

# **Mountsett Crematorium Joint Committee**

**29 January 2016**

## **External Audit Arrangements 2015/16**



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### **Joint Report of Terry Collins – Corporate Director: Neighbourhood Services; Don McLure – Corporate Director: Resources & Treasurer to the Joint Committee**

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#### **Purpose of the Report**

1. The purpose of this report is to inform members of the proposed external audit arrangements for the Mountsett Crematorium for 2015/16.

#### **Background Information**

2. In April 2015, Members considered a report regarding the change in legislation in respect to the provisions of the Local Audit and Accountability Act 2014. This results in a change in respect of the external audit process for Joint Committees who no longer have a statutory obligation to prepare accounts and for these accounts to be subject to audit.
3. In line with advice provided by the Head of Finance (Financial Services), Members approved the discontinuation of the preparation of full Statement of Accounts from the 2014/15 financial year. However, Members also approved that separate audit arrangements should continue in order to ensure an independent effective financial and governance framework continued. This was to be based upon the continued preparation of the Small Bodies Annual return and reporting of Balance Sheet information to the Joint Committee.

#### **Implications for Mountsett Crematorium Joint Committee**

4. The Limited Assurance Audit contract previously undertaken by BDO LLP ended in September 2015, following the completion of the 2014/15 audit.
5. There are two possible options available to the Joint Committee:
  - i. Continue with the existing external auditor for the 2015/16 audit.
  - ii. Undertake a procurement exercise to appoint an external auditor for the 2015/16 audit.
6. Continuing with the existing audit arrangements has the following implications:
  - The current external audit fee is **£1,600** - there is a risk that this fee could rise if a procurement process is required.

- Through discussions with the external auditor a fee of **£2,500** would be acceptable in 2015/16 and then is revisited in future years.
  - The Joint Committee's external auditor relies on the audit arrangements of the lead authority Durham County Council in a number of areas. This is mainly in respect of the financial system's controls, bank accounts and the work of Internal Audit. Maintaining the same auditor should therefore yield benefits in terms of cost and time.
  - Remaining with the existing auditor will provide continuity for the Joint Committee.
7. Undertaking a procurement exercise and appointing a new external auditor would have the following implications:
- The Joint Committee will need to draw up a specification for the procurement of an external audit service.
  - External audit companies would then need to tender for the contract and the Joint Committee would need to select a preferred bidder.

### **Recommendations and reasons**

8. It is recommended that:-

- Members of the Joint Committee engage BDO LLP to continue with the existing audit arrangements for the 2015/16 financial year but that a tendering exercise is undertaken to market test the rates being charged and appoint a new auditor for a 3 year period covering the 2016/17, 2017/18 and 2018/19 external audit.

### **Background Papers**

Department for Communities and Local Government Circular – Local Audit and Accountability Act 2014- Changes to Audit requirements for Joint Committees Dec 2014

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## **Appendix 1: Implications**

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### **Finance**

The costs associated with the external audit fee are included within the report and have been incorporated within the 2016/17 revenue budget.

### **Staffing**

There are no staffing implications associated with this report.

### **Risk**

None identified. Finance staff are professionally competent and capable of preparing the annual return for the CDCJC in line with audit requirements

### **Equality and Diversity**

None identified.

### **Accommodation**

None.

### **Crime and Disorder**

None.

### **Human Rights**

None

### **Consultation**

Officers of Gateshead Council were consulted on the contents of this report.

### **Procurement**

None

### **Disability Discrimination Act**

None

### **Legal Implications**

The Local Audit and Accountability acts 2014 sets out the legal and regulatory framework in which Joint Committees are to report their financial arrangements. The proposals within this report seek to strengthen the Joint Committees compliance with these regulations.