

**REPORT FOR: GOVERNANCE AUDIT
AND RISK
MANAGEMENT
COMMITTEE**

Date: 8 April 2010

Subject: Audit Fee Letter 2010-11

Responsible Officer: Myfanwy Barrett
Corporate Director of Finance

Exempt: No

Enclosures: Appendix 1- Audit Fees – Trend over 4 years
Appendix 2 - Variation from Audit
Commission fee scales
Appendix 3 - Audit Fee Letter 2010-11

Section 1 – Summary and Recommendations

This report gives Governance Audit and Risk Management Committee (GARMC) an opportunity to comment on the proposed work plan and fees of the External Auditor for 2010-11.

Recommendations: That the Committee comments on the proposed work plan and fees.

Section 2 – Report

Introductory paragraph

1. The Audit Fee Letter has been provided by Deloitte LLP, the Council's appointed external auditor. It is attached at Appendix 3.
2. The planned work includes the audit of the financial statements for 2010-11 for the Council and the Pension Fund, grant claims, and the Use of Resources Assessment.
3. The outputs from the work will be summarised in the Annual Audit Letter.

Options considered

4. The External Auditor has assessed the time required to carry out the work and the risk level to arrive at the fee of £367,342 (2009-10: £374,520) which represents a reduction of £7,178 or 2%. Included within the 2010-11 fee is the amount of £23,472 in respect of additional audit procedures required as a result of the transition to reporting in accordance with International Financial Reporting Standards (IFRS). This additional fee is in line with the guidance issued by the Audit Commission.
5. The additional cost of IFRS is more than offset by a reduction in the Use of Resources fee.
6. Appendix 1 shows the fees over a four year period.
7. The Audit Commission has defined the scale audit fee as the fee required by auditors to carry out the work necessary to meet their statutory responsibilities under the Audit Commission Act, in accordance with the Code. It represents the Commission's best estimate of the fee required to complete an audit where the audited body has no significant audit risks and it has in place a sound control environment that ensures the auditor is provided with complete and materially accurate financial statements with supporting working papers within agreed timeframes.
8. The fee proposed for 2010-11 is 10% above the scale fee (2009-10: 21% above the scale fee). This variance in scale fee is within the acceptable level of variation set by the Audit Commission, which is 25%. The variance to the scale fee reflects the External Auditor's assessment of the level of audit risk. In the External Auditor's 2009-10 Accounts Opinion Audit Plan they identify eight significant audit risk areas (10 significant risk areas were identified in 2008-09).
9. Appendix 2 shows the variance to the scale fee over a four year period.

10. In respect of the 2010-11 fees, the External Auditor is required to submit the letter to the Audit Commission at the end of April 2010. Therefore the Auditor will be able to reflect on any comments from the Committee in advance of submitting the fee letter.

11. During the year additional costs can arise if there are complications with the accounts or public enquiries to the auditor. The Auditor discusses such issues with the Corporate Director of Finance before raising any additional bills. Any significant changes to the fee will be reported to the Governance, Audit and Risk Management Committee.

Consultation

12. The Committee is being consulted on the work plan and the fee.

Financial Implications

13. The planned fee for 2010-11 is within budget.

Risk Management Implications

14. There are no direct risk management implications. The Council's risk management arrangements will be assessed under Use of Resources.

Corporate Priorities

15. Audit and inspection activity cuts across all the Council's priority areas.

Section 3 - Statutory Officer Clearance

Name: ... Myfanwy Barrett.	<input checked="" type="checkbox"/>	Chief Financial Officer
Date: 18 March 2010.....		
Name: ... George Curran...	<input checked="" type="checkbox"/>	On behalf of Monitoring Officer
Date: ... 18 March 2010.....		

Section 4 - Contact Details and Background Papers

Contact: Myfanwy Barrett, 020 8420 9269

Background Papers: NONE

Appendix 1

Audit Fees – Trend over 4 years

Estimated fees included in the annual plans:

	2007-08 £000	2008-09 £000	2009-10 £000	2010-11 £000
Financial Statements	248	282	259	282
Use of Resources/ VFM Conclusion	56	67	111	80
Data Quality	42	43	included above	included above
Whole of Government Accounts	4	5	5	5
Total Audit Fee	350	397	375	367
% change		+13%	-5%	-2%
National Fraud Initiative	1	1	2	2
Grant Claims	130	125	100	100
Pension Fund	21	38	38	38
Grand Total	502	560	515	507
% change		+12%	-8%	-2%

Notes:

1. The actual fees can vary from the estimates.
2. The financial statements fee for 2007-08 has been adjusted to exclude the pension fund element, to enable a better comparison between years, but this was not conducted as a separate audit in 2007-08.
3. The actual cost of grant claims was £95k in 2007-08 and £106k in 2008-09.

Appendix 2

Variation from Audit Commission fee scales

	2007-08	2008-09	2009-10	2010-11
Variation	18%	+27%	+21%	+10%

Notes:

1. The basis for calculating the fee scale changed in 2009-10. The variance for 2007-08 and 2008-09 has been restated using the current methodology to ensure a reasonable comparison can be made.