

**AGENDA ITEM: 12**

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Meeting	Audit Committee
Date	16 June 2011
<b>Subject</b>	<b>Indicative External Audit Fees 2011/12</b>
Report of	Deputy Chief Executive & Chief Finance Officer
Summary	This report advises the Committee of Grant Thornton's indicative audit fees for 2011/12.

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Officer Contributors	Maria Christofi, Assistant Director Financial Services, Finance Directorate Anisa Darr, Finance Manager (Closing & Monitoring)
Status (public or exempt)	Public
Wards affected	Not applicable
Enclosures	Appendix A – Copy of Indicative Audit Fee Letter 2011/12
For decision by	Audit Committee
Function of	Council
Reason for urgency / exemption from call-in (if appropriate)	Not applicable

Contact for further information: Anisa Darr, Finance Manager (020 8359 7106).

## **1. RECOMMENDATIONS**

- 1.1 That Grant Thornton's indicative external audit fee for 2011/12 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 indicative audit fee letter 2011/12 describes the audit work proposed to be undertaken for the 2011/12 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' corporate priority.

## **4. RISK MANAGEMENT ISSUES**

- 4.1 None.

## **5. EQUALITIES AND DIVERSITY ISSUES**

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

## **6. USE OF RESOURCES IMPLICATIONS (FINANCE, PROCUREMENT, PERFORMANCE & VALUE FOR MONEY, STAFFING, ICT, PROPERTY, SUSTAINABILITY)**

- 6.1 The indicated level of fee has been incorporated by the Council when setting the annual budget and council tax for 2011/12.

## **7. LEGAL ISSUES**

- 7.1 None in the context of this report.

## **8. CONSTITUTIONAL POWERS**

- 8.1 Constitution Part 3, Section 2 details the functions of the Audit Committee including "To consider the external auditor's annual letter" and "To comments on the scope and depth of external audit work and to ensure it gives value for money".

## **9. BACKGROUND INFORMATION**

- 9.1 The indicative audit fee 2011/12 letter dated 26 April 2011 is attached as Appendix A.

- 9.2 The fee schedule for the planned work for 2011/12 is set out in the letter. The indicative fee is £373,500. This is in accordance with the published scale fees published by the Audit Commission. The 2011/12 fee represents a decrease of 10% on the 2010/11 audit fee.
- 9.3 The 2010/11 fee reflected Grant Thornton's assessment of risk and complexity at the Council. As the 2010/11 audit has not yet completed, therefore the audit planning process for 2011/12, including the risk assessment, will continue as the year progresses and the fee will be reviewed and updated as necessary, in agreement with the council.
- 9.4 Work to support the Value for Money Conclusion will be risk based. As part of Grant Thornton's initial risk assessment the following areas have been identified for potential review:
- Delivery of the 'One Barnet' transformation process
  - The impact of Place Based Budgets
  - Engagement with the third and voluntary sectors
  - Performance Management
- The detail of the work will be agreed with the Council during the course of the year to ensure that it addresses any key risks arising and supports the Council in achieving its priorities.
- 9.5 The Audit Commission has specified that additional work on the Whole of Government Accounts is carried out. This work is included in the fee.
- 9.6 The hourly rate for certification of grants and returns for 2011/12 are detailed below:

<b>Staff grade</b>	<b>Rate (£ per hour)</b>
Partner	380
Manager	210
Senior Auditor	135
Other staff	105

## **10. LIST OF BACKGROUND PAPERS**

- 10.1 None.

Legal: MAM

Finance: MC / JH



Our Ref PH/TF/LBB110426

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26 April 2011

Dear Andrew

### **Indicative Audit Fees – 2011/12**

I am writing to propose the indicative fee for our 2011/12 audit of the London Borough of Barnet.

#### **Indicative Scale Fees**

In prior years, we used a fee calculation to determine the scale fee. For 2011/12, the Audit Commission has specified scale fees for each Council, based on the fee for 2010/11. We must seek approval from the Audit Commission for any variance between the scale fee and our audit fee. All councils have received notification of this fee and it is publically available at <http://www.audit-commission.gov.uk/localgov/audit/auditmethodology/fees/pages/individualfeeslocalgovt201112.aspx>.

The published scale fee for the Council in 2011/12 is £373,500 and we propose to set our audit fee at this level. This represents a decrease of 10% on the 2010/11 audit fee.

The 2010/11 fees reflected our assessment of risk and complexity at the Council. We have not yet completed our 2010/11 audits, therefore the audit planning process for 2011/12, including the risk assessment, will continue as the year progresses and the fee will be reviewed and updated as necessary, in agreement with the Council.

The fee is also based on the assumption that detailed working papers, and other specified information, are provided to an agreed timetable. Where agreed timetables are not met and/or poor documentation is provided such that additional audit work is necessary, or the audit is delayed, we reserve the right to charge additional fees to cover the costs incurred.

The fees noted above exclude 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.

### **Value for Money Conclusion**

Under the Audit Commission Act, we must be satisfied that each Council has adequate arrangements in place to secure economy, efficiency and effectiveness in its use of resources. To arrive at our conclusion we will focus on the Council's arrangements for:

- Securing financial resilience
- Prioritising resources within tighter budgets

Our work to support our conclusions will be risk-based. As part of our initial risk assessment we have identified the following areas for potential review:

- Delivery of the 'One Barnet' transformation process
- The impact of Place Based Budgets
- Engagement with the third and voluntary sectors.
- Performance Management

We will agree the detail of our work with the Council during the course of the year to ensure that it addresses any key risks arising and supports the Council in achieving its priorities.

### **Other Work**

The Audit Commission has specified we carry out additional audit work on the Whole of Government Accounts. This is included in the proposed audit fee.

The lower threshold for certification of grants and returns has increased to £125,000. However, this is unlikely to affect the Council as the returns that we certify at the Council are above this threshold level. The hourly rates for 2011/12 are:

<b>Staff grade</b>	<b>Rate (£ per hour)</b>
Partner	380
Manager	210
Senior Auditor	135
Other staff	105

Fee arrangements for objections do not change.

### **Audit Team**

The key members of the audit team for 2011/12 are:

Engagement Lead –Paul Hughes	020 7728 2256	paul.hughes@uk.gt.com
Audit Manager – Tom Foster	07920 073654	thomas.foster@uk.gt.com
Assistant Manager – Mel Fox	020 7728 2419	melanie.fox@uk.gt.com

**Additional Support and Quality Control**

Outside of our Code of Practice audit we are able to carry out non-Code work to support the Council in other areas they may require additional support. We would be happy to discuss with you options for how we may help further.

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](mailto:sarah.howard@gtuk.com).

Yours sincerely

A handwritten signature in black ink, appearing to read 'Paul Hughes', with a stylized flourish at the end.

Paul Hughes  
Engagement Lead

Grant Thornton UK LLP