could have utilised their knowledge of the culture and requirements of the Trust based on the ten years contracts they have held better.
- The team of auditors proposed were all of a good calibre and also have been part of the existing team from Deloitte.

- The breakdown of time/effort by the team showed a lower dependency on senior staff throughout.
- Talked of a 'fresh approach' but did not take the opportunity to really expand under the transition question. The lead partner, Sue Barratt, will have to leave after 3 years of the contract and this was not addressed deeply.
- Scored 56.9% for Quality out of 60%.

KMPG LLP

- Addressed the entire requirements very well and used their market knowledge as well as information in the public domain to provide deep detail.
- The team of auditors proposed were all of an excellent calibre, boosted by the lead partner, Neil Thomas, who impressed with his knowledge and understanding of the issues faced by the Trust
- Addressed the issue of materiality more thoroughly than Deloitte.
- More time was allocated for the senior staff on the contract and at a lower rate.
- Scored 58.5% for Quality out of 60%.

The cost element of the tender was assessed based on a fixed fee for the 2015/16 Audit and weighted x40 within the award criteria (Cost Analysis – refer to Appendix 2). KPMG is the lowest cost option, including all transition costs which will be absorbed by the firm. The price remains fixed for 3 years, with an RPI increase in year 4 and year 5 subject to agreement to extend. Deloitte did not offer any additional qualitative benefits to justify a cost premium of £16,190 (14%). The new contract achieves a £17,900 (13%) cost saving compared to the current cost. KPMG LLP pre-qualified under the CCS National Framework agreement and has sufficient financial strength for a contract of this value.

The evaluation panel recommends that the Trust awards a contract for five years, 1st December 2015 to 30th November 2020 with the option to break after 3 years, subject to annual re-appointment approved by the Council of Governors.

Appendix 1: Evaluation Summary

Evaluation Criteria	% Available	Name of Tenderer	
		Deloitte	KPMG
A. Resources to be applied to the Audit	30	28.5	28.5
B. Methodology/Approach	30	28.4	30.0
C. Price	40	34.7	40.0
Total Score	100	91.6	98.5
Overall Ranking		2	1

Appendix 2: Cost Summary

2015/16 Audit Fee

	Name of Tenderer		
Item	Current Supplier/Costs	Deloitte	KPMG
Audit	£100,800	£98,000	92,000
Quality Report	£21,000	£21,184	£15,350
Subsidiaries	£11,400	£12,306	£7,950
Total Cost for Year 1 (excl VAT)	£133,200	£131,490	£115,300
VAT @ 20%	£26,640	£26,298	£23,060
Total Cost for Year 1 (incl. VAT)	£159,840	£157,788	£138,360

Year 1 - £115,300

Year 2 - £115,300

Year 3 - £115,300

Year 4 - £115,300*

Year 5 - £115,300*

Total - £576,500

*Note: RPI indexation for Year 4 and 5 of the contract