

NORTH LINCOLNSHIRE COUNCIL

AUDIT COMMITTEE

AUDIT FEES LETTER 2009/2010

1. OBJECT AND KEY POINTS IN THIS REPORT

- 1.1 To consider the Audit Fee Letter for 2009/2010.
- 1.2 The letter provides details of external audit's proposed work and fee for the 2009/2010 audit.

2. BACKGROUND INFORMATION

- 2.1 The Audit Fee Letter details external audit's proposed work and fee for 2009/2010 and is based on the risk based approach to audit planning as set out in their Code of Practice and mandated work determined by the Commission. A copy of the letter is attached at appendix A.
- 2.2 Fees will be reviewed and updated as necessary as audit work for 2008/2009 that impacts on the audit planning process for 2009/2010 is completed.
- 2.3 The planned work is structured into three areas:
 - **Audit-** comprising of: opinion work on financial statements, including Whole of Government Accounts; Use of Resources/VFM conclusion (including risk-based audit work and data quality)
 - **Inspection-** Managing Performance
 - **Certification of grant claims and returns.**

3. OPTIONS FOR CONSIDERATION

- 3.1 The Audit Committee is invited to consider external audit's Audit Fee Letter and proposed work and should seek clarification from the Audit Commission as necessary.

4. ANALYSIS OF OPTIONS

- 4.1 The plan is the result of a risk assessment and complies with statutory requirements governing external audit and inspection work. This

means that work will be targeted to have its greatest effect and helps the council to continue to improve.

5. RESOURCE IMPLICATIONS (FINANCIAL, STAFFING, PROPERTY, IT)

- 5.1 Audit fees are met within existing budgets For 2009/2010 the planned fees are:

| | |
|---------------------|----------|
| Audit fee | £225,734 |
| Inspection work fee | £ 16,630 |
| Grant work | £ 55,000 |

For 2008/2009 the total audit & inspection fee was £238,478, the grant work fee was £55,000.

- 5.2 There are no staffing, property or IT implications.

6. OTHER IMPLICATIONS (STATUTORY, ENVIRONMENTAL, DIVERSITY, SECTION 17 - CRIME AND DISORDER, RISK AND OTHER)

- 6.1 External Audit and inspection duties are statutory requirements under the provisions of the Audit Commission Act 1998, the Code of Audit Practice and the Local Government Act 1999.
- 6.2 The work and proposed fee is based on the Audit Commission's risk-based approach to audit planning. Throughout the year work is targeted to have best effect based on risk assessment and performance. More details of risk assessments are contained within the plan. There are no environmental, diversity, Section 17 or other implications.

7. OUTCOMES OF CONSULTATION

- 7.1 A draft of the letter has been discussed and agreed with the Chief Executive and Service Director Finance

8. RECOMMENDATION

- 8.1 The Audit Committee agrees the Audit Fee Letter and proposed audit fee for 2009/2010.

SERVICE DIRECTOR FINANCE

Pittwood House
Ashby Road
SCUNTHORPE
North Lincolnshire
DN16 1AB
Author: C Andrews
Date: 26 March 2009

Background Papers used in the preparation of this report
Audit Fee Letter 2009/2010 (attached as appendix to this report)

18 March 2009

Mr S Driver
Chief Executive
North Lincolnshire Council
Pittwood House
Ashby Road
Scunthorpe
North Lincolnshire
DN16 1AB

Dear Simon

Audit Plan 2009/10

Below are details of our proposed work and fee for the 2009/10 audit. The proposed 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 2009/10.

As I have not yet completed my audit for 2008/09, the audit planning process for 2009/10, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary.

The Audit Commission's fee proposals for 2009/10 set out a different approach to calculating the fee. I calculate a scale fee based on the estimated spending of the Council for 2009/10. I will then adjust this, if I consider substantially more or less work is required (than envisaged by the scale fee) to discharge my responsibilities under the code of practice. At this stage I do not consider that I need to make any changes to the scale fee.

The total indicative fee for the audit for 2009/10 is for £242,364, which compares to the planned fee of £238,478 for 2008/09. A summary of this is shown in the following table.

Audit fee

| Audit area | Planned fee 2009/10 | 2008/09 £ |
|--|--------------------------------|----------------------|
| Audit including WGA (Whole of Government Accounts) | 129,416 | 121,796 |
| Use of Resources/ VFM Conclusion [including risk-based audit work and DQ] | 96,318 | 94,287 |
| Total Audit Fee | 225,734 | 216,083 |
| Inspection fee | - | 22,395 |
| Managing Performance | 16,630 | - |
| Total fee | 242,364 | 238,478 |
| Grants | 55,000 | 55,000 |

In setting the fee at this level, I have assumed that the general level of risk in relation to the audit of the financial statements is not significantly different from that identified for 2008/09. A separate plan for the audit of the financial statements will be issued in November 2009. This will detail the risks identified, planned audit procedures and any changes in fee. If I need to make any significant amendments to the audit fee during the course of the audit, I will first discuss this with you and then prepare a report outlining the reasons why the fee needs to change for discussion with the audit committee.

For 2009/10 my Value for Money conclusion will consider whether the Council has adequate arrangements in:

- Financial planning and financial health;
- Understanding costs and achieving efficiencies;
- Financial Reporting;
- Risk Management; and,
- Workforce Planning.

The key lines of enquiry specified for the assessment are set out in the Audit Commission's work programme and scales of fees 2009/10.

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 members of the audit team for the 2009/10 are:

Audit Manager – Rob Walker 07815 876297

Team Leader– Sherie Newboult 01724 296149

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 Dave Allsop the Humberside and Yorkshire Head of Operations.

Yours sincerely

Mark Kirkham
District Auditor

Appendix 1: Planned outputs

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

4

| Planned output | Indicative date |
|--|------------------------|
| Audit plan | December 2009 |
| Annual governance report | September 2010 |
| Auditor's report giving the opinion on the financial statements and value for money conclusion | September 2010 |
| Use of resources report | September 2010 |
| Final accounts memorandum (to the Director of Finance) | October 2010 |
| Annual audit letter | November 2010 |