

LONDON BOROUGH OF HARROW

Meeting:	Overview and Scrutiny Committee
Date:	1 July 2004
Subject:	External Audit Plans for 2003/04 (5 months) and 2004/05
Key decision:	No
Responsible Chief Officer:	Executive Director – Business Connections
Relevant Portfolio Holder:	Finance and Human Resources and Performance Management
Status:	Part 1
Ward:	All
Enclosures:	Appendix 1: External Audit Plan, 5 months ending 31 March 2004 Appendix 2: External Audit Plan, Year ending 31 March 2005

1. **Summary/ Reason for urgency (if applicable)**

- 1.1 This report gives some general information about the External Audit work programme. The details plans are attached as Appendices 1 and 2.

2. **Recommendations**

2.1 **The Overview and Scrutiny Committee receives and considers the External Audit Plans for 2003/04 and 2004/05.**

REASON: To support the Council's corporate governance arrangements.

3. **Policy Context (including Relevant Previous Decisions)**

- 3.1 The Council's external auditors, Deloitte and Touche, are required to produce an annual plan. Due to a change in the audit year, two plans are being submitted together this time.

4. **Relevance to Corporate Priorities**

- 4.1 The Council must have effective corporate governance arrangements in place to support the delivery of services, and the External Audit function is a key part of those arrangements.

5. **Background Information and options considered**

Change in the Audit Year

- 5.1 In the past External Audit Plans covered the 12 month period from November to October. The Audit Commission is moving to a financial year and therefore a 5 month plan has been prepared as shown below:

Audit Plan	Period Covered
2002/03	November 2002 – October 2003
2003/04	November 2003 – March 2004 (5 months)
2004/05	April 2004 – March 2005

- 5.2 The plan for 2003/04 includes the audit of the 2003/04 accounts and therefore the actual work will continue until around December. Similarly the plan for 2004/05 includes the audit of the 2004/05 accounts.

The Audit Plans

- 5.3 The External Audit Plans are devised using a risk based approach and this is explained in detail in the appendices.
- 5.4 The External Audit Plans cover the following categories of work:
- Planning and baseline risk assessment
 - Financial aspects of corporate governance
 - Accounts
 - Performance Management
- 5.5 The content of the performance management work varies from year to year. The main areas covered in these plans are:

Audit Plan	Performance management work
2003/04	BVPIs and BVPP ICT Strategy Member Scrutiny Arrangements
2004/05	BVPIs and BVPP Performance management framework

- 5.6 External Audit liaise closely with Internal Audit to ensure that their work is complementary and that they can place reliance on Internal Audit findings.

Audit Fees

- 5.7 The planned audit fees are set out below:

Audit Plan	Planned Audit Fee
2002/03	£285,000
2003/04	£224,000
2004/05	£290,000

Notes:

1. The actual fees can vary from the planned fees due to changes being made to the plan in consultation with the Audit Commission and the Council.
2. The fee for 2003/04 is lower than the other two years due to the change in the audit year.
3. These figures exclude grants claims and inspection work.

5.8 The Audit Commission publishes a scale of fees. For London Boroughs for 2004/05 fees are set out as follows:

(£230,750 + (0.035% x gross expenditure)) + or – 30% depending on risk

5.9 For Harrow this gives a fee range of £172,795 to £320,905. The proposed fee of £290,000 for 2004/05 is equivalent to the mid point + 18%.

5.10 In 2004/05 the charge for grant claims work is expected to be around £200,000. This represents a reduction relative to 2003/04 as claims under £50,000 no longer require audit and a more risk based approach will be taken to the work.

5.11 Inspection fees for 2004/05 are estimated to be £96,000. Therefore the total cost of audit and inspection in 2004/05 is £586,000.

6. Consultation

6.1 None required.

7. Finance Observations

7.1 The fees outlined above will be funded from the audit and inspection fee budget.

8. Legal Observations

8.1 None.

9. Conclusion

9.1 Members are asked to receive and consider the External Audit Plans for 2003/04 (5 months) and 2004/05.

10. Background Papers

10.1 NONE

11. Author

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