

Agenda Item No: 5
Report To: **AUDIT COMMITTEE**
Date: **4 DECEMBER 2012**



Report Title: **External Auditor's Reports: Annual Audit Letter 2011-2012 and Planned Audit Fee 2012-2013**

Report Author: Andy Mack (former Audit Commission District Auditor, and now Engagement Lead, Grant Thornton UK – the council's external auditor)

Paul Naylor, Deputy Chief Executive (covering summary)

Summary: This summary introduces two reports from our external auditor.

The first is the external auditor's annual letter to the council that covers his findings and opinions from the 2011-2012 audit. Detailed findings are not re-stated as these will have been reported previously to the committee. The letter restates the unqualified opinion on last year's accounts and the conclusion on efficiency and effectiveness. There are no matters being highlighted for any further attention.

The second letter sets out the auditor's proposed fee for the next audit. This is a formal statement of the position previously reported, confirming a fee reduction of 40%, which is now reflected in the council's draft budget.

Andy Mack and his colleagues will be present at the meeting to introduce the reports and take questions.

Key Decision: No

Affected Wards: None specifically

Recommendations: **The Audit Committee is asked to note the two reports, after making any comments it feels are appropriate.**

Policy Overview: The council is by law subject to external audit, which, therefore, forms a very necessary part of the statutory governance framework for councils. From November 2012 the Audit Commission outsourced all of its audit work and from that date the responsibility is being carried out by Grant Thornton UK LLP.

Financial Implications: The planned audit fee of £92,515 for the 2012-2013 is fully covered in the draft budget. Providing audit risks and demands remain stable, the fee is fixed at this level for five years. This means Grant Thornton UK will absorb all inflationary impacts.

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7 November 2012

Dear John

Planned audit fee for 2012/13

We are delighted to have been appointed by the Audit Commission as auditors to the Council and look forward to providing you with a high quality external audit service for at least the next five years. We look forward to developing our relationship with you over the coming months, ensuring that you receive the quality of external audit you expect and have access to a broad range of specialist skills where you would like our support.

The Audit Commission has set its proposed work programme and scales of fees for 2012/13. In this letter we set out details of the audit fee for the Council along with the scope and timing of our work and details of our team.

Scale fee

The Audit Commission defines the scale audit fee as “the fee required by auditors to carry out the work necessary to meet their statutory responsibilities in accordance with the Code of Audit Practice. It represents the best estimate of the fee required to complete an audit where the audited body has no significant audit risks and it has in place a sound control environment that ensures the auditor is provided with complete and materially accurate financial statements with supporting working papers within agreed timeframes.”

For 2012/13, the Commission has independently set the scale fee for all bodies. The Council's scale fee for 2012/13 is £79,515, which compares to the audit fee of £132,500 for 2011/12, a reduction of 40%.

Further details of the work programme and individual scale fees for all audited bodies are set out on the Audit Commission's website at: www.audit-commission.gov.uk/scaleoffees1213.

The audit planning process for 2012/13, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary as our work progresses.

Scope of the audit fee

Our 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 2012/13. It covers:

- our audit of your financial statements
- our work to reach a conclusion on the economy, efficiency and effectiveness in your use of

- resources (the value for money conclusion)
- our work on your whole of government accounts return.

Value for money conclusion

Under the Audit Commission Act, we must be satisfied that the Council has adequate arrangements in place to secure economy, efficiency and effectiveness in its use of resources, focusing on the arrangements for:

- securing financial resilience; and
- prioritising resources within tighter budgets.

We undertake a risk assessment to identify any significant risks which we will need to address before reaching our value for money conclusion. We will assess the Council's financial resilience as part of our work on the VFM conclusion and a separate report of our findings will be provided.

Our planning to date has not identified any additional work which we are required to undertake to support our VFM conclusion. We will continue to assess the Council's arrangements and discuss any additional work required during the year.

Certification of grant claims and returns

The Audit Commission has replaced the previous schedule of hourly rates for certification work with a composite indicative fee. This composite fee, which is set by the Audit Commission, is based on actual 2010/11 fees adjusted to reflect a reduction in the number of schemes which require auditor certification and incorporating a 40% fee reduction. The composite indicative fee for certification of grant claims and returns for the Council is £12,700. This assumes that no additional testing will be required.

Billing schedule

Our fees are billed quarterly in advance. Given the timing of our appointment we will raise a bill for two quarters in December 2012 with normal quarterly billing thereafter. Our fees will be billed as follows:

Main Audit fee	£
December 2012	39,757.50
January 2013	19,878.75
March 2013	19,878.75
Grant Certification	
June 2013	12,700
Total	92,215

Outline audit timetable

We will undertake our audit planning and interim audit procedures during December and January. Upon completion of this phase of our work we will issue our detailed audit plan setting out our findings and details of our audit approach. Our final accounts audit and work on the VFM conclusion will be completed in July 2013 and work on the whole of government accounts return in September 2013.

Phase of work	Timing	Outputs	Comments
Audit planning and interim audit	January to February	Audit plan	The plan summarises the findings of our audit planning and our approach to the audit of the Council's accounts and VFM.
Final accounts audit	July to Sept 2013	Report to those charged with governance	This report will set out the findings of our accounts audit and VFM work for the consideration of those charged with governance.
VFM conclusion	Jan to Sept 2013	Report to those charged with governance	As above
Financial resilience	Jan to Sept 2013	Financial resilience report	Report summarising the outcome of our work.
Whole of government accounts	September 2013	Opinion on the WGA return	This work will be completed alongside the accounts audit
Annual audit letter	October 2013	Annual audit letter to the Council	The letter will summarise the findings of all aspects of our work.
Grant certification	July to December 2013	Grant certification report	A report summarising the findings of our grant certification work

Our team

The key members of the audit team for 2012/13:

	Name	Phone Number	E-mail
Engagement Lead	Andy Mack	02077283299	Andy.L.Mack@uk.gt.com
Engagement Manager	Debbie Moorhouse	02077283326 07880 456189	Deborah.Moorhouse@uk.gt.com
Audit Executive	Laura Leka	01293 554083	Laura.Leka@uk.gt.com

Additional work

The scale fee excludes any work requested by the Council that we may agree to undertake outside of our Code audit. Each additional piece of work will be separately agreed and a detailed project specification and fee agreed with the Council.

Quality assurance

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 me in

the first instance. Alternatively you may wish to contact Paul Dossett, our Public Sector Assurance regional lead partner (paul.dossett@uk.gt.com) .

Yours sincerely

Andy Mack
For Grant Thornton UK LLP

CC Paul Naylor, Deputy Chief Executive