


<b>Council of Governors</b>		
<b>Update: Replacement of External Auditors</b>	<b>26<sup>th</sup> April 2017</b>	<b>CG/17/10</b>

This paper is for:		Sponsor:	Martin Shaw, Director of Finance	
Decision		Author:	Daniel Carlen, Associate Director of Finance, Financial Operations	
Discussion		Reviewed by:		
Noting	X	CEO*		
Information	X	ED*		
		Board Committee*		
		TME*		
		Other*		

\* *Specify*

## 1. Summary

The rules relating to potential conflicts of interest for external auditors of public bodies changed in December 2016. Our current external auditors, KPMG, are also our tax advisers. The new rules mean we cannot continue with KPMG as both our external auditors and our tax advisers. By mutual agreement, it is proposed to break our contract with KPMG for external audit services after 2 years and not to retain their services as external auditors for the financial year 2017/18. They will then continue as our tax advisers for the length of their current contract.

The council of governors are responsible for appointing the external auditors. A procurement process to identify new external auditors was launched in March 2017, following the same procedure as for the previous appointment. A panel consisting of executive and non-executive directors, trust finance & procurement staff and a member of the council of governors will review the tenders and will make a recommendation to the council of governors for approval at the meeting on 12 July.

## 2. Request to the *Council of Governors*

The council of governors is asked to note:

- the need for the Trust to secure new external auditors,
- the process that is being followed, and
- the expectation that a recommendation for new external auditors will be presented at the council of governors' meeting in July for consideration and approval

### 3. Background

KPMG has provided tax and commercial advisory services to Guy's & St. Thomas' since we became a Foundation Trust (and to our predecessor body) providing advice and guidance on all our commercial activities and major construction projects in recent years. KPMG is also currently the Trust's external auditors.

KPMG has now advised that, under the guidance produced by the National Audit Office (Ethical Guidance: Annex to Auditor Guidance Note 1 [AGN 01](#) issued 12 December 2016), they cannot continue in both roles (beyond a very limited "grandfathering" of a pre-existing contract for VAT compliance).

The first reporting period to "fall foul" of the guidance is 2017/18 (so work on the 2016/17 annual accounts is unaffected). It is the Trust's preference to retain access to the full range of KPMG's non-audit services – as their knowledge of our commercial history is invaluable to our efficient use of resources. KPMG have indicated the wish under the circumstances to end prematurely by mutual agreement the current contract for external audit services. This would see KPMG complete work on the annual accounts for 2016/17 but not complete the final year of their contract. KPMG has indicated that, by starting the process of selection and confirming the Trust will not ask KPMG to continue as external auditors for 2017/18, then KPMG can continue to provide non-audit services to the Trust.

It is a responsibility of the Council of Governors to appoint the Trust's external auditors. In March, the Trust advertised for a replacement external auditor to take responsibility for the audit of the Trust's accounts for 2017/18. It was felt best to start on the process as soon as possible, rather than wait for formal approval from the April meeting, to minimise the disruption in access to KPMG's tax advisory services, while recognising that ultimate approval rests with the council of governors.

It is the intention to follow the same process as last time: the Trust is holding a procurement mini-competition under public procurement rules. The selection panel will be made up of executive and non-executive Trust directors, other members of the Finance Department and a member of the Council of Governors. At the end of the process, the panel will make a recommendation to the Council of Governors for approval.

## 4. Timetable

The timetable is set out below:

<b>Event</b>	<b>Date</b>
Invitation to Tender	28 March 2017
Deadline for the receipt of clarification questions	1400, 21 April 2017
Target date for responses to clarification questions	24 April 2017
Deadline for receipt of Tenders	1400, 28 April 2017
Evaluation of Tenders	w/c 01 May 2017
Clarification meeting/ Presentations of shortlisted bidders	18 May 2017
Preferred bidder selected	29 May 2017
Recommendation to Council of Governors	July 2017

This page has been left blank