

NOTTINGHAM CITY HOMES

AUDIT COMMITTEE

REPORT OF INTERIM HEAD OF FINANCE

APPOINTMENT AND REMUNERATION OF EXTERNAL AUDITORS

1 SUMMARY

- 1.1 Nottingham City Homes Board agreed the appointment of Grant Thornton UK LLP as the company's auditor at the meeting of 26th July 2007. This report sets out the details of that appointment including the remuneration agreed within the contract.

2 RECOMMENDATIONS

It is recommended that members:-

- 2.1 Note the content of this report.

3 REPORT

- 3.1 Following the issue of an invitation to tender in April 2007 three potential candidate firms were shortlisted. The assessment criteria included approach to critical audit issues, risk focus, proposals for interfacing with the Board and Audit Committee, quality and availability of resources and value for money and efficiency. References were taken up for Grant Thornton UK LLP and the Chief Financial Officer of Nottingham City Council is supportive of the appointment.
- 3.2 Final details of terms, as set out in the draft Letter of Engagement provided to the Board on 26th July were discussed during August and Grant Thornton representatives met with the Interim Head of Finance on 23rd August to discuss the remaining issues.
- 3.3 Julie Jones, Director of Grant Thornton UK LLP is available at this meeting to provide an oral update on issues relating to the Letter of Engagement and any to update Members on the Client Acceptance processes.
- 3.3 Fees are fixed and subject to increase in line with pay inflation only and are dependent on reliance on the work of Internal Audit. Any additional work commissioned would be chargeable at the standard daily rate.
- Fees will be subject to renegotiation in the event of significant changes, e.g. losing the repairs tender.
- 3.4 Cost savings over three years against current audit fee levels will be circa £30,000.

3.5 Grant Thornton UK LLP were asked to provide the following –

- Assurance that there will be a consistent approach maintained to the preparation of the balance sheet in forthcoming years, in particular with regard to the treatment of pension deficit provisions under FRS17.
- The company is provided with “comfort statements” with regard to its £3.8m operating loss in 2006 and its closing net debt of £29m to year ending 2006.

4 OTHER OPTIONS

4.1 Not applicable.

5 IMPLICATIONS FOR NOTTINGHAM CITY HOMES OBJECTIVES

5.1 Robust financial monitoring and control is essential to support NCH objectives of providing good quality, affordable and well managed housing that will achieve at least a two star rating.

6 VALUE FOR MONEY & EFFICIENCY ISSUES

6.1 Regular review of service provision along with market testing is critical to ensuring good value for money and efficiency. This should improve the quality of service received and will also deliver cost savings of £30,000 over three years.

7 EQUALITY & DIVERSITY IMPLICATIONS

7.1 Grant Thornton UK LLP have confirmed that they operate under the terms of an agreed equality and diversity policy.

8 BACKGROUND MATERIAL AND PUBLISHED DOCUMENTS REFERRED TO IN COMPILING THIS REPORT

8.1 Letter of Engagement

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