

<b>To:</b>	Trust Board
<b>From:</b>	Jayne Warner Trust Secretary
<b>Date:</b>	5 July 2016

<b>Title:</b>	Establishment of Auditor Panel		
<b>Author/Responsible Director:</b> Jayne Warner Trust Secretary			
<b>Purpose of the Report:</b> To ask the Board to approve the establishment of an Auditor Panel in line with the Local Audit Accountability Act 2014.			
<b>The Report is provided to the Committee for:</b>			
Decision		X	Discussion
Assurance		X	Information
<b>Summary/Key Points:</b> <p>With effect from 1 April 2015 the Audit Commission was abolished and centralised arrangements for appointing external auditors to health service bodies was replaced with a system to allow each body to make its own appointment. The mechanism for making this appointment will be through an Auditor Panel. NHS bodies can work together to procure audit services but must have their own panel.</p> <p>National guidance has been published which explains the legal requirements in relation to auditor panels and their responsibilities. The Auditor panel is an advisory body. Responsibility for the actual procurement and appointment remains with the Trust Board and must be conducted in accordance with the Trust Standing Orders and Standing Financial Instructions.</p> <p>This paper sets out the issues which the Trust Board should take in to consideration in approving the membership and terms of reference of the panel.</p>			
<b>Recommendations:</b> <p>The Board are asked to approve the appointment of the Audit Committee to act as Auditor Panel for the Trust and to agree the amendments to the Audit Committee</p>			

Terms of Reference to reflect the functions of the auditor panel.	
<b>Strategic Risk Register - Yes</b>	<b>Performance KPIs year to date</b>
<b>Resource Implications (eg Financial, HR)</b>	
<b>Assurance Implications</b>	
<b>Patient and Public Involvement (PPI) Implications</b>	
<b>Equality Impact</b>	
<b>Information exempt from Disclosure</b>	
<b>Requirement for further review?</b>	

### Introduction and Background

Following the closure of the Audit Commission from 1 April 2015, there is no longer a centralised system of appointing external auditors for NHS Trusts. The existing national contract arrangements for external auditors for NHS Trusts comes to an end with the 2016/17 financial year audit. NHS Trusts have been given responsibility for appointing their own auditors starting with the 2017/18 year. We must have completed this process by no later than 31 December 2016. Procurement processes are expected to commence in early summer of 2016. NHS Trusts can work together on procurements but need to have their own auditor panels to make individual appointments.

National guidance has been published which explains the legal requirements in relation to auditor panels and their responsibilities. This paper does not seek to set out all of the detail on the issues and requirements these will be provided to the Trusts auditor panel once established. This paper simply seeks to set out the key issues the Board should take into consideration in approving the membership and terms of reference of the panel.

### Key Considerations

The auditor panel is an advisory body – it advises on the selection and appointment of external auditors. Responsibility for the actual procurement and appointment remains with the Board and must be conducted in accordance with the Trust’s Standing Orders and Standing Financial Instructions.

An auditor panel must have at least three members, including a Chair who is an independent non-executive member of the Board. A majority of the panel’s members must also be independent and non-executive members of the Board, but the panel may include a minority of members who are not members of the Board or who are not considered independent.

The guidance says that auditor panel members should have sufficient knowledge and experience. It would be usual for the Trust Audit Committee Chair to chair the Auditor Panel and that this person has the appropriate qualifications, expertise or experience. If for any reason the Chair of the Audit Panel cannot attend the meeting the role should be assumed by another independent panel member.

The Board must assess a prospective auditor panel member’s independence by considering whether his/her circumstances could affect his judgement and by a number of factors for

example recent employment with the Trust, close family ties to its directors, members, advisors or senior employees or a material business relationship with the Trust.

Trusts can use their current Audit Committee to act as the Auditor Panel if it complies with the membership requirements or a subset of Audit Committee membership. The current terms of reference for the Trust Audit Committee would allow the Audit Committee to act as the Auditor Panel and this is the recommended approach.

The Auditor Panel must have its own terms of reference. If the Audit Committee is going to function as the Auditor Panel, its terms of reference will need to be amended to incorporate the Auditor Panel functions.

The status of the Auditor Panel must also be clear and covered in the Trust's Scheme of Delegation. There must be clear reporting and accountability lines and if it is separate from Audit Committee the relationship with Audit Committee must be established and respective roles and responsibilities made clear.

The auditor panel's functions are to:

Advise the Trust Board on the selection and appointment of the external auditor including

- Agreeing and overseeing a robust process for selecting the auditors in line with the organisations normal procurement rules
- Making a recommendation to the Board as to who should be appointed
- Ensuring that any conflict of interests are dealt with effectively

Advise the Board on the purchase of non audit services from the appointed external auditor.

Advise the Board on any decision about the removal or resignation of the external auditor.

### **Recommendation**

**The Board are asked to approve the appointment of the Audit Committee to act as Auditor Panel for the Trust and to agree the amendments to the Audit Committee Terms of Reference to reflect the functions of the auditor panel.**