

Appointment of External Auditors

Final Decision-Maker	Cobtree Manor Estate Committee
Lead Head of Service	Head of Regeneration & Economic Development – John Foster
Lead Officer and Report Author	Paul Holland, Senior Finance Manager (Client)
Classification	Public
Wards affected	Boxley

Executive Summary

The appointment of the current auditors to the Trust (UHY Hacker Young) has now expired and following the last meeting this report addresses the points that were raised and makes recommendations regarding future audit services.

Purpose of Report

To appoint external auditors for the Trust.

This report makes the following recommendations to this Committee:

1. That UHY Hacker Young are appointed external auditors to the Charity for the financial year 2019/20.
2. That quotes are sought for the provision of external audit services for a period of two years from 2020/21.

Timetable

Meeting	Date
Cobtree Manor Estate Committee	20 January 2020

Cobtree Manor Estate Financial Position

1. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
Impact on Corporate Priorities	The operation of the Estate directly supports the objects of the Trust as set out when the Council became the Corporate Trustee	Head of Regeneration & Economic Development
Cross Cutting Objectives	The operation of the Estate supports the Council's strategic objective to ensure there are good leisure and cultural attractions in the Borough.	Head of Regeneration & Economic Development
Risk Management	There is a potential reputational risk if the annual accounts are not prepared correctly and in accordance with recommended best practice.	Leisure Manager
Financial	There is a financial risk to the Trust if the operations cost more than predicted or fail to generate sufficient income to cover the costs of running them estate.	Senior Finance Manager (Client)
Staffing	There are no additional implications arising from this report.	Leisure Manager
Legal	Under the Council's Constitution the Committee as Corporate Trustee is responsible for all matters relating to the Charity with the exception of daily management. Law applicable to charities in England and Wales requires the trustee to prepare financial statements for each financial year which give a true and fair view of the Charity's financial activities during the year and of its financial position at the end of the year. There is no statutory requirement for an external audit, but the Charity has previously decided that external auditing should be undertaken. There are no further implications arising from this report.	Team Leader (Corporate Governance), Mid Kent Legal Services
Privacy and Data Protection	There are no specific privacy or data protection issues to address.	Team Leader (Corporate Governance), Mid Kent Legal Services

Equalities	There are no implications arising from this report.	Equalities and Corporate Policy Officer
Public Health	There are no additional implications arising from this report.	Public Health Officer
Crime and Disorder	There are no additional implications arising from this report.	Head of Regeneration & Economic Development
Procurement	There are no additional implications arising from this report.	Head of Regeneration & Economic Development

2. INTRODUCTION AND BACKGROUND

- 1.1 External audit services are currently provided by a local company, UHY Hacker Young (UHY), who were previously appointed for a 2 year term covering the financial years 2017/18 and 2018/19.
- 1.2 At the last meeting of the Trust the decision to reappoint UHY was deferred as the Committee raised a number of questions that are dealt with below.

3. BREAKDOWN OF CURRENT FEE

- 3.1 As previously advised UHY quoted fees of £5,410 plus VAT for 2019/20 and £5,545 plus VAT for 2020/21. The Committee requested a breakdown of the fee and UHY have supplied the following information. They have stressed that these splits are indicative but are a reasonable approximation of the estimated costs for the various phases of the audit.

	£	
Accounts preparation	1,350	Preparing the accounts document
Audit planning	1,200	Pre-audit preparation
On site fieldwork	1,650	Based on 5 "man days" on site (2 staff)
Manager completion	1,000	Approx. 10 hours for detailed review and discuss/resolve queries
Partner completion	1,000	Final review of the accounts
Total Costs	6,200	

- 3.2 The total costs shown are more than the fee quoted and UHY have advised that they do not generally recharge the full cost of the audit to the Trust.
-

4. PROCUREMENT REQUIREMENTS

- 4.1 Procurement regulations require three written quotes in advances where the cost of the service is greater than £10,000. In this instance as the total of the fees cumulatively is £10,955 then quotes should be sought. However, having discussed this with the Procurement Manager he has spoken to the Director of Finance & Business Improvement who has indicated he would be prepared to sign a contract waiver form as the total sum is not significantly in excess of £10,000. This would enable UHY to be reappointed for a further period should the Committee be minded to do so.
-

5. INDEPENDENT EXAMINATION

- 5.1 Under the current statutory audit thresholds for charities where there is no requirement for an external audit, an independent examination would suffice. This is a simpler form of scrutiny than an audit but it would still provide an assurance that the accounts have been the subject of an independent review. However the Charity has previously taken the decision that it would like an external audit to be undertaken.
- 5.2 The Charity Commission guidance indicates that the following thresholds are applicable to determine whether an audit is required. The trustees will usually be able to choose an independent examination instead of an audit if the charity's gross income is:
- more than £25,000, but not more than £1 million, provided that
 - if its gross income is more than £250,000, its gross assets (fixed assets plus current assets) are £3.26 million or less
- 5.3 As the Charity had gross income of £0.462 million and gross assets of £5.47 million on the 2018/19 Balance Sheet then the thresholds for independent examination has been exceeded and an audit is required.
-

6. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

- 1.3 It is recommended that UHY Hacker Young are appointed as external auditors to the Charity for 2019/20, as there would not be sufficient time to make alternative arrangements for the current year, and the Director of Finance & Business Improvement is prepared to sign a contract waiver form.
- 1.4 That quotes are subsequently sought in line with Maidstone BC procurement rules for the provision of external audit services for 2020/21 and 2021/22.
-

7. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

- 1.5 If the recommendation is agreed UHY Hacker Young will be formally requested to provide external audit services for 2019/20, and the process of seeking quotes for future audit services will begin.
-

8. REPORT APPENDICES

- None.
-

9. BACKGROUND PAPERS

None.