

Extension of External Audit Contract

Public Board meeting

28 March 2024

Presented for:	Approval
Presented by:	Suzanne Clark, Chair of Audit Committee
Author:	Martin Campbell Smith, Associate Director of Finance
Previous Committees:	Audit Panel (Audit Committee) – 28 February 2024 Executive Team meeting – 22 January 2024

Our Annual Commitments for 2023/24 are:	
Effectively develop and deploy new assets (buildings, equipment, IT)	✓
Reduce healthcare associated infections	
Improve staff retention	
Deliver the financial plan	✓
Reduce average length of stay by 0.5 days per patient	
Achieve the Access Targets for Patients	✓
Support a culture of research	

Risk Appetite Framework				
Level 1 Risk	(✓)	Level 2 Risks	(Risk Appetite Scale)	Impact
Workforce Risk		Choose an item.	Choose an item	Choose an item.
Operational Risk		Choose an item.	Choose an item	Choose an item.
Clinical Risk		Choose an item.	Choose an item	Choose an item.
Financial Risk	✓	Financial Reporting Risk - We will deliver sound financial management and reporting for the Trust, with no material misstatements or variances to forecast.	Minimal	Moving Towards
External Risk	✓	Legal & Governance Risk - We will operate the Trust in compliance with the Law and UK Corporate Governance Code, where applicable.	Averse	Moving Towards

Key points	
1. The paper requests that the Board approve the extension of the contract for 2024/25 with Mazars in line with the option within the current contract.	For decision and approval

1. Summary

This paper seeks Board approval to extend the contract with Mazars as external auditors for a further one year commencing 1 April 2024, as recommended by the Audit Panel (Audit Committee).

Mazars have indicated that they are willing to extend the contract at a cost of £155,000 plus VAT for the year.

The Audit Panel and Executive Team have considered the extension and recommend that this is approved.

2. Background

Mazars were appointed as external auditors for the Trust from 1 April 2021 for a period of 3 years with the option of a further year extension. The costs of the contract was £94,000 + VAT for each year. The cost of the service has increased since then. Mazars charged £101,500 +VAT for 2022/23, due to the introduction of IFRS16.

For 2023/24 the cost of external audit services was increased to reflect the additional work being undertaken in relation to the introduction of IFRS16, increase in auditing requirements set by the Financial Reporting Council, revised auditing standards requiring additional work to be performed and inflation. The agreed cost of the audit is £125,000 + VAT.

The external audit market for the NHS is in a state of flux. Some Trusts have seen significant increase in audit fees. Sheffield Teaching Hospitals have seen their costs increase from £228,000 (including VAT) in 2021/22 to £254,000 (including VAT) for 2022/23. Imperial have seen their costs increase from £248,000 (including VAT) in 2021/22 to £773,000 (including VAT) in 2022/23.

There is an option of a further one-year extension with Mazars for 2024/25 for a cost of £155,000 plus VAT. The rationale for taking up this option is:

- Long standing good working relationship between Mazars and the Finance team.
- Consistency of approach
- Value for money as the uplifted price is still below that paid by comparable Trusts.
- Sufficient time available to conduct the re-procurement exercise.

3. Proposal

The proposal is to take up the one-year extension with Mazars for the financial year 2024/25. Mazars are willing to do this at a cost of £155,000 plus VAT.

Having spoken to others including Barts, Sheffield Teaching Hospitals and NHS England, and considering the benchmarking information, the price quoted is reasonable. Also, the uplifted price still ranks at 44th out of 205 Trust when comparing to 2022/23 prices.

The Board are asked to agree this proposal.

4. Financial Implications

There is an increase in price with the extension for 2024/25 from the original contract value (increase of £61k excl. VAT), and the price agreed for 2023/24 (increase of £30k excl. VAT). However, the external audit market is in a state of flux with some Trusts seeing a substantial increase in the cost of their external audit fees.

When the price of £155,000 (excl. VAT) is compared to other Trusts, the uplifted price ranks 44th out of 205 Trusts and as such represents value for money.

5. Risk

If the extension were not agreed, then the Trust would need to go out to market to appoint auditors for 2024/25. As audit planning for 2024/25 start in September this would result in a curtailed procurement process, which could lead to higher prices incurred for 2024/25. Also, other Trusts have found problems in appointing auditors and the year-end timetable guidance for 2023/24 has highlighted that in 2022/23 a number of Trusts were significantly late in submitting their annual accounts against the deadline. By agreeing the extension the Trust will mitigate this risk for 2024/25.

The Trust has a long-standing good working relationship with Mazars and agreeing to the extension will help ensure that the risk appetite for financial reporting and governance risk is addressed.

6. Communication and Involvement

The extension of the audit contract will be shared with the staff groups involved in the audit process.

7. Equality Analysis

The external audit process affects all staff.

8. Publication Under Freedom of Information Act

This paper is exempt from publication under Section 22 of the Freedom of Information Act 2000, as it contains information which is in draft format and may not reflect the organisation's final decision.

9. Recommendation

The Board is asked approve the extension of the contract for 2024/25 with Mazars in line with the option within the current contract. The extension is recommended for approval by the Audit Panel and Executive team.

Martin Campbell Smith
Associate Director of Finance
19 March 2023