

CABINET

15 February 2021

Title: Barking and Dagenham Trading Partnership – Request to Change Auditors	
Report of the Cabinet Member for Finance, Performance and Core Services	
Open Report	For Decision
Wards Affected: None	Key Decision: No
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Accountable Strategic Director: Claire Symonds, Chief Operating Officer	
Summary This report seeks Cabinet approval of the request from the Barking and Dagenham Trading Partnership (BDTP) to change its auditors in line with decisions reserved for Cabinet to approve as set out within their Shareholder Agreement.	
Recommendation(s) The Cabinet is recommended to: (i) Approve the Barking and Dagenham Trading Partnership's request to change its auditors; and (ii) Delegate authority to the Chief Operating Officer, or nominated deputy, the power to agree on behalf of the Cabinet the appointment of an alternative Auditor on such terms as considered to be reasonable and effective to the Council as a Shareholder.	
Reason(s) To assist the Council with delivering value for money for taxpayers and delivering a well-run organisation. This proposal is in line with Recommendation 8 of the independent Growth Commission's report published in February 2016 and is therefore aligned to both the 'Growing the Borough' and 'Well run organisation' objectives.	

1. Introduction and Background

- 1.1 As part of the creation of the Company a number of restrictions were placed on BDTP's ability to operate independently. These matters are referred to as 'reserved matters' and they form the foundation of the decision-making framework through which the company operates. Reserved matters are currently only able to be exercised by Cabinet meaning they have to be approved by Cabinet before they can be valid.

- 1.2 Since the creation of Barking & Dagenham Trading Partnership in April 2018, the Group has used BDO to perform the annual audit of its financial statements. The original rationale for having BDO conduct the audit was that the company shared systems and bank accounts with the Council as well as having all of its transactional accounting functions performed by the Council. It was, therefore, sensible to utilise the same auditors as the Council. Now that the Group has totally separate accounting systems, bank accounts and transactional accounting operations this is no longer the case.

2. Proposal

- 2.1 BDO's performance over the last two years has not met expectations. The 2018/19 accounts were not able to be signed off until November 2019, and the 2019/20 accounts are not currently projected to be available until January 2021. Whilst the complexity of the Company being part of the Council's accounting structure until July 2020 may have contributed to these delays, particularly in the first year, there has also been significant evidence of poor planning and execution on the part of BDO.
- 2.2 The Council has now set the target for the completion of the audit of BDTP's accounts as the end of June 2021. This is an extremely tight timescale and the experience to date indicates that BDO would be unlikely to achieve this.
- 2.3 The BDTP Board is therefore considering the way ahead and wishes to explore the benefits of changing auditors if the timescale is to be met. As the appointment or change of auditors is a matter reserved for the Shareholder, the Company is therefore seeking approval from Cabinet to changing auditors if a company that better meets its needs is identified.
- 2.4 This proposal has been discussed with LBBF Finance and the Shareholder Panel who endorse this request.

3. Consultation

- 3.1 The change of auditors has undergone the following consultations:
- Endorsed by LBBF Finance during December 2020
 - Considered by the Shareholder Panel via email on 25 January 2021

4. Financial Implications

Implications completed by: Sandra Pillinger Group Accountant

- 4.1 There are no direct financial implications for this report as it concerns a request by BDTP to change their auditors. In order to facilitate the Council's statutory reporting duty, BDTP will need to ensure their accounts are drafted as early as possible. This will then feed into the Council's Group Accounts.

5. Legal Implications

Implications completed by: Dr Paul Feild, Senior Governance Lawyer

- 5.1 Barking and Dagenham Trading Partnership is a company. In the company's governance is a requirement that certain matters are reserved for shareholder determination. That is to say the Directors cannot make certain decisions without the shareholder's consent. These provisions are set out in a Shareholder's Agreement. It is not a mandatory requirement to have such agreements, but in a publicly owned company it ensures that the board of directors are accountable and decisions which have a major effect on the company are reserved for shareholder agreement.
- 5.2 The Shareholder Panel is advisory in nature. Its role is set out in the Councils Constitution at Part 2 Chapter 6 to advise the Cabinet and the shareholder in the company is the Council acting through the Cabinet (see Council Constitution Part 2 Chapter 1 and Chapter 6 Cabinet terms of reference (xx)).
- 5.3 In the present circumstances there has been a concern from the company about to timeliness of completion of audits and as a public body, the Council has an expectation that it's accounts and financial affairs are of an exemplar quality, that being so it is a reasonable expectation that external audit of its companies are completed on time as is expected across the Council as a whole. The advice from the Shareholder Panel is that the Cabinet should consent to the request for change.

6. Other Implications

- 6.1 **Contractual Issues** – BDTP has a legal requirement to have an independent auditor appointed. By approving this request Cabinet is exercising it's contractual right to be the ultimate decision making body for certain matters which have been reserved for their approval in the BDTP Shareholder Agreement.

Public Background Papers Used in the Preparation of the Report: None

List of appendices: None