

Council of Governors - Cover Sheet

Subject:	Appointment of External Auditors		Date: 31 st July 2023		
Prepared By:	Sally Brook Shanahan, Director of Corporate Affairs				
Approved By:	Sally Brook Shanahan, Director of Corporate Affairs				
Presented By:	Sally Brook Shanahan, Director of Corporate Affairs				
Purpose					
To approve the appointment of the incumbent Auditor for a further term of one year and note the work in progress towards an appointment for future years.				Approval	X
				Assurance	
				Update	
				Consider	
Strategic Objectives					
Provide outstanding care in the best place at the right time	Improve health and well-being within our communities	Empower and support our people to be the best they can be	To continuously learn and improve	Sustainable use of resources and estate	Work collaboratively with partners in the community
X	X	X	X	X	
Principal Risk					
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				
Committees/groups where this item has been presented before					
Council of Governors meeting 21 st February 2023					
Acronyms					
CoG - Council of Governors CPC – Crescent Procurement Framework					
Executive Summary					
<p>The Trust Constitution requires the appointment of the (External) Auditor to be made by the full Council of Governors. The market conditions that make an appointment a challenge have been relayed to and acknowledged by CoG. This paper seeks agreement to utilise the “plus one year” option in the current contract to appoint KPMG as Auditor for the financial year 2023/24 and to agree the approach to secure a new three-year contract via the CPC framework for the successor years.</p>					
<p>For the benefit of the newly appointed Governors, it is noted that the Trust is required to have an (External) Auditor (Paragraph 13.1 of the Constitution) and that the appointment of the Auditor is required to be via a decision to appoint made by the full Council of Governors (Paragraph 7.15.2.1 (d)). The incumbent Audit for the past three years is KPMG in respect of which the CoG approved at its meeting in February 2023, a recommendation to engage with KPMG to attempt to negotiate an additional 3-year term. The report from the Chair of the Audit Committee accompanying that recommendation noted the market for external auditors was challenging, due to new rules that prohibit audit contractors from undertaking any other consultancy work for a Trust and had led to a significant reduction in potential bidders.</p>					

The CoG was briefed about the previous difficulties in appointing external auditors and were provided with clarification on the procurement rules which enable Trusts to make a direct appointment using a framework agreement established at the Department of Health & Social Care level. Trusts were then able to select companies from the framework to run either a mini competition with two or three of them, approach all of them or go to one directly. All companies on the framework have been through a competition to get onto the list. At the meeting it was also observed that the transition to new auditors could be a complicated process. However, it was reported the transition to KPMG had been reasonably smooth. The CoG was also advised that the maximum term of appointment for the Auditor is a cumulative 9-years.

It has now been established that KPMG have indicated they are content, in principle, to continue to work with the Trust and that from the firm's perspective they do not have any governance issues. On that basis CoG is asked to **AGREE** to the Trust taking the option available to it under the North of England CPC framework for a one-year extension to the existing contract so that KPMG will audit the 2023/24 accounts. CoG is asked to acknowledge that the price is expected to increase, but that it will be open to the Trust to negotiate directly with the senior audit partner rather than via the firm's Commercial Team.

For the 2024/25 audit and thereafter, CoG is invited to **AGREE** the approach for the Trust to find a compliant direct award for a new three-year contract with KPMG having sought pricing detail and assessed whether to do so will achieve best value for the Trust.