

01 December 2022

## Malvern Hills Trust

Annual meeting of levy payers

The Gryphon Room, Malvern College, Thirlstane Road, Malvern WR14 3PL

Thursday 01 December 2022 6:00 pm

**Present:** Mr C Atkins, Mr D Baldwin, Mr R Bartholomew, Dr S Braim, Mr P Clayburn, Mr D Core, Mr M Davies (Chair), Mr D Fellows, Mr R Fowler, Mrs C Palmer, Dr T Parsons, Mr C Penn, Prof J Raine, Mr C Rouse, Mrs M Turner, Mr D Watkins.

**In attendance:** CEO, Secretary to the Board, 33 members of the public.

Mr Davies welcomed everyone to the meeting. He said that the Board was concerned to improve communications with stakeholders over the coming months and invited the positive participation of those present.

He outlined the background to this meeting. The meeting held on 8 September had been adjourned and the Trust had worked through a process in the intervening 11 weeks which he hoped would conclude in the appointment of auditors this evening. This was a pressing matter. The Trust's financial year end was on 31 March and the Trust was duty bound to carry out the audit as soon as possible thereafter. For this reason, the invitation to tender required the audit to be carried out in June.

There was limited capacity in the audit market. There had been a 3 month delay in appointing auditors and any further delay risked the Trust missing its monitoring deadlines. Mr Davies explained the procedure which would be followed during the meeting and invited any questions or comments.

### 1. Apologies for absence

Mrs L Hodgson, Mr J Michael, Ms H Stace.

### 2. To receive the minutes of the meeting held on 8 September 2022

Dr Crisp asked if the minutes could be approved, given the meeting had been adjourned and resumed. The Secretary to the Board confirmed that the minutes of the previous meeting which had taken place on a separate date could be approved. On the proposal of Mr Bartholomew, seconded by Mr Penn, it was **RESOLVED** (with 3 abstentions) that the minutes of the meeting be signed as a true and correct record.

### 3. Appointment of auditors for the year 2022/23

Mr Core set out the background. Charity Trustees had a duty to act in the best interests of the charity and to ensure that the finances of the Trust were properly controlled and directed to the objects of the Trust. The Trust employed a Chartered Accountant with over 30 years' experience in the charities sector as its Finance Manager. There were in place a comprehensive set of processes and controls. She worked with the other staff to put together budgets which showed how the funds were used in pursuit of the Trust's objectives. These budgets were approved and regularly monitored by the trustees.

The Trust was required to carry out an external audit by the Charities Act 2011. A requirement for an external audit was also contained in the Commissioners Clauses Act 1847. This Act gave the levy payers a right to vote on the appointment of the auditor.

Mr Core had checked the minutes back to 1900 and in all previous years, a single set of auditors had been proposed and appointed. The Trust had proposed the re-appointment of Bishop Fleming. An alternative name - PwC - was put forward at the meeting on 8 September, a unique event in the Trust's history. The Trust, as the body which would enter into a contract with the auditors, needed to obtain confirmation that PwC would be prepared to act, and what they would charge. Because no one had contacted them prior to the September meeting, the meeting had to be adjourned. When contacted, PwC's response was "Unfortunately we are not currently operating in this particular market at this scale for audit services."

The Trust considered it appropriate in the circumstances to issue an invitation to tender. A number of suitable qualified firms were contacted but the Trust also published an invitation to all levy payers to put forward names of auditors who they might like to propose. The names of two specific firms were provided but another person proposed the Trust contact the list of firms who had been named in a survey carried out by Charity Finance magazine. The Trust approached 33 companies in all (two having been excluded because of conflicts of interest and another firm which practiced in a different jurisdiction). Twenty six of them declined to tender and seven tendered. A number of the firms who declined to tender said that they could not meet the Trust's timescales. One of the tenders was withdrawn when the Trust reiterated that the tender responses would be made public and the remaining six responses were put onto the Trust's website so that they were available to levy payers.

The Trust set its own criteria by which to assess the tenders, broadly based on the Financial Reporting Council's advice and best practice notes on audit tenders. The Trust's conclusion was that all of the firms who tendered:

Azets  
Bishop Fleming  
Griffin Stone Moscrop  
Haines Watts  
Ormerod Rutter  
PFK Littlejohn

met the Trust's key criteria. Information on relative fees of the 6 firms was provided, Azets and PFK Littlejohn charging roughly 50 % more than the three lowest tenders from Haines Watts, Ormerod Rutter and Griffin Stone Moscrop.

Mr Davies invited comments.

Mr Watts gave an extended critique of the process and what Mr Core had said including:

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- There were inconsistencies between the Financial Reporting Council's (FRC) best practice advice and what had been put forward on behalf of the Trust.
- The FRC stated that the objective of the tender process was to appoint a firm that would provide the highest quality most efficient audit.
- The tender document had a lot of faults.
- The document misrepresented the statutory requirements as it referred to the contract being for 3 years subject to review by the Board. This was not correct, as the auditors were appointed annually by the levy payers.

He went through some of the FRC criteria, the information made available by the Trust and critiqued the firms which had tendered. He said he had looked at publicly available data and that Azets had done 13 times more audits of charities than the next best firm.

Comments from others included:

- Had the Trust got any information on whether any of the firms had experience in dealing with pension deficits? (The Trust had not managed to obtain this information)
- Selecting a large company give a better chance of having good independence.

Mr Davies reiterated that this was the first occasion when there had been more than a single nomination for appointment of auditor. As there was potential for a number of candidates to be proposed, he outlined the proposed process for voting. Any levy payer could propose, second or vote for a candidate. He would call for proposals and for those proposals to be seconded. If there were more than 2 candidates proposed and seconded, he would ask for a show of hands for each candidate in turn and eliminate the candidate with the lowest number of votes. The process would be repeated until there were 2 candidates left. Once there were 2 candidates remaining, he would ask for a show of hands for each and the candidate with the majority of votes would be appointed. If there was only one candidate he would call for a show of hands for and against.

There was one nomination. On the proposal of Dr Crisp, seconded by Mr Watts it was **RESOLVED** (with 1 abstention) to appoint Azets as auditors

**The meeting closed at 19.52**