

Council of Governors

Item 10.3

Subject: Appointment of External Auditor
Date of meeting: 5th December 2016
Prepared by: Lucy Lavan, Associate Director of Corporate Affairs
Presented by: Lucy Lavan, Associate Director of Corporate Affairs

1. Executive Summary

It is a statutory duty of the Council of Governors to appoint the external auditor. The purpose of this paper is to recommend that the Trust commences a market-testing exercise to inform the appointment of an external auditor by the Council of Governors with effect from 1st October 2017, when the current contract with Grant Thornton will end. The Council of Governors is asked to consider the recommendations of the Audit Committee for progressing this work – the recommendations are set out in this paper.

2. Background

Grant Thornton was appointed to provide external audit services with effect from 1st October 2012, following the dissolution of the Audit Commission. The initial appointment was for three years with the option to extend for a further one or two years up until no later than 30th September 2017. The appointment and subsequent extensions have been approved by the Council of Governors on the recommendation of the Audit Committee following annual confirmation of satisfactory performance and the reasonableness of fees.

The Audit Code for NHS Foundation Trusts (Monitor, 2014) recommends that the NHS foundation trusts should undertake a market-testing exercise for the appointment of an auditor at least once every five years. Therefore a market-testing exercise will need to commence in early 2017 in order to inform the appointment of an external auditor with effect from 1st October 2017.

The Audit Committee met on 8th November 2016 to consider the timetable for a market-testing process and also the arrangements for setting up an Audit Task Group comprising nominated governors and Audit Committee members. The recommendations of the Audit Committee are set out in Sections 3 and 4 below.

3. Outline Timetable

The table below sets out the proposed timeframe and key milestones that will enable the new audit contract to be in place by 1st October 2017.

Key Milestones	Date
Council of Governors (CoG) to review and approve process	5 th December 2016
Service Specification and tender documentation to be finalised	February 2017
Invitations to tender under Framework Agreement	March 2017
Review and Shortlist	End April 2017

Presentations to Selection Panel	June 2017
Audit Committee to confirm preferred supplier and prepare recommendation for Council of governors	July 2017
CoG decision / approval	September 2017
Award contract	1 st October 2017

4. Appointment of Audit Task Group

In order to facilitate the delivery of the above milestones, the Audit Committee proposes to delegate authority to a time-limited Audit Task Group comprising the following members:

- Up to four Governors - Mike Brereton, Trevor Wooding, Michelle Laing and Allan Pemberton have been nominated and have each confirmed their willingness and commitment to participate. It is recommended that Mike Brereton be invited to chair the task group, given his NHS finance background and previous experience as an LHCH governor in appointing the external auditor. The other 3 Governors have been selected with reference to the skills audit in order to provide a balance between finance and quality; and also to ensure involvement of governors who have been elected more recently but with some experience, to facilitate succession in managing this task and in ongoing monitoring of the audit arrangements post-appointment.
- Audit Committee Chair (Julian Farmer)
- Two additional Audit Committee members (Marion Savill and David Bricknell)
- Chief Finance Officer (Claire Wilson)
- Associate Director of Corporate Affairs (Lucy Lavan)

The Group will receive technical advice throughout the process from the Head of Procurement and Head of Financial Services and / or Deputy Chief Finance Officer.

5. Recommendations

The Council of Governors is asked to support the recommendations of the Audit Committee as follows:

- i) that the Trust undertakes a market-testing exercise to appoint the external auditor with effect from 1st October 2017
- ii) approval of the outline timetable and appointment of an audit task group as described in paragraphs 3 and 4 respectively;
- iii) delegation of authority to the Audit Task Group to manage the process and bring a final recommendation to the Council of Governors by the end of September 2017.