

CHESHIRE EAST COUNCIL

Governance and Constitution Committee

Date of Meeting: 27th May 2010
Report of: Borough Treasurer and Head of Assets
Subject/Title: Annual Audit and Inspection Fees 2010/11

1.0 Report Summary

- 1.1 This report presents the Audit Commission's Annual Audit and Inspection fees for 2010/11. The Annual Audit letter which is attached at Appendix A sets out the proposed audit work for 2010/11 and the associated fee, the Annual Inspection letter which is attached at Appendix B sets out the proposed assessment and inspection work for 2010/11 and the associated fee.
- 1.2 Representatives from the Audit Commission will attend the meeting to present their proposals and answer questions.

2.0 Recommendation

- 2.1 It is recommended that the Committee
- (1) receive the Audit Commission's letter on the Annual Audit Fee for 2010/11 (Appendix A);
 - (2) receive the Audit Commission's letter on the Annual Inspection Fee for 2010/11 (Appendix B); and
 - (3) note the proposed work programme, indicative fees and associated budgetary implications.
- 2.2 In considering the letters, members should make reference to the Audit Commission Code of Audit Practice and to the Statement of Responsibilities of Auditors.

3.0 Reasons for Recommendations

- 3.1 The Audit fee letters are required to be presented and received by those members charged with Governance.

4.0 Wards Affected

- 4.1 Not applicable.

5.0 Local Ward Members

5.1 Not applicable.

6.0 Policy Implications including - Climate change - Health

6.1 Not applicable.

7.0 Financial Implications for Transition Costs (Authorised by the Borough Treasurer)

7.1 Not applicable.

8.0 Financial Implications 2009/10 and beyond (Authorised by the Borough Treasurer)

8.1 The total indicative fee for the audit for 2010/11 is for £397,500 (exclusive of VAT). This is based on the Audit Commission's national fee rate with an uplift of 9% to reflect the inherent audit risk in the Council's second year of operation. The fee for 2010/11 is 9% over midpoint compared with 15% for 2009/10.

8.2 The increase in fee for the financial statement elements of the audit reflects the costs of additional audit work arising from the International Financial Reporting Standards (IFRS). The accounts for 2010/11 will be prepared under IFRS and a project plan for the transitional arrangements has been reported to a previous meeting of this Committee. The Council will continue to work closely with the Audit Commission to keep any additional requirements to a minimum.

8.3 The base budget for audit fees is £330,389. The quoted audit fee for 2010/11 therefore exceeds the budget provision by £67,111. This overspend will be met from council balances as there is no contingency provision to cover the additional work.

8.4 The total inspection fee for 2010/11 is £52,225; this has been set in accordance with the Audit Commission's work programme and scale of fees for 2010/11. The quoted audit fee exceeds the budget provision by £35,725; this overspend will be met from Council balances.

9.0 Legal Implications (Authorised by the Borough Solicitor)

9.1 There is a statutory requirement for audited bodies to meet the fees specified by the Audit Commission.

10.0 Risk Management

- 10.1 Regular liaison meetings between senior finance officers and the Audit Commission will continue during 2010/11 to keep the identified risks under review.

11.0 Background and Options

- 11.1 The Audit fee letter is attached at Appendix A. This sets out the audit work to be undertaken during the year in relation to the financial statements, the Use of Resources assessment and Value for Money conclusion and certification of grant claims and returns. Grants claim work is billed separately on a daily rate basis and does not form part of the audit fee quoted above.
- 11.2 The Inspection fee letter is attached at Appendix B. This sets out the assessment and inspection work to be undertaken in accordance with the Comprehensive Area Assessment (CAA) framework.

12.0 Access to Information

The background papers relating to this report can be inspected by contacting the report writer:

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