

## EXTERNAL AUDITOR, NOTTING DALE HEAT, 4 AUGUST 2022

One of the responsibilities of Sarah Mortell before she left the team was to identify a suitable external auditor for the company. Tina Buchanan took this task over when she joined the team.

The brief was to identify an external auditor who would carry out the following tasks:

1. Preparation of statutory reports from trial balance and balance sheet reconciliation schedules provided by the Financial Accountant (currently Tina Buchanan)
2. Audit of the above accounts
3. Preparation of the Corporation Tax computation and filing of the return
4. Preparation and submission of Company Secretarial documents to Companies House. None of the companies quoted for this work, so we propose to come back to this later in the year and include it as a small part of the external legal advisor role. Tina Buchanan will cover this role in the meantime.

The company's year-end is currently 31 January. We expect to move the year-end to 31 March to tie in with the Council's Financial Year.

As there will be activity before January 2023, we cannot file dormant accounts in the first year, and thereby avoid the cost of an audit for that period.

It was intended that an auditor would be identified that is local to Lancaster West Estate, North Kensington. However, this proved challenging as there appeared to be none who had any experience in not-for-profit entities or Council owned subsidiaries. On this basis, the net was widened.

The following auditors were contacted for both the External Auditor. In the first instance, bids were only received in relation to the External Auditor role, with their responses summarised below:

<b>Auditor</b>	<b>Location</b>	<b>Cost</b> (see 1, 2 and 3 above)	<b>Notes</b>
Hilton Consulting Limited	Kensal Road, London, W10 5BN	1. £2,500 - £3,000 2. £7,000 - £8,000 3. £2,000 - £4,000  Range £11,500 - £15,000	Dependent on complexity and number of transactions
GSM Accountants	Lamb's Conduit Street, London, WC1N 3GS	1. 2. & 3. £6,500 - £8,000 2. Range £6,500 - £8,000	Dependent on complexity and number of transactions
Anderson Anderson Brown	Aberdeen	1.&2. £5,000 - 10,000 3. £3,000 - £6,000  Range £8,000 - £16,000	Dependent on complexity and number of transactions
Buzzacott	Wood Street, London, EC2V 6DL		Expressed an interest but then declined to tender
Warrener Stewart	Fulham, London, SW6 4QP		No experience of not-for-profit
Harrison North	Trafalgar Square, London, WC2N 5BW		No experience of not-for-profit

Whilst the final decision on an auditor could be delayed until the trading status of the company is known, it is useful to engage with an accountancy and audit practice to enable them to understand the development of the company over the next two years. This will also enable any tax or governance advice to be obtained if necessary, without having to go through a tender process at what may be short notice.

## **Auditor Interview and Recommendation**

30-minute auditor interviews were conducted on 5 and 6 July 2022 with the three auditors who provided a financial tender. The interviews were conducted by Liam McCusker, Head of Finance (Resources) for RBKC and the Director with responsibility for Finance for Notting Dale Heat and Tina Buchanan, Financial Controller for Notting Dale Heat.

The form of the interview was as follows:

- Introductions
- An outline of the expected activities of the company
- An outline of the expected service to be provided
- Opportunity for each auditor to provide details of relevant experience and how they would expect to provide the services required
- Any further questions.

The interviews were assessed using a scoring table with the following weightings applied, which fully reflects feedback from resident co-design and fits with Lancaster West's standard approach of 80% Quality and 20% Value for Money:

- 10% - Experience of renewable energy
- 20% - Experience of not-for-profit entities
- 25% - Capital allowances experience
- 15% - Ability to complete audit by mid-July
- 10% - Ease of data transfer
- 20% - Price

Based on this assessment and as shown in Appendix 1, the following scores were recorded:

- Anderson Anderson Brown (Aberdeen) – 2.8
- GSM Accountants (London) – 2.3
- Hilton Consulting (London) – 2.3

The range in fees reflect that the amount of external audit work required depends on how advanced the company's operations are. Anderson Anderson Brown forecast an external audit fee of £8,000 to £16,000.

All of the companies proposed remote working rather than in person meetings, so geographical location has less importance in this context although it is acknowledged that a desire to appoint a local firm would have been ideal.

*Preferred Bidder:* Anderson Anderson Brown be offered the position of external auditor, subject to appropriate terms being agreed and contracted.

*Alternative Bidders:* this would not provide the highest quality and value for money.

## **Notting Dale Heat's Decision-Making Hierarchy**

1. *Safety First*

No implications, as these are governance decisions.

2. *Quality*

Whilst not the cheapest, Anderson Anderson Brown have significant experience in auditing heat networks and will be able to support the company with any likely tax and governance challenges. This fully reflects feedback from resident co-design and fits with Lancaster West's standard approach of 80% Quality and 20% Value for Money.

3. *Value for Money*

Whilst not the cheapest, for the reasons stated in 2 above, Anderson Anderson Brown provide best value for money for the External Auditor role.

4. *Sustainability*

No implications, as these are governance decisions.