

James Paget University Hospitals 
NHS Foundation Trust

Governors Council

Report of: Deputy Director of Finance
Title: External Auditor Additional Services Policy
Date: 13th July 2007
Action: For approval

SUMMARY:

The scope of this policy is to set out the roles and responsibilities and the Trust's approval process for the engagement of the external auditor to supply additional non-audit services to James Paget University Hospitals NHS Foundation Trust.

RECOMMENDATION:

The Governors Council is asked to approve the policy.

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James Paget University Hospitals 
NHS Foundation Trust

External Auditor Additional Services Policy

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Issued: June 2007
Author: Mark Flynn, Deputy Director of Finance

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James Paget University Hospitals NHS Foundation Trust
External Auditor Additional Services Policy

1. Introduction and Scope

The scope of this policy is to set out the roles and responsibilities and the Trust's approval process for the engagement of the external auditor to supply additional non-audit services to James Paget University Hospitals NHS Foundation Trust.

2. External auditors responsibilities

- 2.1 The statutory responsibilities and powers of the auditor are set out in the 2003 Act. In discharging these specific statutory responsibilities and powers, auditors are required to carry out their work in accordance with the code. The statutory functions of auditors are summarised in Appendix A to the code.
- 2.2 The auditors of NHS foundation trusts must comply with the principles set out in this code in all instances. The application of the principles in any particular case must however depend on the specific circumstances of that case and on the auditors' assessment and judgement of what is reasonable and appropriate in those circumstances.
- 2.3 Auditors are also required to comply with relevant ethical standards and guidance issued or adopted by their professional accountancy bodies. This includes the Ethical Standards issued by the Auditing Practices Board (APB), which applied to all audits of financial statements for periods commencing on or after 15 December 2004.
- 2.4 The ethical standards and guidance require that a member of a professional accountancy body should behave with integrity in all professional, business and financial relationships. Integrity implies not merely honesty but fair dealing and truthfulness.
- 2.5 Auditors must carry out their work with independence and objectivity. The auditors' opinions, conclusions and recommendations should both be, and be seen to be, impartial. Auditors and their staff should exercise their professional judgement and act independently of the NHS foundation trust. They should ensure that they maintain an objective attitude at all times and that they do not act in any way that might give rise to, or be perceived to give rise to, a conflict of interest.
- 2.6 Section 2.12 of Monitor's Audit code states that: 'The auditor may, with the approval of the Board of Governors, provide the NHS Foundation Trust with services which are outside of the scope of the audit as defined in this code (**additional services**). The Trust shall adopt and implement a policy for considering and approving any additional services to be provided by the auditor'.

DRAFT v1
James Paget University Hospitals NHS Foundation Trust
External Auditor Additional Services Policy

3. Responsibilities of the Audit Committee towards external auditors

The Responsibilities of the Audit Committee are clearly prescribed by Monitor's NHS Foundation Trust Code of Governance. Section F.3 Audit committee and auditors, of the Code, states that the main role and responsibilities of the audit committee in respect of external auditors are to;

- review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, taking into account relevant UK professional and regulatory requirements;
- develop and implement policy on the engagement of the external auditor to supply **non-audit services**, taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm; and
- report to the Board of Governors, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken.

4. Approval Process

- 4.1 The Monitor code makes it clear that the Board of Governors need to approve proposals for additional services.
- 4.2 The process would include submission of the External Auditor's Strategic Audit Plan to Audit Committee for approval followed by presentation to the Board of Governors for information. This Strategic Audit Plan may include proposals for non-audit additional services.
- 4.3 The Board of Governors would be asked to delegate specific authority for commissioning additional services to the Trust's Audit Committee. This would be on the understanding that the Audit Committee take responsibility for agreeing any specific areas of additional work to be undertaken and, in doing so, consider whether External Audit or any other organisation is best placed to provide the service i.e. based on relevant experience, expertise in that particular area and value for money.
- 4.4 For each individual element of non-audit additional service work, the Trust would seek and approve an **Additional Services Engagement Letter**, which would set out the detailed proposals for each area under review including the scope, timing, relevant responsibilities, cost and resource information along with timescales for completing the work and reporting findings to the Trust.
- 4.5 This would be approved by the relevant Executive Director (in line with the scheme of delegation) and the Audit Committee. In urgent matters Chair's action could be taken and reported to the Audit Committee as a matter of course.

DRAFT v1
**James Paget University Hospitals NHS Foundation Trust
External Auditor Additional Services Policy**

- 4.6 All external audit work, would as a matter of course, be summarised in the External Auditor's Management Letter. This would include any work undertaken as part of the non-audit additional services element of their Strategic Plan. The External Auditor's would present this Letter to the Audit Committee, Board of Directors and the Annual Members meeting each year in September.

5. Bibliography

Monitor: The NHS Foundation Trust Code of Governance - 29/09/2006

Monitor: Audit Code for NHS Foundation Trusts - 20/12/2005