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right place
right time
right outcome

MERTON CLINICAL COMMISSIONING GROUP GOVERNING BODY

Date of Meeting: 21st July 2016

Agenda No: 9.4

Attachment: 20

<p>Title of Document: SWL CCGs collective procurement of External Auditors</p>	<p>Purpose of Report: Approval</p>
<p>Report Author: Andrew Hyslop, Chief Finance Officer</p>	<p>Lead Director: Andrew Hyslop, CFO</p>
<p>Executive Summary:</p> <p>The purpose of this paper is to describe the proposed arrangements for the collective procurement of external auditors by the South West London CCGs. This paper is intended to be submitted to each organisation's Audit & Governance Committee to approve the proposed arrangements prior to the commencement of the procurement process.</p> <p>Given that five out of the six South West London CCGs share a common External Auditor and there is a clear expectation from the STP process that CCGs will increasingly work together on a collaborative basis, the CFOs of all South West London CCGs unanimously recommend that the procurement of External Auditors is undertaken on a collective basis.</p> <p>In practical terms, this means that the process will be co-ordinated by Merton CCG but with representation from each CCG on the procurement working group that will make a recommendation to each CCG's Audit Panel. This is a collective procurement not a collective appointment. At its meeting on the 21st July 2016, the Audit and Governance Committee recommended that CCG's Governing Body nominate the Audit and Governance Committees to act as the Audit Panel.</p> <p>Each CCG will individually appoint their External Auditor and the audit fee will be paid directly by each CCG.</p>	
<p>Key sections for particular note (paragraph/page), areas of concern etc: All</p>	

<p>Recommendation(s):</p> <p>The Governing Body is asked to formally approve the nomination of the Audit and Governance Committees to act as the Audit Panel.</p>
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<p>Committees which have previously discussed/agreed the report: Executive Management Team 05.07.16; Audit & Governance Committee 21.07.16</p>
<p>Financial Implications: None</p>
<p>Implications for CCG Governing Body: To approve</p>
<p>How has the Patient voice been considered in development of this paper: This is a management process which does not require patient input.</p>
<p>Other Implications: (including patient and public involvement/Legal/Governance/Risk/Diversity/ Staffing) None</p>
<p>Equality Assessment: Not required for this paper</p>
<p>Information Privacy Issues: None</p>
<p>Communication Plan: (including any implications under the Freedom of Information Act or NHS Constitution)</p>



South West London CCGs

Collective Procurement of External Auditors

Purpose

The purpose of this paper is to describe the proposed arrangements for the collective procurement of external auditors by the South West London CCGs. This paper is intended to be submitted to each organisation's Audit & Governance Committee to approve the proposed arrangements prior to the commencement of the procurement process.

Background

At present, five of the six South West London CCGs are audited by Grant Thornton. The exception is Wandsworth which is audited by KPMG. All appointments are due to expire at the completion of the 2016/17 audit process (i.e. circa May 2017).

The Local Audit and Accountability Act 2014 (the "2014 Act") brings in significant changes to the local public audit regime in England by replacing centralised arrangements for appointing local (i.e. external) auditors to local authorities and health service bodies (CCGs and NHS trusts NOT foundation trusts) with a system that allows each body to make its own appointment.

From 2017/18 onwards, CCGs and NHS trusts must have an Auditor Panel to advise on the appointment of their external auditors. As the 2017/18 appointment must be made by the end of the preceding year (i.e. by 31st December 2016) to allow sufficient time allowed for handover from the previous auditors (should a new supplier be successful). Auditor Panels need to be in place early in 2016.

Collective Approach

Given that five out of the six South West London CCGs share a common External Auditor and there is a clear expectation from the STP process that CCGs will increasingly work together on a collaborative basis, the CFOs of all South West London CCGs unanimously recommend that the procurement of External Auditors is undertaken on a collective basis.

In practical terms, this means that the process will be co-ordinated by a single CCG (Merton) but with representation from each CCG on the procurement working group that will make a recommendation to each CCG's Audit Panel. This is a collective procurement not a collective appointment.

This also means that there is an agreement that each CCG will appoint a single External Auditor for each organisation. However, it is proposed that each CCG will individually appoint their External Auditor and the audit fee will be paid directly by each CCG.

Governance Arrangements

The 2014 Act sets out a clear process for the appointment of External Auditors. For the 2017/18 financial year, CCGs will appoint their own auditors and directly manage the resulting contract and the relationship. The 2014 Act specifies that **each CCG** must have auditor panels to advise on the selection, appointment and removal of external auditors and on maintaining an independent relationship with them.

For most organisations, there is an expectation that the Auditor Panel will be each organisation's Audit & Governance Committee. In this event, it is required that each Governing Body formally gives approval for the Audit & Governance Committee to act as the Audit Panel.

However, given that it is proposed that the procurement is being undertaken on a collective basis, this raises the issue as to whether a collective Auditor Panel should be established. Whilst this is possible, it is considered impractical because of the needs to ensure adequate representation from each participating CCG and abide by quoracy rules. This would mean that the Auditor Panel may be large and it may be difficult to arrange meetings, especially given that the procurement is proposed to take place during the height of the summer holidays.

Therefore, it is proposed that each Audit Panel delegates day to day management of the procurement process to a procurement working group. The role of the working group would be to:

1. Agreeing the specification and any additions.
2. Agreeing the bidder questionnaire.
3. Agreeing the price/quality split to determine contract award.
4. Evaluating bids and bidder interviews.
5. Making a recommendation to each CCG's Auditor Panel on contract award.

It is proposed that the working group be represented by the CFO for each CCG and that the lead CFO with responsibility for the day to day management and co-ordination for the process would be from Merton CCG.

It is further proposed that representation is also secured from members of individual Audit & Governance committees, with the anticipation that at least two such members are identified.

This group would not be subject to quoracy, but every effort will be taken to ensure optimal attendance at all meetings, including the use of Deputy CFOs.

It is assumed that each CCG will make its own arrangements for the nomination and approval of individual CCG Auditor Panels.

Procurement Process

The procurement will be supported by SBS who have had recent national experience of similar External Audit procurements and they supported the recent collective procurement of 111/OOH services across South West London.

When purchasing goods and non-clinical services above a total contract value of £164,176 (total contract life value), the Public Contracts Regulations 2015 are applicable to CCGs. These provide a fairly prescriptive set of rules regarding how contracts are let by contracting authorities (in this case, the CCGs), specifically around advertising in the Official Journal of European Union (OJEU) and Contracts Finder and minimum timescales for adverts and bid response times.

Through using an existing NHS SBS framework, these timescales can be heavily reduced and the contract award process expedited. This is because a detailed procurement exercise has already taken place that meets all legislative requirements and formal tendering is not required.

The route to contract award will take place via a mini-competition made up of the following stages:

1. Review framework specification & build on this, adding local requirements where necessary.
2. Engage with the framework suppliers, even if only briefly to ensure their interest and readiness to respond to an invitation to bid.
3. Develop questionnaire for bidders to complete.
4. Agree quality & price weightings –the terms of the framework (which specifies a default 60% quality and 40% price split which can be varied by up to 10% either way).
5. Invite suppliers to bid – they will respond to the questionnaire and provide a pricing schedule.
6. Bidder interviews to test the credibility of bidders.
7. Award to the supplier scoring the highest score following evaluation of bid responses and interviews.
8. Agree and sign Call-off Terms and Conditions.

The cost of initiating the procurement with can be covered by using the existing call off arrangement with SBS which is funded through each CCG's contract with the South East CSU. It is proposed that the use of these days is split equally across each CCGs allocation and that this approach is also applied if further days are required to be purchased. It is expected that this procurement can be contained within existing procurement allocations.

Timetable

Given that the process is dependent upon sign off by each CCG Auditor Panel and that a decision must be made before the end of December, the timetable is driven largely by the cycle of Audit & Governance Committees in the autumn assuming that Auditor Panels will not meet as standalone meetings.

The table below sets out the dates for each CCGs Audit & Governance Committees in the autumn. The key dates are the first and last meetings in the sequence. There is a cluster of meetings commencing 22nd September and the last meeting is the 3rd November. This

indicates that the paper making recommendations to the Audit Panels will need to be issued by the 15th September.

Audit & Governance Committee Cycle Dates By CCG

CCG	Summer	Autumn
Croydon	21/7	23/9
Merton	23/6	22/9
Kingston	27/6	26/9
Richmond		27/9
Sutton	4/8	3/11
Wandsworth	15/7	21/10

The target date of 15th September enables the start date of the process to be established in reverse. A proposed project timetable is set out in the table below. This indicates that a procurement will formally launch on 25th July with an invitation to tender will be issued to suppliers on the framework.

In terms of participation on the procurement working group, the key periods of input required will be:

- Early July: develop evaluation criteria and tune the specification.
- Mid-August: evaluate bids.
- Early September: Interview bidders and final scoring.

Proposed Project Timetable

Activity/Milestone	Description	Date
Prepare for procurement	Prepare all procurement documentation (i.e. bid questionnaire and evaluation methodology)	June/July 2016
Supplier engagement	Engage with framework suppliers to ensure interest and readiness to bid. Also taking opportunity to quickly test and validate the CCGs' intentions for the mini-competition	June/early July 2016
Audit committee sign-off	To sign off the procurement approach and nominate members of the audit panel.	Various - June/July 2016
Invite suppliers from framework to bid	Invite suppliers on the framework to bid, allowing 3 weeks for responses.	25 July 2016
Clarification deadline	The deadline by which bidders may submit any clarification questions	4 August 2016
Bid submission deadline	Deadline for receipt of bids	12 August 2016
Individual Evaluation	Panel members complete initial evaluation of bids	12 – 19 August 2016
Moderation of bid scores	Moderation of individual scores and suppliers selected for interview	w/c 22 August
Bidder interviews	If required	5/6 September 2016
Final moderation	Moderation of panel scores and a meeting of the panel to reach a consensus result	6 September 2016
Award recommendation	NHS SBS to produce award recommendation report, based upon the outcome of moderation.	9 September 2016
CCG sign-off contract award recommendation	For sign off by each CCG's audit committee	From 15 September 2016
Mobilisation	Supplier mobilisation following each CCG sign off of contract award	September/October 2016 – March 2017

Recommendations

It is recommended that each CCG:

1. Agrees the proposed collective procurement approach set out in this paper.
2. Requests that Governing Bodies nominate Audit & Governance Committees to act as the Auditor Panel.
3. Nominates a minimum of 1 representative (expected to be the CFO) to the procurement working group. Additional nomination of representativeness from the wider membership of Audit Panels would be welcomed noting key dates in the process when input will be required.
4. Delegates day to day management of the process to the procurement working group which will make recommendations to each CCGs Audit Panel in September.