

EXTERNAL AUDIT FEES 2011/12

1 SUMMARY

- 1.1 This report presents the latest information from the Council's external auditors, PKF, on the proposed fees for 2011/12. For completeness and comparison, the attached Fee Letter contains a reminder about the actual fees for 2009/10 and planned fees for 2010/11 (Appendix A).

2 INTRODUCTION

- 2.1 The audit fee is prescribed by the Audit Commission and for 2011/12 is based on a 5% reduction to the 2010/11 planned fee. The Commission can approve a fee that varies either up or down from the scale fee, depending on an assessment of work required by the external auditors.

3 2011/12 FEES

- 3.1 A summary of the indicative fee and how it compares to the 2010/11 planned and 2009/10 actual fees is included in appendix A.
- 3.2 A representative from PKF will attend the Audit Committee meeting to answer any queries or questions.

4 RECOMMENDATION

- 4.1 It is proposed that the Committee **RESOLVES** That the external auditor's Annual Audit Fee Letter 2011/12 be noted.

Yvonne Woodward

Head of Finance

Background Papers:-

None.

For further information please contact Yvonne Woodward on:-

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If you would like this report in large print, Braille or another language please contact 01702 318111.

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Chief Executive
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Our ref: 1012597/2011-12/RSB/LJC

26 April 2011

Dear Paul

Annual Audit Fee Letter 2011/12

Indicative audit fee

We are writing to confirm the audit work that we propose to undertake for the 2011/12 financial year at Rochford District Council. The indicative fee for the audit is £104,405, which is based on the risk-based approach to audit planning as set out in the Code of Audit Practice and the work mandated by the Audit Commission for 2011/12.

As we have not yet completed our audit for 2010/11, this Letter and its underlying risk assessment focus primarily on risks in respect of our statutory value for money (VFM) conclusion audit. The audit planning process for 2011/12, including risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary. A summary of the indicative fee, and how it compares to the 2010/11 planned and 2009/10 actual fees, is shown in the table below.

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Audit area	Indicative fee 2011/12 £	Planned fee 2010/11 £	Actual fee 2009/10 £
Financial statements, including WGA	61,000	61,500	63,335
VFM Conclusion, including risk based work	19,505	22,500	33,900
Planning and reporting	23,900	25,900	29,100
Total Code audit fee	104,405	109,900	126,335
Certification of claims and returns*	30,000	30,000	37,750

* The indicative fee for 2011/12 and the planned fee for 2010/11 relate to the certification of grant claims and returns for the years ended 31 March 2012 and 31 March 2011 respectively. The certification fees for 2009/10 are the actual fees for the year ended 31 March 2010.

The indicative audit fee excludes improvement work we may agree to undertake (outside of the Audit Code of Practice). Each piece of work would be separately negotiated and a detailed project specification agreed with you.

The scale fee for 2011/12 has been determined as £104,405, using the Audit Commission's advised methodology of a 5% reduction on the 2010/11 agreed audit fee. The full details are set out in the Audit Commission's [Work programme and scales of fees 2011/12](#). The indicative audit fee has initially been set at the scale fee level.

The Audit Commission has stated that variations to the scale fee can be approved, to reflect changes in circumstances, before or at the completion of the 2011/12 audit.

A separate plan for the audit of the financial statements will be issued in December 2011. This will detail the significant financial statements risks identified, planned audit procedures to respond to those risks 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 Head of Finance and, if necessary, prepare a report outlining the reasons why the fee needs to change for discussion with the Audit Committee.

Due to the size of the Council, relative scale of the audit and the fact that the indicative fee proposed is the scale fee, there is little scope to reduce fees further in the medium term other than by making improvements to the Council's capital accounting arrangements.

Significant audit risks

Value for money

In 2010/11 the Audit Commission reviewed its approach to auditors' VFM work so that auditors give their statutory VFM conclusion based on the following two reporting criteria:

- The organisation has proper arrangements in place for securing financial resilience.
- The organisation has proper arrangements for procuring resources within tighter budgets.

The focus of these criteria for 2011/12 continues to be:

- The organisation has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.
- The organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

Our initial assessment of indicative significant audit risks in relation to value for money audit work is shown in the table below:

Indicative key risk	Planned work	Timing of work
There is a risk that the Council will not be able to achieve their substantial efficiency savings targets given the scale of savings required to meet the shortfall in government funding. This could have an impact on service delivery and the financial position of the Council in the medium term, including its ability to maintain an appropriate minimum level of reserves and achieve value for money.	We will monitor delivery of the Council's savings plans to assess their reasonableness and achievability and assess the financial risk exposure of the Council as the year progresses.	April 2011 – March 2012

We will also follow up on audit work from previous years to assess progress in implementing agreed recommendations.

Financial statements

We have not identified any significant accounts audit risks that we wish to bring to your attention at this stage, and in setting the indicative fee at this level we 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 2010/11.

Administration

The indicative audit fee will be billed in four equal instalments of £26,101.25 commencing in June 2011. This is a change in billing profile to bring the fees in line with the financial year to which they relate.

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

Engagement Partner – Richard Bint

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Director – Lisa Clampin

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Supervisor – Liana Hine

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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 Richard Bint in the first instance. Alternatively, you may wish to contact our Managing Partner, Martin Goodchild. Any complaint will be investigated carefully and promptly. If you are not satisfied you may take up the matter with the Institute of Chartered Accountants in England and Wales ("ICAEW").

Yours sincerely



Richard Bint

Partner
PKF (UK) LLP

cc Yvonne Woodward - Head of Finance

cc Cllr Mrs J A Mockford - Chair of the Audit Committee