

Appointment of External Auditors

Recommendation from the Governance Committee

The report overleaf from David Parkins, as Chair of the Audit Committee and member of the panel that interviewed prospective external audit candidates, was presented to the Board of Directors' meeting on 27 March 2013 as agenda item 123/13 and also to the Governors Governance Committee on 2 April 2013. (Please note a slight amendment to the date of the up and coming Council Meeting, amended by the Secretary to avoid confusion.)

The Board of Directors agreed with the proposed recommendation *for their part, in principle*, that Ernst & Young should be appointed to serve as Auditors to the Trust for the period 1 April 2013 – 31 March 2016 but noted that the decision had to be made by the Council of Governors.

The Board noted that Ernst & Young had quoted the largest amount to provide external audit services to the Trust. However, it was also noted that the additional cost amounted to just over £5,000 per annum. In view of the factors listed overleaf, and having heard the reasoning for the proposal, the Board was of the opinion that, although slightly more expensive, the Ernst & Young quote provided the best value for money, and the highest quality accounting support services from the final candidates, as presented to the Panel.

After due discussion, the Governors' Governance Committee agreed that Ernst & Young should be appointed to serve as Auditors to the Trust for the period 1 April 2013 – 31 March 2016.

Therefore, it is the recommendation of the Governance Committee that the Council should approve the proposal that Ernst & Young be appointed to serve as Auditors to the Trust for the period 1 April 2013 – 31 March 2016

Anna Milanec
For and on behalf of
Miriam Schramm
Chair, Governance Committee

TITLE OF REPORT Appointment of External Auditors

Background

The current contract with Ernst & Young for external audit services concludes on the completion of the 2012/13 audit. E&Y were appointed for one year following their acquisition of the work and staff of the previous auditors, the Audit Commission. This was a stop gap that ensured that the Trust retained the existing audit team for one year whilst it considered a longer term appointment for 3 years.

Progress

Following discussions with the Governance Committee of the Governors, an appointment panel was convened that involved members of the Audit Committee, Senior Finance staff and a representative of the Governors. This panel was charged with recommending a firm of accountants to provide external audit services.

The procurement procedure was managed by Finance and the Procurement department and followed the Trusts policies. After invitations to tender a list of 6 submissions were considered and a short list of 4 firms were invited to present to the panel:

- Grant Thornton Total for 3 years £146k
- PKF Total for 3 years £146k
- KPMG Total for 3 years £142k
- E&Y Total for 3 years £162k

The general conclusion of the panel was that all of the firms were capable of providing the basic audit services, that price over a 3 year period was secondary to the quality of service and that the deciding factors would be added value services and the quality of the teams presenting. On this basis the panel recommends that the contract should be awarded to the stand out candidate, which was E&Y.

Good governance dictates the Trust periodically change its auditors. The panel believes that, with the addition of a Senior Client Partner, new audit systems support and other resources, this requirement for good governance is met by E&Y. This appointment would provide an audit team that meets the Trust's needs together with access to high quality support resources.

Areas for discussion

The appointment of External Auditors is the responsibility of the Governors. This is normally carried out after consulting the Governance Committee and based on the recommendation of the Trust through its Audit Committee. The next meeting of the Governors is 4~~6~~ 18 April, there is no Governance Committee between now and that date.

It is proposed that the recommendation is agreed by the Board, then circulated to members of the Governance Committee for agreement prior to consideration and approval at the Governors meeting on 4~~6~~-18 April

Next steps

As above