

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

Date of Meeting: 29 March 2011

Subject: **Audit Fee Letter 2011-12**

Responsible Officer: Julie Alderson Interim Director of Finance

Exempt: No

Enclosures: **Appendix 1 - Audit Fees – Trend over 4 years**

Appendix 2 - Audit Fee Letter 2011-12

Section 1 – Summary and Recommendations

This report gives the Committee an opportunity to comment on the proposed work plan and fees of the External Auditor for 2011-12.

Recommendations:

The Committee comment on and note the proposed work plan and fees

Section 2: Report

Introduction

1. The Audit Fee Letter has been provided by Deloitte LLP, the Council's appointed external auditor. It is attached at Appendix 2.
2. The planned work includes the audit of the financial statements for 2011-12 for the Council, the Pension Fund and grant claims.
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 £330,608 (2010-11: £367,342) which represents a reduction of £36,734 or 10%. This reduction mainly reflects:-
 - a. No inflationary increase from 2010/11;
 - b. Lower ongoing costs of International Financial Reporting Standard; and
 - c. The new approach to Value for Money work.
5. Appendix 1 shows the fees over a four year period.
6. 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.
7. The fee proposed for 2011-12 is 3% below the scale fee (2010-11: 10% 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 2010-11 Accounts Opinion Audit Plan they identify ten significant audit risk areas (8 significant risk areas were identified in 2009-10).
8. In respect of the 2011-12 fees, the External Auditor is required to submit the letter to the Audit Commission at the end of April 2011. Therefore the Auditor will be able to reflect on any comments from the Committee in advance of submitting the fee letter.
9. 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 Interim 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

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

Financial Implications

11. The Planned fee for 2011-12 is within budget.

Section 3 – Statutory clearance

Name: Julie Alderson	<input checked="" type="checkbox"/> Chief Financial Officer
Date: 15 March 2011	
Name: Sarah Wilson	<input checked="" type="checkbox"/> On behalf of Monitoring Officer
Date: 17 March 2011	

Section 4: Contact details and background papers

Contact: Jennifer Hydari (Divisional Director Finance and Procurement)
tel: 020-8424-1573

Background Papers:

None

Audit Fees - Trend over 4 Years

	2008-09 £000	2009-10 £000	2010-11 £000	2011-12 £000
Financial Statements	282	259	283	272
Use of Resources/ VFM Conclusion	67	111	80	54
Data Quality	43	included above	included above	included above
Whole of Government Accounts	5	5	5	5
Total Audit Fee	397	375	368	331
% change	+13%	-5%	-2%	-10%
National Fraud Initiative	1	2	2	2
Objections	4	8	7	
Capital miscoding and PFI work			45	
Grant Claims*	106	110	110	110
Pension Fund	38	38	35	35
Grand Total	546	533	567	478
% change	+8%	-2%	6%	-16%

Note

* Is an estimated figure based on 2009/10 audit.