



Council
1 February 2017
Appointment of external financial auditors

Classification	Public
Purpose	For decision
Issue	<p>A tender exercise for external audit services commenced in December 2016, concluding in January 2017.</p> <p>Following the tender exercise, the Audit Committee recommend the appointment of Crowe Clark Whitehill</p>
Recommendations	<ol style="list-style-type: none">1. To appoint Crowe Clark Whitehill for a period of two years.2. To note that the contract may be extended for an additional three years subject to:<ol style="list-style-type: none">a. satisfactory performance, andb. a review of the audit team composition to ensure the relationship continues to demonstrate the necessary professional independence and maintain sufficient challenge.
Financial and resourcing implications	These are set out in the paper.
Equality and diversity implications	None
Communications implications	None
Annexes	None
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Background

1. Council was advised in November 2016 that because of an increase in the proposed external financial audit fee, the Executive proposed to undertake a tender exercise for new financial auditors.
2. A paper was presented to the November 2016 Audit Committee which highlighted the need to tender for external financial audit services. At that meeting the Committee discussed:
 - a. the content of the Invitation to Tender (ITT)
 - b. the tender process
 - c. the tender timetable
 - d. that the ITT be emailed to interested audit firms when the tender opened
 - e. that the ITT would be made available on the public website for the duration of the tender
 - f. the composition of the interview panel which consisted of the Chair of the Audit Committee, the Chief Executive and Registrar, the Head of Registration and Resources and the Registration and Resources Officer
 - g. that the Audit Committee would receive a recommendation from the panel electronically following the interview process.

Discussion

Tender process

3. The ITT was publicised on the GOsC's website from 28 November until 16 December. The ITT was also sent electronically to a number of firms. Not all firms that were contacted chose to participate.
4. At the closing date, four proposals were received and shortlisted. The firms interviewed had a range of skills including wide experience of the regulatory and not for profit healthcare sector.

Financial implications

5. Of the shortlisted firms there was £1,750 difference between the lowest and highest proposed audit fees. The narrow range meant the fee did not drive the decision making. More important for the panel was consideration of the future working relationship and any value that may be added through the audit process.

6. The successful tender proposed an audit fee of £13,750 excluding VAT. In comparison, the proposed audit fee from the incumbents which included a one-off fee for our transition to charity accounting was £23,250 excluding VAT.

Interview structure

7. Interviews were held with the shortlisted firms on 9 January 2017, led by the Chair of the Audit Committee. While there were set questions for all firms the aim of the interview was to encourage a discussion between the audit firm and the panel members.

Panel recommendation

8. Following the interviews the panel concluded that all firms could provide good external financial audit service to the GOsC.
9. In conclusion the panel felt Crowe Clark Whitehill should be appointed as external financial auditors for a period of two years subject to satisfactory performance.
10. The rationale for reaching the decision was that Crowe Clark Whitehill (CCW):
 - Provided the most credible account as to how they would carry out a robust, risk-based audit
 - Had sufficient and relevant sector experience
 - Had undertaken significant research and shown a high understanding of the General Osteopathic Council (GOsC) and the work it undertakes
 - Presented a credible team of people that would manage and undertake the audit.
11. The term of office for the new auditors may be extended by the Council for a further three years subject to the following conditions:
 - a. Review of the auditor performance by Audit Committee, and
 - b. A review by the Audit Committee of the audit team composition to ensure the client-auditor relationship continues to demonstrate necessary professional independence and maintains sufficient challenge.
12. The Audit Committee Chair circulated a note to all members of the Audit Committee setting out the panel's recommendation and seeking views of members. Audit Committee members were content to support the recommendation as they considered due process to have been followed and a sound decision reached.

Recommendations:

1. To appoint Crowe Clark Whitehill for a two year period;

2. To note that the contract may be extended for an additional three years subject to:
 - a. satisfactory performance, and
 - b. a review of the audit team composition to ensure the relationship continues to demonstrate the necessary professional independence and maintain sufficient challenge.