

## Council of Governors - Cover Sheet

<b>Subject:</b>	Appointing the External Auditor		<b>Date:</b> 21 <sup>st</sup> February 2023	
<b>Prepared By:</b>	Shirley A Higginbotham, Director of Corporate Affairs			
<b>Approved By:</b>	Graham Ward, NED, Chair of Audit and Assurance Committee			
<b>Presented By:</b>	Graham Ward, NED, Chair of Audit and Assurance Committee			
<b>Purpose</b>				
To consider and approve the appointment process for the external auditor.			<b>Approval</b>	x
			<b>Assurance</b>	
			<b>Update</b>	
			<b>Consider</b>	
<b>Strategic Objectives</b>				
<b>To provide outstanding care</b>	<b>To promote and support health and wellbeing</b>	<b>To maximise the potential of our workforce</b>	<b>To continuously learn and improve</b>	<b>To achieve better value</b>
x	x	x	x	x
<b>Identify which principal risk this report relates to:</b>				
PR1	Significant deterioration in standards of safety and care			
PR2	Demand that overwhelms capacity			
PR3	Critical shortage of workforce capacity and capability			
PR4	Failure to achieve the Trust's financial strategy			
PR5	Inability to initiate and implement evidence-based Improvement and innovation			
PR6	Working more closely with local health and care partners does not fully deliver the required benefits			
PR7	Major disruptive incident			
PR8	Failure to deliver sustainable reductions in the Trust's impact on climate change			
<b>Committees/groups where this item has been presented before</b>				
<b>Executive Team – 18<sup>th</sup> January 2023,</b>				
<b>Executive Summary</b>				
<p>The Health and Social Care Act 2006 states that every foundation trust must have an auditor this is appointed by the council of governors. The Act states that it is for the council of governors to appoint or remove the auditor at a general meeting of the council.</p> <p>There are six key states for appointing the auditor:</p> <pre> graph LR     A[Trigger for action] --&gt; B[Agree process and establish criteria]     B --&gt; C[Formal and fair procurement process, including shortlisting]     C --&gt; D[Presentation by audit committee]     D --&gt; E[Approval of terms of engagement]     E --&gt; F[Full process set out in annual report]     </pre>				
<b>Trigger for action</b>				
<p>The impending end of the existing auditor's contract term will trigger a new appointment process, whether or not the existing auditor is seeking reappointment.</p> <p>KPMG were appointed for the end of the 2020/2021 financial year for a 3-year contract. this will cease at the end of the 2022/23 audit. The Trust therefore must have an auditor appointed for this time.</p>				

### **Agree process and establish criteria**

In 2019 the Governors approved a process for the appointment of the external auditors this included a working group, comprising governors and members of the Audit and Assurance committee was established to take this forward, with the final decision made by the Council of Governors.

A formal procurement process was undertaken; however, no tenders were received at that point, subsequently KPMG expressed an interest in being the Trusts external auditor and presented to the Governor working group. The outcome of the presentation was the group recommended the appointment of KPMG to the Council of Governors to act as the Trusts external auditors for a period of three years to the end of the 2022/23 audit.

Ordinarily, we would run a tender to fulfil this contract. However, new rules prohibiting audit contractors from undertaking any other consultancy work for a Trust have led to a significant reduction in potential bidders, as evidenced in our previous attempt in 2019.

It is, therefore suggested that rather than run a full, and potentially fruitless, mini competition, we firstly engage with KPMG and attempt to negotiate a price for an additional three-year contract.

This would still be compliant from a procurement point of view as direct awards are allowable under the CCS framework. However, we would not have the benefit of fully testing the market.

If we are unable to negotiate an acceptably priced contract with KPMG, we would then seek alternative methods such as a traditional mini-competition or further negotiation with another supplier.

The chair of the Audit Committee requests the Council of Governors approve the proposal to firstly attempt to negotiate a new contract with the external audit contractor, before attempting to run a mini-competition in difficult market circumstances.