

# Sandwell Children's Trust Audit and Risk Committee

18 December 2018

<b>Details</b>		Agenda Item No.	7
Title of Paper:	<b>Appointment of External Auditors</b>		
Author:	Dan Mortiboys – Director of Resources		
Please indicate:	For Decision	<input checked="" type="checkbox"/>	For Information
			For Discussion

<b>Executive Summary</b>	
<b>Summary</b>	<p>The Audit and Risk Committee has the delegated authority to appoint the Trust's external auditors, subject to final approval from Sandwell Metropolitan Borough Council. The Trust's articles of association under matters reserved to the member (Council) state:</p> <p>"9.2.6 – appointing or removing any auditor of the Company."</p> <p>The contract will be for one year (audit of the 2018/19 accounts) and will cost £23,000. This is a non-budgeted item as at go live no budget consideration was given for the provision of providing an External Auditor.</p> <p>The Trust is required to comply with Contract Procedure Rules when procuring services and for a contract between £5,000 - £50,000 three written quotes are required. In this case a waiver to Contract Procedure Rules was approved by the Trust's Chief Executive in accordance with her delegated powers.</p> <p>The Trust is recommending procuring Grant Thornton in the first year as they are also the Council's external auditors and due to the requirement for Group Accounts to be provided by SMBC it provides a synergistic solution to the appointment of the Trust's external auditors.</p>

<b>Risk</b>	<b>High</b>	X	<b>Medium</b>		<b>Low</b>	
<b>Recommendations</b>	<p>The Committee Resolve to:</p> <ul style="list-style-type: none"> <li>• Approve, subject to SMBC written approval, the appointment of Grant Thornton as Sandwell Children's Trust external auditors for one year for the review of the financial year 2018/19.</li> </ul>					

# **Purpose and background**

## **1.0 Background**

- 1.1 All companies limited by guarantee are required (unless their turnover is less than £5.6m) under the Companies Act 2006 to have their accounts audited. The Trust's turnover is in excess of £5.6m and is required to have their accounts audited.
- 1.2 The Trust Board delegated to the Audit and Risk Committee the power to appoint external auditors. However, the Trust's Articles of Association under section 9 (reserved matters requiring Member approval) has at 9.2.6 – "appointing or removing any auditor of the Company". The Member in relation to the Trust is the Cabinet of Sandwell Metropolitan Borough Council.
- 1.3 Therefore following the decision of the Audit and Risk Committee, if they resolve to approve the appointment of an external auditor, the Trust will require the formal written approval of the Council prior to any appointment.

## **2.0 Resource Implications**

- 2.1 The Trust, at go live date, adopted the Council's Contract Procedure Rules that provides the structure when the Trust undergoes any procurement activity.
- 2.2 The cost of this service is £23,000 and three written quotes are required, unless a waiver to Contract Procedure Rules is obtained. In this case a waiver to the Contract Procedure Rules was obtained by the Director of Resources from the Trust Chief Executive.
- 2.3 The main reason for the exemption is that the company being recommended to the Audit and Risk Committee is the Council's external auditor (Grant Thornton). As the Council will be required to complete group accounts, as they are the sole owner of the Trust, Grant Thornton will be required to undertake a degree of due diligence on the Trust's accounts anyway. Therefore, by utilising Grant Thornton to provide assurance on the Trust's accounts a degree of synergy between the roles will be achieved.
- 2.4 The contract being offered to Grant Thornton, if approved, will be for one year to undertake the review of accounts for the financial year 2018/19. The cost will be £23,000.
- 2.5 At go live date no provision was made in the Trust's budget for the provision of procuring an External Auditor.

## **3.0 Recommendation to Executive Management Team**

- 3.1 The Committee Resolve to:
  - Approve, subject to SMBC written approval, the appointment of Grant Thornton as Sandwell Children's Trust external auditors for one year for the review of the financial year 2018/19.