

Report Title:	Achieving for Children Reserved Matter Contract Awards (External Audit Services)
Contains Confidential or Exempt Information	No – Part I
Cabinet Member:	Cllr Stuart Carroll, Cabinet Member for Adult Social Care, Health, Mental Health and Children’s Services
Meeting and Date:	25th November 2021
Responsible Officer(s):	Kevin McDaniel, Executive Director of Children's Services
Wards affected:	All

REPORT SUMMARY

The appointment of Achieving for Children’s (AfC) independent external auditor is a matter reserved to Cabinet as part of the Local Authority governance in its role as an owner of AfC. The existing contract with Grant Thornton LLP comes to an end this year and AfC requires new independent external auditors to be in place for January 2022.

This report outlines the approach to the procurement and, due to the complexity involved in requiring a procurement decision from all three of AfC's owning councils, it is requested that authority be delegated to the Royal Borough’s S151 officer in consultation with the Lead Member for Adult Social Care, Health, Mental Health and Children’s Services to approve the new auditor alongside their equivalents in London Borough of Richmond and Royal Borough of Kingston upon Thames.

1. DETAILS OF RECOMMENDATION(S)

RECOMMENDATION: That Cabinet notes the report and:

- i) **Delegates to the Council’s S151 Officer in consultation with the Lead Member for Adult Social Care, Health, Mental Health and Children’s Services the appointment of the new independent external auditor for Achieving for Children.**

2. REASON(S) FOR RECOMMENDATION(S) AND OPTIONS CONSIDERED

- 2.1 The External Auditor provides an annual independent and expert opinion to give confidence to the public that AfC’s Annual Report and Accounts show a true and fair view of the company’s financial performance and position. The auditors provide assurance that the Annual Report and Accounts has been prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act 2006.
- 2.2 Achieving for Children (AfC) last re-procured its external audit service in 2018, appointing Grant Thornton LLP. This was a three year contract that ends on the 31st March 2022, with all work due to be completed by November 2021.

- 2.3 AfC will require a new audit contract to commence from 1st January 2022 to allow ample time for appropriate handover and also to accommodate an interim audit that usually takes place in February or March each year.
- 2.4 The appointment of AfC’s external auditor is a matter reserved to AfC's three owning councils and therefore requires sign off from all three councils through their respective governance processes.
- 2.5 AfC has worked with the Kingston Council procurement team, who provide expert procurement advice to AfC, to agree the most appropriate procurement process for the appointment of new external auditors from 1st January 2022. AfC were advised to use the well established Crown Commercial Services Framework (CCSF) - Audit and Assurance Services (A&AS).
- 2.6 The following procurement options were considered:

Table 1: Options

Option 1: Do nothing	<i>This was not a viable option as it is a statutory requirement to provide this service.</i>
Option 2: Bring service in-house	<i>This was not a viable option as external audit services need to be independent of the company and its owners.</i>
Option 3: Call off under an existing framework - direct award	<i>Direct Award was not suitable and it is anticipated that better value will be obtained via the introduction of mini-competition under Option 4 below.</i>
Option 4: Call off under an existing framework - mini-competition This is the recommended option	<i>This is the recommended option as a publicly accessible framework it offers the best aggregation of demand i.e. value for money and suitably prequalified suppliers with good contract terms.</i>
Option 5: Commission with another local authority / other partners	<i>Due to the timings of the AfC audit work and difference in accounting for a community interest company it is not anticipated that commissioning through another local authority would provide any economies of scale.</i>

- 2.7 The framework invitation went live on 6th October 2021. The framework ensures that this opportunity will be competitively procured and involves conducting a mini-competition which will invite all 13 Framework suppliers who have all been pre-selected by CCSF. This framework has been set up to provide central government and the wider public sector access to cost effective audit and assurance services from a range of suppliers.

- 2.8 The deadline for the submission is 25th October 2021 and the evaluation process commenced on 28th October 2021. It is proposed that the contract is awarded on 26th November 2021. This will allow ample time for management to agree an audit plan for the Annual Report and Accounts that relate to the financial year 2021/22.
- 2.9 This contract is less than £100,000 per annum and less than £1,000,000 over the lifetime of the contract which is three years. The procurement approach has therefore been signed off by AfC's Chief Operating and Finance Officer and the relevant Associate Director in accordance with the AfC Procurement Code of Practice.
- 2.10 The final appointment of AfC's external auditor is a matter reserved to the three Local Authorities that own AfC and therefore requires sign off from all three councils through the respective council governance processes.
- 2.11 Cabinet is asked to delegate authority for the appointment of the new External Auditor to the Royal Borough's S151 Officer in consultation with the Lead Member for Adult Social Care, Health, Mental Health and Children's Services. The delegated authority is requested to avoid a significant gap between the timing of the invitation to tender and the final decision being made. This timing will also support a smooth handover from the current to the new external audit arrangements.

3. KEY IMPLICATIONS

- 3.1 AfC is required to publish an Annual Report and Accounts each year with Companies House that has been audited by an independent auditor. If an Independent auditor is not appointed AfC will be unable to meet this requirement.

Table 2: Key Implications

Outcome	Unmet	Met	Exceeded	Significantly Exceeded	Date of delivery
AfC and the councils have access to a competent external auditor who provides an annual independent opinion that the Annual Report and Accounts provide a true and fair view of AfC's	Not approved	Approved and new contract operational by 1 January 2022	n/a	n/a	1st January 2022

Outcome	Unmet	Met	Exceeded	Significantly Exceeded	Date of delivery
financial performance and position.					

4. FINANCIAL DETAILS / VALUE FOR MONEY

- 4.1 The cost of AfC's external audit services has increased over the last three years. These increases have been due to new accounting standards which have increased the complexity of AfC's Annual Report and Accounts and topical issues around pensions which have increased the amount of scrutiny on a number of key areas in the accounts. The soft market testing undertaken to date would also indicate that there has been a change in the audit market with companies moving away from bidding for audit work that does not present an attractive profit margin or that would be deemed to be more risky. Using the framework will hopefully offer AfC the best chance of securing a competitive rate for audit work over the coming three years. The value of this contract will be less than £100,000 per year and the contract will be let for three years. Exact values are not given at this time to avoid influencing the bids received.
- 4.2 The expected costs of the arrangements are already factored into the budget planning for future years so there is no further financial impact of this decision.

5. LEGAL IMPLICATIONS

- 5.1 This report recommends approval to delegate authority to the Royal Borough's Section 151 Officer (in consultation with the Lead Member for Adult Social Care, Health, Mental Health and Children's Services) to approve the appointment of external auditors following the conclusion of a min-competition under the CCS (Crown Commercial Services) - Audit and Assurance Services (A&AS) framework agreement RM6188
- 5.2 It is noted that the decision to use this framework followed the requisite governance and procurement requirements laid down in AfC's Financial Regulations and Procurement Code of Practice.
- 5.3 AfC's Financial Regulations (Reg.) 3.14 states that the appointment of the company's independent auditor is a reserved matter to be decided by its owning Councils, therefore, the permission to delegate this power must be given by Cabinet.
- 5.4 Once the contract is awarded, Achieving for Children's Chief Operating and Finance Officer must ensure that the statutory requirements for external audit are complied with and, in order that the external auditor is able to scrutinise AfC's records effectively, Service Directors, Associate Service Directors, Service and Budget Managers and their staff shall ensure that the appointed auditors have reasonable access to AfC's premises and records relevant to the audit.

6. RISK MANAGEMENT

- 6.1 The following risk assessment was undertaken prior to using the Crown Commercial Framework:

Table 3: Risks

Risk	Risk Score	Mitigations
Legal challenge from unsuccessful provider	L	Clear specification and use of the CCS Audit & Assurance Services Framework.
Any delay to the delivery of the procurement will have an impact on the delivery of the 2021/22 audit.	M	If there is a significant delay in awarding a contract then the interim audit will need to happen later in 2022 putting additional pressure on the finance team and the external auditor.
The financial estimates are insufficient to meet the requirements	M	An annual budget has been assigned to external audit services. This is in line with current charges that incorporate the latest legislation and accounting standards as well as any post-pandemic strain to the provider. There is a risk that the successful bid is over this amount and causes budgetary pressure.
The terms and conditions of the framework are not acceptable to the Council	L	The frameworks are standard for the sector and in use by a variety of public sector organisations.

7. POTENTIAL IMPACTS

- 7.1 No impact on equalities. AfC are comfortable that the statutory duty to comply with the provisions set out in the Equality Act 2010 have been followed.
- 7.2 There is not anticipated to be an adverse or favourable environmental impact from this decision. It is anticipated that the audit will be able to be undertaken in a hybrid working approach to minimise unnecessary travel as part of the service being procured.
- 7.3 The new auditors will have access to financial information held by AfC and an Information Sharing Agreement will be put in place as part of the contractual agreement.

8. CONSULTATION

- 8.1 In assessing the procurement options AfC officers have engaged with relevant stakeholders and taken expert procurement advice.

9. TIMETABLE FOR IMPLEMENTATION

- 9.1 The key procurement milestones are detailed below:

Table 4: Implementation timetable

Date	Details
6 October 2021	Procurement launched via the London Tenders Portal
6 October 2021	Clarification period started
18 October 2021	Bid Clarification Deadline
10am 25 October 2021	Bid Submission Deadline
28th October 2021	Commencement of Evaluation Process
26th November 2021	Proposed Award Date of Contract
30th November 2021	Expected execution (signature) date for Contract(s)
1st January 2022	Expected commencement date for Contract(s)

10. APPENDICES

none

11. BACKGROUND DOCUMENTS

none

12. CONSULTATION

Name of consultee	Post held	Date sent	Date returned
<i>Mandatory: Statutory Officers (or deputy)</i>			
Adele Taylor	Executive Director of Resources/S151 Officer	3/11/21	4/11/21
Emma Duncan	Deputy Director of Law and Strategy / Monitoring Officer	4/11/21	17/11/21
<i>Deputies:</i>			
Andrew Vallance	Head of Finance (Deputy S151 Officer)	3/11/21	
Elaine Browne	Head of Law (Deputy Monitoring Officer)		
Karen Shepherd	Head of Governance (Deputy Monitoring Officer)		
<i>Other consultees:</i>			
<i>Directors (where relevant)</i>			
Duncan Sharkey	Chief Executive		

Andrew Durrant	Executive Director of Place		
Kevin McDaniel	Executive Director of Children's Services	3/11/21	4/11/21
Hilary Hall	Executive Director of Adults, Health and Housing	3/11/21	3/11/21
<i>Heads of Service (where relevant)</i>			
<i>none</i>			
<i>External (where relevant)</i>			
<i>none</i>			

Confirmation relevant Cabinet Member(s) consulted	Cabinet Member for Adult Social Care, Health, Mental Health and Children's Services	No
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REPORT HISTORY

Decision type:	Urgency item?	To follow item?
Non-key decision	No	No

Report Author: : Michael Smith, Associate Director of Finance, Achieving for Children
