

TONBRIDGE & MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

13 October 2009

Report of the Director of Finance

Part 1- Public

Matters for Information

1 AUDIT COMMISSION – PROPOSED WORK PROGRAMME AND SCALES OF FEES 2010/11

This report informs members of the Audit Commission's Proposed Work Programme and Scales of Fees for 2010/11, and indicative fee proposals for 2011/12 and 2012/13.

1.1 Introduction

- 1.1.1 Attached for information at **[Annex 1]** is the Audit Commission's Proposed Work Programme and Scales of Fees for 2010/11, and indicative fee proposals for 2011/12 and 2012/13. Members should note that this is technically a consultation process and the return date for comments was 4 September 2009.
- 1.1.2 The document sets out the Commission's responsibilities, and the work programme is designed to discharge those responsibilities. The document outlines at a high level the work that the Audit Commission plans to undertake in the local government, housing and community safety sectors during 2010/11, together with the proposed fee scales for 2010/11 and indicative fee proposals for 2011/12 and 2012/13.
- 1.1.3 The Commission may charge a fee which is larger or smaller than the scale fee to reflect the actual work that auditors need to do to meet their statutory responsibilities. It will do this on the basis of the auditor's assessment of risk and the scale and complexity of the audit at a particular body. On this basis our 2009/10 scale fee was reduced by 10%.
- 1.1.4 The Audit Commission are proposing to confirm the main changes to the scales of fees for 2010/11 indicated to audited bodies in December 2008. These are a net increase in audit and inspection fees of 1.25% for inflation and an increase to reflect the additional costs arising from the introduction of International Financial Reporting Standards of 6%. This gives an increase in audit fees of 7.25% on that paid in 2009/10.

- 1.1.5 However, earlier in the year the Audit Commission indicated its intention to offset these increases by way of a subsidy. The amount of the subsidy was initially set at 3%, but in recognition of the current economic climate this was subsequently increased to 6%. This gives an increase in audit fees of 1.25% on that paid in 2009/10.
- 1.1.6 The Commission has agreed that increases for 2011/12 should be no more than the government's inflation target and ongoing audit costs associated with the adoption of International Financial Reporting Standards are expected to reduce by 3%. Assuming the government's inflation target is 2% this would result in an increase in audit fees of 5% on that paid in 2010/11.
- 1.1.7 For 2012/13 the Commission envisage fees increasing by no more than the government's inflation target. Assuming the government's inflation target is 2% this would result in an increase in audit fees of 2% on that paid in 2011/12.
- 1.1.8 On this occasion we have no comments to make in response to the consultation.
- 1.1.9 Members are reminded in addition to this high level work programme, each year the Commission's appointed auditors also draw up detailed plans with each audited 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 which will be reported to members when received.

1.2 Legal Implications

- 1.2.1 Legally, we have no choice but to accept the final version of the work programme and scales of fees for 2010/11 and will continue to cooperate with our external auditors who serve us.

1.3 Financial and Value for Money Considerations

- 1.3.1 The proposed scales of fees for 2010/11 can be met from within existing budgets on the assumption that we continue to receive a reduction of 10% as outlined at paragraph 1.1.3. It should be noted that we may not receive this level of reduction in future years as the maximum percentage reduction is being lowered to 10% from 30%.

1.4 Risk Assessment

- 1.4.1 None.

Background papers:

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Nil

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