

AUDIT AND GOVERNANCE COMMITTEE

28 MAY 2010

Annual Audit Fee 2010/2011, the Audit Commission's Code of Audit Practice 2010 and Statements of Responsibilities of Auditors and Audited Bodies

Report of the Director of Financial Resources

1. Purpose of the Report

- 1.1 The external auditors of the Council, the Audit Commission, are required annually, to set out the work that they intend to cover and the applicable fee for that work for the new financial year (2010/2011). This report informs members of the recent notification for information and comment.
- 1.2 To set out the minimal changes to the Audit Commission's Code of Audit Practice and the Statement of Responsibilities of Auditors and Audited Bodies for information.

2. Annual Audit Fee for 2010/2011

- 2.1 Appendix 1 to this report shows the full notification received from the Audit Commission which details the audit work that they propose to undertake for the financial year 2010/2011 and their fee proposal for that work.
- 2.2 The details are set out in summary in the table below which shows the work to be covered and the applicable planned fees for 2010/2011 and how these compare to the previous year.

Audit Activity	Planned fee 2010/2011 £	Planned fee 2009/2010 £
Financial Statements (includes IFRS additional work)	241,438	209,506
Use of Resources / VFM Conclusion	88,326	101,944
Whole of Government Accounts (WGA)	2,758	2,250
Audit Fee	332,522	313,700
Certification of Grants and Returns	43,960	40,250
Total Fees	376,482	353,950

- 2.3 The increase in the Audit fee reflects the fact that the Council has been charged below the scale fee for this area of work in the past and it has been agreed that this position will be corrected over time with the view that

the Council will eventually pay the scale fee applicable. For information the scale Audit Fee for the Council for 2010/2011 is £344,153.

- 2.4 The charge for work on the Financial Statements has been increased significantly because of the additional and more complex work involved in auditing the requirements of International Financial Reporting Standards (IFRS). However, the Audit Commission in light of the present economic climate and in recognition of the financial pressures being faced by public sector authorities has agreed to subsidise the 'one-off' element of the cost of transition to IFRS and in so doing is to make a rebate to the Council of £20,922 in April 2010. I can confirm that the Council has now received this rebate.
- 2.5 When this rebate is taken into account the Audit Fee the Council will pay for 2010/2011 is therefore reduced to £311,600 reflecting an amended fee for auditing the Financial Statements of £220,516 (i.e. £241,438 less £20,922 rebate). Total fees including grant and returns certification work for 2010/2011 is then revised to a net cost of £355,560 which is very similar to the level of planned fees for 2009/2010 of £353,950.
- 2.6 The Audit Commission Audit Manager will be Gavin Barker.

3. The Audit Commission's Code of Audit Practice 2010.

- 3.1 The Code is approved by Parliament every 5 years, and the latest Code has recently been approved and took effect immediately from 9th March 2010, which means that the new Code will be applied to the audit of the Financial Statements for 2009/2010.
- 3.2 The Code prescribes the way in which auditors of local government bodies, including fire authorities, appointed by the Audit Commission should carry out their functions under the Audit Commission Act 1998.
- 3.3 There have not been any significant changes to the new Code which has been developed and amended in consultation with key stakeholders. The Code determines the nature, level and scope of local audit work and provides a framework for the delivery of high quality audits for the next 5 year period. The Code therefore provides a basis for auditors' assurances on the proper stewardship and use of public money that are considered an essential element of the process of accountability.
- 3.4 The main changes reflected in the new Code, which are set out in full in Appendix 2 for information, are designed to:
 - align auditors' responsibilities in relation to their annual value for money conclusion with the key lines of enquiry for the revised approach to the Use of Resources Assessments;
 - reflect legislative changes since the current codes were approved, including the abolition of the audit of best value performance plans for specified local government bodies;

- include references to the remuneration report and the Whole of Government Accounts return; and
- incorporate minor drafting changes, where the Commission felt that the wording of the current Codes needed clarification or could be improved

4. The Statement of Responsibilities of Auditors and Audited bodies

- 4.1 The Statement of Responsibilities, which has also seen minor amendments, highlights the responsibilities of the Council and its officers and the limitations of the role of the auditor. The full document is set out in Appendix 3 for information.
- 4.2 The Statement of Accounts is required to set out in detail the key responsibilities of the Council, its relevant officers, those charged with governance and the limited role and responsibilities of the auditor.
- 4.3 Any changes, which are minor in nature, will be reflected in the Statement of Accounts for 2010/2011 as the revised Statement of Responsibilities is to be applied for all audits from 2010/2011.

5. Recommendation

- 5.1 Members are requested to note the contents of this report.

