

TONBRIDGE & MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

01 April 2008

Report of the Chief Executive and Director of Finance

Part 1- Public

Matters for Information

1 AUDIT AND INSPECTION PLAN 2008/09 (INCLUDING FEES)

The purpose of this report is to inform Members of the receipt of our Audit and Inspection Plan for 2008/09.

1.1 Introduction

- 1.1.1 Each year the Commission's appointed auditors draw up tailored audit plans with each body based on the auditor's assessment of the financial and operational risks facing the organisation and the arrangements put in place to manage those risks.
- 1.1.2 Members will be aware the tailored plans are based upon the 'national' work programme that the Committee considered at its last meeting. Sitting alongside the work programme is the fee scales that the Audit Commission levy for the work they undertake. At the last meeting there was considerable debate on this item, and the minutes state:

"The Director of Finance reported receipt of a document from the Audit Commission regarding the proposed work programme and fee scales for 2008/09 together with indicative proposals for 2009/10 and 2010/11. It was noted that there would be an above inflation increase in audit fees over the three year period although it was hoped that the Audit Commission would use its discretion to reduce the Council's fee to the current budget provision in anticipation that the work required would be substantially below that envisaged by the scale fee. A copy of the Local Government Association response to the proposed fee levels was set out at Annex 2 to the report.

Members expressed concern about the proposed level of fees in the context of the pressure on the Council's budgets and the additional requirements imposed by the Government. The District Auditor was asked to feed back these concerns to the Audit Commission."

- 1.1.3 Attached at **[Annex 1]** is our tailored Audit and Inspection Plan for 2008/09, together with the fees that are due in accordance with the fee scale structure. There is to be an above inflation increase in audit fees over the three-year period 2008/09 to 2010/11 to reflect a number of changes:
- The government's decision, announced in the 2007 Budget, that the public sector should prepare accounts in accordance with International Financial Reporting Standards from 2008/09, which is likely to impact on local government in 2010/11.
 - Changes to professional auditing standards, with which auditors have a statutory duty to comply, and which are expected to apply from 2009/10.
 - The expanded scope of the proposed new approach to auditors' assessments of the value for money in the use of resources, which will apply from 2008/09.
- 1.1.4 Bearing in mind discussions at the last meeting Members will, naturally, be drawn to the issue of fees. As highlighted in the previous (national) report, the proposal contained in this plan suggests an increase of some 14% in 2008/09 for T&MBC. This potential level of increase was not allowed for when setting the 2008/09 budget provision.
- 1.1.5 The primary reason for the increase appears to be as a result of the 'Use of Resources' work. The District Auditor has advised us that, due to concerns expressed by district councils nationally about the resource burden arising from 'Use of Resources', the whole issue is under review. If the 'burden' is to be reduced, then the fees will also be reduced.
- 1.1.6 At the time of writing this report, I understand that initial meeting has just taken place at the Audit Commission to begin discussions on this matter. An update on the position will be given verbally at the meeting.
- 1.1.7 The Plan has been drawn up from a risk-based approach to audit planning and reflects:
- the code of Audit Practice;
 - audit and inspection work specified by the Audit Commission for 2008/09;
 - local risks and improvement priorities relevant to this council; and
 - current national risks relevant to our local circumstances.
- 1.1.8 Trevor Greenlee (Audit Manager) will be at the meeting on 1 April and will be able to answer any questions members might have about the Plan.

1.2 Legal Implications

1.2.1 Legally, we must note and accept the Audit and Inspection plan for 2008/09 and will continue to cooperate and work with our external auditors who serve us.

1.3 Financial and Value for Money Considerations

1.3.1 Depending on the outcome of the review of the work required to be carried out under the use of resources assessment the current budget provision may not be sufficient. In the event this proves to be the case we will look to meet the shortfall by way of a virement. Any variance will be reported via the 'Financial Planning & Control' report to the Finance & Property Advisory Board.

1.4 Risk Assessment

1.4.1 None.

Background papers:

contact: Neil Lawley

Nil

David Hughes
Chief Executive

Sharon Shelton
Director of Finance