

POLICY ON THE USE OF EXTERNAL AUDITORS FOR NON-AUDIT SERVICES

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| APPROVED BY: | Trust Board – 8 September 2005 Endorsed:- Audit Committee – 11 July 2005 Policy & Guideline Committee – 9 August 2005 |
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| ORIGINATORS: | Stephen Ward – Director of Corporate & Legal Affairs Caroline Walker – Director of Finance & Procurement |
| MOST RECENT REVIEW: | 1st May 2022 6 Month Review Date Extension Approved At PGC 15th October 2021 10 June 2016 – Policy & Guideline Committee (review extension agreed to December 2017) September 2006 (no changes required) Policy & Guideline Committee 10 October 2006 |
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UNIVERSITY HOSPITALS OF LEICESTER NHS TRUST

POLICY ON THE USE OF EXTERNAL AUDITORS FOR NON-AUDIT SERVICES

1. INTRODUCTION

- 1.1 This policy shall be applied whenever the Trust is considering the possibility of using its external auditor for the provision of non-audit services.
- 1.2 This policy has been developed by the Trust's Audit Committee and was approved by the Trust Board on 8 September 2005.
- 1.3 The principal purpose of the policy is to ensure that non-audit services provided by the external auditor do not impair, or appear to impair, the external auditor's independence or objectivity.

2. AUDIT COMMISSION CODE OF AUDIT PRACTICE

- 2.1 The Audit Commission Code of Audit Practice for NHS Bodies (April 2005) includes the following statement of requirements under the heading, 'General Principles':

"Integrity, Objectivity and Independence

Auditors and their staff should exercise their professional judgement and act independently of both the Commission and the audited body. Auditors, or any firm with which an auditor is associated, should not carry out work for an audited body that does not relate directly to the discharge of auditors' functions, if it would impair the auditors' independence or might give rise to a reasonable perception that their independence could be impaired".

- 2.2 The Trust supports the Audit Commission's Code of Practice in this regard.
- 2.3 Without prejudice to the remainder of this policy, in the event that the Trust appoints the external auditor for the provision of non-audit services, the external auditor shall follow any and all Audit Commission requirements and guidance relating to any such appointment and, in particular, shall seek the prior approval of the Audit Commission to undertake such work where the size of the assignment(s) may be considered significant.

3. NON-AUDIT SERVICES WHICH THE EXTERNAL AUDITOR IS PROHIBITED FROM SUPPLYING TO THE TRUST

- 3.1 There may be occasions when the external auditor is best placed to undertake particular accountancy, advisory and consultancy work on behalf of the Trust. However, the following services are specifically prohibited:-
 - work related to accountancy records and financial statements that will ultimately be subject to external audit;
 - management of, or significant involvement in, internal audit services;

- work that involves making judgements and taking decisions which are the responsibility of the Trust's management;
- any work where a mutuality of interest is created that could compromise the independence of the external auditor, or might give rise to a reasonable perception that their independence could be impaired, including any work that involves acting as advocate for the Trust;
- any other work which is prohibited by UK ethical guidance.

4. PROVISION OF NON-AUDIT SERVICES TO THE TRUST BY THE EXTERNAL AUDITOR : PROCEDURES TO BE FOLLOWED

- 4.1 The procurement of non-audit services to the Trust by the external auditor shall at all times comply with the Trust's Standing Orders, and in particular the tendering and contracting procedures set out in those Standing Orders and otherwise in the Trust's Finance and Procurement Manual.
- 4.2 The procurement of non-audit services to the Trust by the external auditor shall, in addition, follow the additional provisions of this section of this policy.
- 4.3 The Director of Finance and Procurement shall first be consulted in writing by officers of the Trust whenever the possibility of using the external auditor for the provision of non-audit services is under consideration.
- 4.4 Subject to paragraph 4.5 below, the Director of Finance and Procurement shall evaluate and be authorised to decide upon each such request that the Trust consider the possibility of using the external auditor for the provision of the non-audit services. The Director of Finance and Procurement shall apply this policy in evaluating and reaching decisions upon such requests. The decisions of the Director of Finance and Procurement under this policy shall be final and the decisions and reasons therefore shall be recorded and reported by the Director of Finance and Procurement to the next available meeting of the Audit Committee.
- 4.5 In all cases where the estimated value of the contract for the provision of non-audit services to the Trust is expected to exceed £50,000, and the possibility of inviting the external auditors to tender for such work is in contemplation, the Director of Finance and Procurement shall first consult with both the Chief Executive and Chairman of the Audit Committee as to whether or not the external auditor should be included on a tender list for the provision of such non-audit services. Having undertaken such consultation, the Director of Finance and Procurement shall evaluate and be authorised to decide upon each such request. The decisions of the Director of Finance and Procurement in respect of such cases under this policy shall be final and the decisions and reasons therefor shall be recorded and reported by the Director of Finance and Procurement to the next available meeting of the Audit Committee.
- 4.6 The Director of Finance and Procurement shall report to the next available meeting of the Audit Committee on the details of any and all contracts awarded by the Trust to the external auditor for the provision of non-audit services, including the fees paid.