

## REPORT TO CABINET

20 March 2019

<b>Subject:</b>	<b>Appointment of External Auditors for the Sandwell Children's Trust</b>
<b>Presenting Cabinet Member:</b>	<b>Councillor Simon Hackett – Cabinet Member for Childrens Services</b>
<b>Director:</b>	<b>Darren Carter – Executive Director – Resources</b> <b>Lesley Hagger – Executive Director of Children's Services</b> <b>Surjit Tour – Director – Monitoring Officer</b>
<b>Contribution towards Vision 2030:</b>	
<b>Key Decision:</b>	Yes
<b>Forward Plan (28 day notice) Reference:</b>	SMBC16/03/2019
<b>Cabinet Member Approval and Date:</b>	Councillor Simon Hackett: 28/02/19
<b>Director Approval:</b>	Darren Carter – Executive Director – Resources: 28/02/19 Lesley Hagger – Executive Director of Children's Services: 28/02/19 Surjit Tour – Director – Monitoring Officer:
<b>Reason for Urgency:</b>	To allow Sandwell Children's Trust to secure an external auditor in order to commence the audit of their accounts from the end of March 2019.
<b>Exempt Information Ref:</b>	Exemption provisions do not apply
<b>Ward Councillor (s) Consulted (if applicable):</b>	Ward councillors have not been consulted
<b>Scrutiny Consultation Considered?</b>	Scrutiny has not been consulted
<b>Contact Officer(s):</b>	Praful Patel Strategic Lead - Client Management Praful_Patel@sandwell@sandwell.gov.uk

## **DECISION RECOMMENDATIONS**

### **That Cabinet:**

- 1.1** Approves the appointment of Grant Thornton as external auditor for Sandwell Children's Trust for one year, in order to audit the accounts for 2018/19.
- 1.2** Authorises the delegation, to the Council's s151 Officer, for approval of the appointment of the external auditor for Sandwell Childrens Trust in future.

## **1 PURPOSE OF THE REPORT**

- 1.1** The purpose of this report is to approve the appointment of external auditors for Sandwell Children's Trust. Cabinet approval is sought because this is one of the key responsibilities of the Council as owner of the Sandwell Childrens Trust.

## **2 IMPLICATION FOR VISION 2030**

- 2.1** Sandwell Children's Trust aims to improve outcomes for vulnerable children and families and improve social care practice. Therefore, the Trust will support the ambitions around caring for vulnerable children and families and helping the community feel safer.

## **3 BACKGROUND AND MAIN CONSIDERATIONS**

- 3.1** Cabinet approved the contract between the Council and Sandwell Children's Trust at its meeting on 28 February 2018. This included the Articles of Association ('Articles') which are the main governing document and regulate the operation of the Trust. The Articles deal with a range of matters and require the Trust to seek approval to certain reserved matters before the Trust can action such matters.
- 3.2** Under para 9.2.6 of the Articles, the Trust is required to seek written approval from the Council in respect to 'appointing or removing any auditor of the Company'.

- 3.3 The Trust, as a company limited by guarantee, is required to have its accounts audited. The Trust is seeking to appoint Grant Thornton for one year in order to audit the accounts for 2018/19. The cost, to the Trust, to appoint Grant Thornton will be £23,000. The Trust is seeking to appoint Grant Thornton in its first year as Grant Thornton is also the Council's external auditors and this will provide a degree of synergy between the Council and the Trust.

#### **4 THE CURRENT POSITION**

- 4.1 The Trust is unable to move forward in securing the sign off its accounts as it is legally required to do, without the services of an external auditor. This will also impact on the Trust's ability to submit its final audited annual accounts to the Council as owner of the Trust.

#### **5 CONSULTATION (CUSTOMERS AND OTHER STAKEHOLDERS)**

- 5.1 The Council and the Trust meet monthly at the Operational Partnership Board and every three months at the Strategic Partnership Board. These are formal meetings between the Council and the Trust.

#### **6 ALTERNATIVE OPTIONS**

- 6.1 The contract documentation including the Articles as well as legislation require the Trust to appoint external auditors. There is no alternative to the provision. The Trust's Chief Executive waived the Contract Procedure Rules in order to secure Grant Thornton because the Trust wished to use the same external auditor as the Council.

#### **7 STRATEGIC RESOURCE IMPLICATIONS**

- 7.1 The Trust, as a company limited by guarantee, is required to have its accounts audited. The Trust is seeking to appoint Grant Thornton for one year in order to audit the accounts for 2018/19. The cost, to the Trust, to appoint Grant Thornton will be £23,000. The Trust is seeking to appoint Grant Thornton in its first year as Grant Thornton is also the Council's external auditors and this will provide a degree of synergy between the Council and the Trust.
- 7.2 The Council sets the strategic direction for Children's Services and the finances provided to the Trust are covered in a single budget envelope called the Contract Sum. The appointment of Grant Thornton will be met from within the Contract Sum.

## **8 LEGAL AND GOVERNANCE CONSIDERATIONS**

- 8.1 The Trust is a Private Limited Company by guarantee without share capital, which was incorporated on 15 February 2017. The Trust is entirely owned by the Council but is operationally independent. In accordance with the Trust's Articles of Association, the Council's approval is required for reserved matters which include the appointment of external auditors.
- 8.2 The contract between the Council and the Trust, regarding the services delivered by the Trust, entitles the Council to carry out its own audits of the Trust's actions, and processes, the appointment of this external auditor is in addition to the Council's audits.

## **9 EQUALITY IMPACT ASSESSMENT**

- 9.1 An equality impact assessment is not required for this proposal.

## **10 DATA PROTECTION IMPACT ASSESSMENT**

- 10.1 There are no data protection implications arising from the proposal.

## **11 CRIME AND DISORDER AND RISK ASSESSMENT**

- 11.1 There are no crime and disorder implications arising from the proposal.

## **12 SUSTAINABILITY OF PROPOSALS**

- 12.1 The proposal in this report is for one year as the appointment of external auditor for the Trust is for one year.

## **13 HEALTH AND WELLBEING IMPLICATIONS (INCLUDING SOCIAL VALUE)**

- 13.1 Sandwell Children's Trust aims to improve the outcomes for vulnerable children and families and improve social care practice. This will contribute towards the health and wellbeing of the wider community.

## **14 IMPACT ON ANY COUNCIL MANAGED PROPERTY OR LAND**

- 14.1 There are no implications for Council property and land arising from this proposal.

**15 CONCLUSIONS AND SUMMARY OF REASONS FOR THE RECOMMENDATIONS**

15.1 In conclusion, this report seeks Cabinet approval to appoint Grant Thornton as external auditors for Sandwell Children's Trust. Cabinet approval is required as the Trust is required to seek the Council's approval as owner of Sandwell Childrens Trust. The responsibilities of Council as owner are detailed in the Articles of Association.

**16 BACKGROUND PAPERS**

16.1 Articles of Association

**17 APPENDICES:**

17.1 A report to Sandwell Children's Trust Audit and Risk Committee on 18 December 2018 titled 'Appointment of External Auditors'.

**Lesley Hagger**  
**Executive Director of Children's Services**

**Darren Carter**  
**Executive Director – Resources**

**Surjit Tour**  
**Director of Law and Governance and Monitoring Officer**