

## **DERBY HOMES – APPOINTMENT OF EXTERNAL AUDITORS**

Report of the Finance Director and Company Secretary

### **1. SUMMARY**

- 1.1 Derby Homes is required to appoint external auditors and fix their remuneration.
- 1.2 The current External Audit contract with PKF (now BDO) expires in January 2016 and a tendering process has been undertaken.
- 1.3 The advertised contract is for seven years, to provide external audit and taxation services commencing with the 2015/16 financial statements and concluding with the 2021/22 financial statements. Break clauses are set after three years (the 2017/18 financial statements) and five years (the 2019/20 financial statements).
- 1.4 Three tenders were returned from Beever & Struthers, Grant Thornton and the current provider BDO LLP. The standard of all three returns was excellent, with minimal price and quality differences between them. All three are appointable to the role.
- 1.5 The Audit Committee met on 9 November 2015 to discuss the tender returns and supported the view that the current auditors BDO LLP be recommended for appointment to the contract.

### **2. RECOMMENDATION**

- 2.1 To appoint the current external auditors – BDO LLP for a period of up to seven years commencing from 2015/16 in line with the advertised contract.
- 2.2 To authorise payment of fees as follows for 2015/16:
  - Annual audit - £17,937
  - Corporation Tax (HMRC filing and advice) - £1,538
  - IXBRL (Accounts filing with HMRC) - £666

Subsequent years' increases would be in line with CPI.

### **3. MATTER FOR CONSIDERATION**

- 3.1 The current auditors have been serving Derby Homes since January 2007 (covering the 2006/07 financial statements). There is no legislative requirement to rotate auditors after a certain period of time. It is however common practice for the audit partner within the Auditor to be rotated after 10 years (this is proposed by BDO as part of the new contract).

- 3.2 All bidders were assessed against pre-determined criteria (as specified in the tender) and discussed by a special meeting of the Audit Committee on 9 November. Their recommendation is to re-appoint BDO.

#### **4. FINANCIAL AND BUSINESS PLAN IMPLICATIONS**

- 4.1 The proposed fees from BDO LLP are in line with expectations, industry norms and budgeted levels.
- 4.2 The table below compares the £20,141 fee proposed by BDO for Derby Homes with other local ALMO's.

Organisation	Provider	Turnover £m	Audit Fees £'000
Nottingham City Homes	KPMG	55	19
Solihull Community Housing	Baker Tilly	38	22
Ashfield Homes	KPMG	11	25
Newark & Sherwood Homes	Beever & Struthers	7	12
Rykeld Homes	Baker Tilly	32	28
Cheltenham Borough Homes	Grant Thornton	10	15
A1 Housing	KPMG	14	18

#### **5. LEGAL AND CONFIDENTIALITY IMPLICATIONS**

- 5.1 Derby Homes is required to appoint an external auditor under the provisions of the Companies Act 2006.
- 5.2 Under the scheme of delegation for Derby Homes, Part A Matters Reserved to the Board, Clause 2.1 (k) specifies the appointing of external auditors.

The areas listed below have no implications directly arising from this report:

Consultation  
Council  
Personnel  
Environmental  
Equalities Impact Assessment  
Health & Safety  
Risk  
Policy Review

If Board Members or others would like to discuss this report ahead of the meeting please contact:

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Background Information: None  
Supporting Information: None