

**ANNUAL GENERAL MEETING
27 OCTOBER 2011**

ITEM 5

APPOINTMENT OF EXTERNAL AUDITORS 2011/12

Report of the Director and Company Secretary

SUMMARY OF REPORT

1. The Board of Derby Homes is required to appoint external auditors annually and fix their remuneration.

RECOMMENDATION

- 2.1 The Board appoints PKF LLP as external auditors for the year 2011/12.

- 2.2 The Board authorises payment of the following fees:

	£
Annual Audit	19,500
Corporation Tax	900
IXBRL	800
Total 2011/12	<u>21,200</u>

MATTER FOR CONSIDERATION

- 3.1 The service was market tested for the financial year 2009/10. At the Board meeting on 28 January 2010, the Board approved the appointment of PKF LLP and reappointment for the financial years 2010/11 and 2011/12 subject to notification of affordable fees.
- 3.2 The growth of the business from £15m turnover in 2009/10 to a forecast turnover of £28m in 2010/11 resulted in an increase in fees to £23,950 in 2010/11 – higher than the underlying cost due to a need to examine maintenance systems. It was anticipated that ongoing fees would be around £19,000 plus corporation tax plus a new service to comply with HMRC requirements on company accounts known as IXBRL, which costs approximately £800 a year.
- 3.3 PKF LLP has advised that the total fee represents a significant reduction on its previous fee. Whilst that also represents a reduction in time required on the audit as a result of the one off investigation into new systems, the underlying increase is well below inflation.
- 3.4 The service will be market tested again for the financial year 2012/13. It is anticipated that the next contract will be for 3 years with an option to extend for a further 2 years subject to performance and affordability.

FINANCIAL AND BUSINESS PLAN IMPLICATIONS

4. Provision for the cost of audit has been built into the 2011/12 and ongoing operating budgets.

LEGAL AND CONFIDENTIALITY IMPLICATIONS

- 5.1 The Board of Derby Homes is required to appoint an external auditor under the provisions of the Companies Act 1985.
- 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
- 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 the author, or the Chief Executive, phil.davies@derbyhomes.org - Tel 01332 711010

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Background Information: AGM report 2010

Supporting Information: email from PKF LLP quoting rates for 2011/12