

NHS North Cumbria CCG Governing Body	Agenda Item
7 February 2018	13

Appointment of External Auditors

Purpose of the Report							
The purpose of the report is to propose that the Governing Body adopts the recommendations of the Auditor Panel for appointing the CCG’s external auditors for the financial years 2018/19 and 2019/20.							
Outcome Required:	Approve	X	Ratify		For Discussion		For Information
Assurance Framework Reference:							
Improve our organisation.							

Recommendation(s):
The Governing Body is asked to approve the appointment of Grant Thornton as the CCG’s external auditor for the financial years 2018/19 and 2019/20.

Executive Summary:
<p>Until the financial year 2016/17 the external auditors and their fee levels for all CCGs were appointed by the Audit Commission. However, the Audit Commission was abolished and CCG’s were required to establish an Auditor Panel to oversee the appointment of an external auditor for the CCG.</p> <p>In accordance with the CCG’s Prime Financial Policies the CCG used a national framework agreement and made a direct award in accordance with framework arrangement to appoint Grant Thornton as external auditors for the financial year 2017/18. The principle reason for this decision was that given the potential complexity of the boundary change that continuity was a key issue. As part of this process the audit fee for 2017/18 was reduced to £45,000 for North Cumbria CCG compared to £71,000 for Cumbria CCG.</p> <p>The CCG is therefore required to appoint external auditors commencing with the financial year 2018/19. The Auditor Panel met on 29 November 2017 and proposed that a further direct award is made to Grant Thornton for the next two financial year (i.e. 2018/19 and 2019/20. This</p>

is permissible under the current framework agreement (through NHS Shared Business Services) that expires in May 2020. It is noteworthy that all firms on the framework are national companies and none are based in North Cumbria so any provider would face similar logistical issues. The principle reasons behind this approach were:

- Grant Thornton has provided a good and cost effective service and work effectively with the finance team. In particular, they have acknowledged the impact of the boundary change on the CCG's running cost allowance and reduced their fees accordingly without any obvious detriment to the quality of service.
- By changing the lead director and field staff over the last two years Grant Thornton has managed to provide continuity but also provide appropriate independence and avoid any conflict of interest. Overall this would mean an appointment over 3 years that would probably be regarded as a "normal period" for such an appointment.
- This will provide continuity while the future organisational arrangements for the NHS in North Cumbria are established (e.g. developing accountable care systems, working closely with the North East system, CCG Committee in common, etc). It would therefore be more effective to consider a wider procurement exercise when there is more clarity over the future.
- Although making clear strides forward, the North Cumbria NHS system (and indeed the CCG) continues to face many significant challenges in terms of clinical and financial sustainability, and entering into a competitive process that is unlikely to deliver significantly reduced costs could become a considerable distraction of management time compared to the effort needed to address key priorities.

Following the Auditor Panel meeting Grant Thornton confirmed that they would be willing to provide this service at a cost consistent with the current fee arrangements during this period.

Key Risks:

It is a requirement that the CCG appoints an external auditor from 1 April 2018 and therefore in not making this appointment the CCG runs the risk that running a rapid procurement process would not generate value for money nor deliver the benefits noted above.

Implications/Actions for Public and Patient Engagement:

There are no key issues to report

Financial Impact on the CCG:

See notes above.

Strategic Objective(s) supported by this paper:	Please select (X)
Support quality improvement within existing services including General Practice	
Commission a range of health services appropriate to Cumbria's Needs	
Develop our system leadership role and our effectiveness as a partner	
Improve our organisation and support our staff to excel	X

Impact assessment: (Including Health, Equality, Diversity and Human Rights)	None noted
---	------------

Conflicts of Interest Describe any possible Conflicts of interest associated with this paper, and how they will be managed	None identified as already addressed by Grant Thornton
---	---

Lead Director	Charles Welbourn, Chief Finance Officer
Presented By	Charles Welbourn, Chief Finance Officer
Contact Details	Charles.welbourn@cumbriaccg.nhs.uk
Date Report Written	30 January 2018