Ashford and St. Peter's Hospitals NHS
NHS Foundation Trust

COUNCIL OF GOVERNORS
15th June 2016

TITLE	**External Audit**
EXECUTIVE SUMMARY	This report from the Audit Committee outlines the performance of the external auditor over the past year since re-appointment in May 2012. It also includes a recommendation from the Audit Committee to the Council of Governors that KPMG's contract be extended for second of the permitted one year extensions.
The Council is asked to:	Discuss the report and approve the proposal to extend KPMG's contract by one year.
Submitted by:	Terry Price, Non-Executive Director and Audit Committee Chair
Date:	6th June 2016
Decision:	For Discussion and Approval

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External Audit

Background

The Council of Governors re-appointed KPMG as the Trust's external auditors for a period of three years from May 2012, (with the option to extend, subject to satisfactory performance). This report from the Audit Committee outlines the performance of the external auditor over the past year to 31st May 2016.

Attendance

Attendance at Audit Committee meetings by KPMG over the period June 2015 to May 2016 has been as follows: -

22nd October 2015	Charlotte Goodrich, Manager
21st January 2016	Charlotte Goodrich, Manager
24th March 2016	Charlotte Goodrich, Manager
19th May 2016	Neil Hewitson, Director and Charlotte Goodrich, Manager

In addition Terry Price, as Chair of the Committee, met separately with Neil Hewitson and Charlotte Goodrich on two separate occasions during the year to discuss audit plans and findings.

KPMG presented the results of their work in 2014/15, including the financial statements and quality report audits, to the Council of Governors on 15th July 2015. KPMG also met with the Governors to discuss their choice of the third indicator for the Quality Report audit for 2015/16.

Reporting

At each Audit Committee meeting KPMG have updated the Committee via Progress Reports. These reports have included technical updates on a variety of matters.

At the January 2016 meeting KPMG presented, and the Committee approved, the External Audit Annual Plan for 2015/16. Due to the minor changes in the audit framework (e.g. the National Audit Office taking over responsibility for the Audit Code of Practice), a new engagement letter was signed on 9th May 2016. The engagement continued on the basis of unlimited liability. The Progress Report to the March 2016 meeting updated the Committee on the interim external audit which had been completed - no recommendations were made as a result of the audit.

Audit of the Accounts

The audit of the Annual Accounts and Quality Accounts for 2015/16 was completed with Audit Committee sign-off on 19th May 2016, when KPMG formally reported their audit findings in their External Audit Report (ISA260). The Accounts were then approved by the Trust Board on 26th May 2016 prior to submission to NHS Improvement on 27th May 2016.

Fees

The fees for 2015/16 totalled £68,950 plus VAT, covering the audit of the Annual Accounts and Quality Accounts. This was the same fee as was charged for the 2014/15 audit.

These fees were discussed and agreed at the January 2016 Audit Committee meeting.

Apart from the audit of the Trust's accounts, the only other work that KPMG undertook was the audit of the Trust's Charity accounts for 2014/15. The fee for this work was £5,600.

KPMG Contract

The 2014/15 financial year was the last year of KPMG's three year initial contract period, however the contract contained the option to extend, subject to satisfactory performance. The first year extension covering the 2015/16 audit was agreed at the June 2015 Council of Governors meeting.

The Audit Committee discussed this matter at its meeting in March 2016 and agreed that, as it was satisfied with KPMG's performance, it would recommend to the Council of Governors that the contract be extended for a second year covering the 2016/17 audit.

A tender exercise will then be required in 2017 to appoint auditors from the 2017/18 financial year audit.

Summary

The Audit Committee is satisfied with KPMG's performance to date and recommends to the Council of Governors that the KPMG contract be extended for a further year covering the 2016/17 audit.