

Taunton Deane Borough Council

Corporate Governance Committee – 24 May 2010

Annual External Audit Fee

Report of the Strategic Finance Officer

(This matter is the responsibility of the Leader of the Council Cllr Williams)

1. Executive Summary

This report is **for information only** and sets out the proposed external audit fees for 2010/11, and indicative timescales for the audit work

2. Background

- 2.1 To share details of the external audit fees, and the focus of the external audit work for 2010/11 with members of the Corporate Governance Committee.

3. The Letter

- 3.1 The letter from the Audit Commission details both the audit fees and the audit and inspection work for 2010/11.
- 3.2 The letter is contained in Appendix A.

4. Finance Comments

- 4.1 The proposed audit fees are within the Council's approved budget.

5. Legal Comments

- 5.1 There are no legal issues.

6. Environmental and Community Safety Implications (if appropriate, such as Climate Change or measures to combat anti-social behaviour)

- 6.1 There are no direct environmental and community safety implications

7. Equalities Impact

7.1 There are no direct equalities implications

8. Partnership Implications

8.1 There are no partnership implications

9. Recommendations

9.1 Members of the Corporate Governance Committee are requested to note the information provided re 2010/11 external audit work and the associated fees.

Contact: Maggie Hammond
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6th April 2010

Ms M Hammond
Strategic Finance Officer
Taunton Deane Borough Council
Deane House
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Taunton
Somerset

Direct line 01823 273178

Dear Maggie

Annual fee 2010/11

I am writing to confirm the audit and inspection work and fees proposed for the 2010/11 financial year at Taunton Deane Borough Council. The fee for audit work is based on the risk-based approach to audit planning set out in the Code of Audit Practice and work mandated by the Commission for 2010/11. For inspection, it is based on the Comprehensive Area Assessment (CAA) framework and associated guidance. This is the responsibility of Sophie Trim, the CAAL and I have consulted with Sophie on this element of the proposal.

As I have not yet completed my audit for 2009/10 my risk assessment will continue as the year progresses and fees will be reviewed and updated as necessary. However, it is clear from the work to date that there are a number of issues relating to the implementation of SAP from April 2009 that I will need to consider when planning my opinion audit for 2010/11.

The inspection plan will also be reviewed and updated as necessary by Sophie Trim in discussion with you.

The total indicative audit and inspection fee for 2010/11 is £143,567, which compares to the planned fee of £113,920 for 2009/10. A summary of this is shown in the table below. The main reasons for the increase are the inclusion of the Strategic Housing Inspection in our 2010/11 programme and the introduction of International Financial Reporting Standards, although the increase in the audit fees also reflects the SAP issues referred to above.

Audit area	Planned fee (£) 2010/11	Planned fee (£) 2009/10
Financial statements	83,270	72,184
Use of Resources/VFM Conclusion [including risk based work]	31,560	31,400
WGA	2,020	2,016
Total audit fee	116,850	105,600
Inspection work (provided by CAAL)		
Managing performance assessment	8,320	8,320
Strategic housing inspection	18,397	-
Total audit and inspection fee	143,567	113,920
Certification of claims and returns	34,250	34,500

The Audit Commission has published its work programme and scales of fees 2010/11. A copy of this document can be found on the Audit Commission's website. My proposed audit fee is 2.9% below scale.

The work programme published by the Commission signalled a 6% increase from the previous year to take account of additional audit work arising from the introduction of International Financial Reporting Standards and this is reflected in my proposal. This represents our best estimate of the additional costs associated with IFRS transition in 2010/11. The Audit Commission's Chief Executive set out the background to this in his letter of 5 February 2009. He has also confirmed that the Audit Commission will make a direct refund to you of part of this fee.

In terms of this significant change to your accounting framework, I would like to take this opportunity to remind you that those charged with governance within the Council are responsible for ensuring you are prepared for the introduction of IFRSs. Although I do not have direct audit responsibilities in respect of balances at the transition date these do form the opening balances for the comparative period, I will therefore consider your risk assessment process and gap analysis to inform my ongoing risk assessment.

Changes in International Auditing Standards will also increase the audit procedures I need to carry out. In line with the fee proposals for 2010-11, the Audit Commission will absorb the cost of these additional requirements within the above fee.

A separate opinion plan for the audit for the financial statements will be issued to you once my ongoing work is sufficiently advanced. This will detail any risks identified, planned audit procedures and any changes in fee.

In considering the scope and nature of my audit, I wish to draw your attention to the following documents, which are available via the Audit Commission's website (www.audit-commission.gov.uk)

- Statement of responsibilities of auditors and audited bodies;
- Code of audit practice.

If I need to make any significant amendments to the audit fee during the course of this plan, I will first discuss this with the Strategic Finance Officer and then prepare a report outlining the reasons why the fee needs to change for discussion with the Corporate Governance Committee.

For the purposes of setting this fee, I have assumed that my use of resources assessments will continue to be based on the key lines of enquiry as set out in the Audit Commission's work programme and scales of fees 2010/11. These are:

- Managing Finances;
- Governing the business; and,
- Managing Resources.

You will be aware that the Audit Commission is currently undertaking a review of the Use of Resources framework and my work and associated fee may need to be reassessed when the outcomes of this review are published.

The management performance assessment will contribute to the Council's overall Organisational Assessment score under the CPA regime. As such, it is the responsibility of the CAA Lead and the overall fee above is subject to a rebate from central Government of £6,085 to partially cover this element of your assessment.

Following discussions with officers we have included a strategic housing inspection in our planned programme. As CAA Lead for Somerset, Sophie Trim will write to you if any significant amendments are needed to the inspection plan or assessment fee during the course of the year. She will first discuss this with you.

I will issue a number of reports relating to my work over the course of the audit. These are listed at Appendix 1.

The above fee excludes work the Commission may agree to undertake using its advice and assistance powers. Each piece of work will be separately negotiated and a detailed project specification agreed with you.

The key contact for the audit is the audit manager, Chris Peachey, who can be contacted on 0844 798 3710.

I am committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact me in the first instance. Alternatively you may wish to contact the South West Head of Operations, Bill Sanderson (b-sanderson@audit-commission.gov.uk).

Yours sincerely

Brian Bethell
District Auditor

cc Ms P James, Chief Executive
cc Mr J Williams, Chair, Corporate Governance Committee

Appendix 1: Planned outputs

Our reports will be discussed and agreed with the appropriate officers before being issued to the Audit Committee.

Table 1

Planned output	Indicative date
Opinion audit plan	December 2010
Annual governance report	September 2011
Auditor's report giving the opinion on the financial statements and value for money conclusion	September 2011
Use of resources report	September 2010
Final accounts memorandum (to the Assistant Director – Finance and Corporate Services)	October 2011
Strategic housing inspection report	November 2011
Annual audit letter	November 2011