

AGENDA ITEM: 11

Page nos. 60 - 68

Meeting	Audit Committee
Date	21 June 2010
Subject	External Audit Fees 2010/11
Report of	The Deputy Chief Executive & Chief Finance Officer
Summary	This report advises the committee of the external audit and inspection plan for the coming year.

Officer Contributors	Karen Balam, Assistant Director of Resources
Status (public or exempt)	Public
Wards affected	Not applicable
Enclosures	Appendix A – copy of Annual audit fee 2010/11 letter
For decision by	Audit Committee
Function of	Council
Reason for urgency / exemption from call-in (if appropriate)	None

Contact for further information: Maria Christofi, Head of Strategic Finance on 020 8359 7122

1. RECOMMENDATIONS

1.1 That the annual audit fee 2010/11 letter from Grant Thornton UK LLP be noted.

1.2 That the Committee consider whether there are any areas on which they require additional information or action.

2. RELEVANT PREVIOUS DECISIONS

2.1 None.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

3.1 The annual audit fee letter 2010/11 describes the audit work proposed to be undertaken for the 2010/11 financial year and supports fundamental aspects of financial standing and performance management in Barnet, which relates to the Council's 'Better Services with Less Money' priority.

4. RISK MANAGEMENT ISSUES

4.1 The annual audit fee letter has been formulated based on the risk-based approach to audit planning as set out in the Code of Audit Practice and assesses both the Council's local risks and current national risks relevant to the Council's local circumstances.

5. EQUALITY AND DIVERSITY ISSUES

5.1 The annual audit fee letter relates to the inspection and assessment of all services within the authority which, in turn, impact on all members of the community.

6. FINANCIAL, STAFFING, ICT AND PROPERTY IMPLICATIONS

6.1 The indicated level of fees has been incorporated by the Council when setting the annual budget and Council Tax for 2010/11.

7. LEGAL ISSUES

7.1 The relevant statutory provisions are referred to in the letter.

8. CONSTITUTIONAL POWERS

8.1 Constitution Part 3, Section 2 details the functions of the Audit Committee including "To comment on the scope and depth of external audit work and to ensure it gives value for money".

9 BACKGROUND INFORMATION

9.1 The annual audit fee 2010/11 letter dated 6 April 2010 is attached at Appendix A. It sets out the approach and proposed work to be undertaken by

the Council's appointed external auditor, Grant Thornton UK LLP, to enable a view to be reached on the Council's:

- Use of Resources and Value for Money (VFM) conclusion
- Financial Statements, including WGA support and IFRS support
- Grant Claims and Returns
- Pension Scheme administration.

9.2 The fee schedule for the planned work for 2010/11 is set out in the letter. The proposed fee of £450,000 is in line with the Audit Commission's benchmark scale fee. The fee also incorporates risks relating to the preparation for accounting under International Financial Reporting Standards (IFRS). It does not include inspection fees relating to the Comprehensive Area Assessment (CAA).

9.3 The fee for auditing the Pension Scheme is identified separately in the summary proposals at £35,000. The table below sets out the audit fees for 2008/09, 2009/10 and the planned fees for 2010/11.

Audit Area	Planned 2010/11 £'000	Fees 2009/10 £'000	Fees 2008/09 £'000
Fees payable with regards to the external audit service	415	415	420
Pension Scheme Audit	35	38	40
Total Audit Fees	450	453	460
Certification of claims and returns	85	85	90
Total Fees	535	538	550

9.4 In addition, there is a proposed fee of £85,000 (based on 2009/10 figure) for the certification of claims and returns provided by the Council. This is an indicative fee only and may be subject to change based on volume, charged on an hourly rate basis.

9.5 The letter also highlights the key audit risks with the associated planned work and indicative timescales.

9.6 There is no detailed audit plan to accompany the schedule of fees, this will be determined following the completion of the audit work for 2009/10. A detailed plan will be presented to this Committee in due course. The detailed audit plan for 2009/10 was presented to the Audit Committee on 11th March 2010.

10. LIST OF BACKGROUND PAPERS

10.1 None.

Legal: TE

Finance: KB



Our Ref PW/MS

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6 April 2010

Dear Nick

Annual audit fee 2010/11

Further to our discussions, we are writing to confirm the audit work that we propose to undertake for the 2010/11 financial year at the London Borough of Barnet. The fee:

- is based on the risk-based approach to audit planning as set out in the Code of Audit Practice and work mandated by the Audit Commission for 2010/11; and
- reflects only the audit element of our work, excluding any inspection and assessment fees. Your Comprehensive Area Assessment Lead will be writing to you separately on inspection fees.

As we have not yet completed our audit for 2009/10 the audit planning process for 2010/11 including the risk assessment will continue as the year progresses and fees will be reviewed and updated as necessary.

The total indicative fee for the audit for 2009/10 is for £415,000 (exclusive of VAT) which matches the planned fee for 2009/10. A summary of this is shown in the table below.

Audit fee

Audit area	Planned fee 2010/11	Planned fee 2009/10
Financial statements, including WGA	£210,000	£170,000
Use of Resources/VFM Conclusion [including risk based work]	£205,000	£245,000
Total audit fee	£415,000	£415,000
Certification of claims and returns	tbc	tbc

The Audit Commission has published its work programme and scales of fees 2010/11. The scale fee for the London Borough of Barnet is £441,037. The fee proposed for 2010/11 is 5.90% below the scale fee, this is reflective of the progress the Council is currently making with the transition to IFRS and the level 3 Use of Resources score achieved in the 2008/09 assessment.

From 2010/11, the Council is required to prepare its accounts in accordance with International Financial Reporting Standards (IFRS). The transition to IFRS will increase auditors' work, particularly in year one where a restatement of the previous year's accounts to the new basis will be required to provide prior year comparatives. The Audit Commission has increased the scale fees for local authorities by six per cent to reflect the costs of this additional work, this is reflected in the indicative fee stated above.

Using our IFRS experts, we will continue to help the Council to prepare for introduction of IFRS, through awareness raising sessions for members and constructive challenge on the Council's plans and progress. This is included within the financial statements audit fee. Specialist colleagues from Grant Thornton's Financial Reporting Advisory Group, can also be commissioned for more detailed technical support, should the Council require it.

A separate plan for the audit of the financial statements will be issued in December 2010. This will detail the risks identified, planned audit procedures and any changes in fee. If we need to make any significant amendments to the audit fee during the course of the audit, we will first discuss this with the Director of Resources and then prepare a report outlining the reasons why the fee needs to change for discussion with the audit committee.

Grant certification work will be charged at published hourly rates.

Our use of resources assessments will be based upon the evidence from three themes:

- Managing finances
- Governing the business
- Managing resources.

The key lines of enquiry specified for the assessment are set out in the Audit Commission's work programme and scales of fees 2010/11. Our work on use of resources informs our 2010/11 value for money conclusion. At the current time, we have identified two risk areas in relation to our value for money conclusion. For each risk, we consider the arrangements put in place by the Council to mitigate the risk, and plan our work accordingly. Our initial risk assessment for value for money audit work is shown in the table below:

Risk	Planned work	Timing of work
<p>Future Shape</p> <p>The Council developed its response to the credit crunch and other ongoing challenges through its future shape programme. The change programme is based on three principles:</p> <ul style="list-style-type: none"> • a new relationship with citizens • a one public sector approach • a relentless drive for efficiency <p>There are five work-streams which are supported by the Future Shape Programme Management Office:</p> <ul style="list-style-type: none"> • value for money: more efficient and strategic use of public sector systems and resources • Leadership: a coherent and shared vision of the future for Barnet • New relationship with citizens: offering choice, promoting independence, getting it right the first time • People and culture: the right people, with the right skills, in the right place • Commissioning: one Barnet developing new approaches to solving our greatest challenges 	<p>The projects which sit under the five work-streams are currently in the assessments or options appraisal stages, during 2009/10 we are reviewing the governance arrangements of the One Barnet Programme which underpins all of these projects. We are also reviewing personalisation of social care in 2009/10.</p> <p>We expect to focus on value for money and leadership work-streams in 2010/11, particularly how the Council expects to manage property assets across the Council and across the public sector.</p>	<p>Third quarter of 2010/11</p>

Risk	Planned work	Timing of work
Scrutiny arrangements We reviewed scrutiny arrangements in 2007/08 and our follow-up reviewed was delayed in 2009/10 given pending elections, as such we will consider whether improvements have been made since our initial review during 2010/11	We will look to build on this work to assess how Scrutiny has developed when the new arrangements are operating.	Fourth quarter of 2010/11.

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

The above fee excludes any work requested by you that the Audit 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 members of the audit team for the 2010/11 are:

Engagement Lead - Paul Winrow	(0)20 7728 2269	paul.winrow@gtuk.com
Audit Manager – Maryellen Salter	(0)20 7728 3005	maryellen.salter@gtuk.com
Asst Audit Manager - Hanisha Solanki	(0)207 7282072	hanisha.solanki@gtuk.com
Audit Executive – Simon Cooke	(0)20 7728 2790	simon.j.cooke@gtuk.com

We are 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 the engagement lead in the first instance. Alternatively you may wish to contact the Head of Government Audit at Grant Thornton UK LLP, Sarah Howard at sarah.howard@gtuk.com.

Yours sincerely

Paul Winrow

Engagement Lead

Grant Thornton UK LLP

cc Deputy Chief Executive

cc Chair of the Audit Committee

A Planned Outputs

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

Table One

Planned output	Indicative date
Detailed Accounts Audit plan	December 2010
Future Shape	January 2011
Scrutiny Report	March 2011
Audit strategy document	June 2011
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 2011
Annual audit letter	November 2011
Certification Report	February 2012