

MEETING :	AUDIT AND GOVERNANCE COMMITTEE
DATE:	19 FEBRUARY 2013
TITLE OF REPORT:	ANNUAL AUDIT FEE LETTER
REPORT BY:	DAVID POWELL, CHIEF OFFICER: FINANCE AND COMMERCIAL

1. Classification

1.1 Open.

2. Key Decision

2.1 This is not a key decision.

3. Wards Affected

3.1 County-wide.

4. Purpose

4.1 To inform the Audit and Governance Committee of the work to be undertaken by Grant Thornton over coming months for 2012/13 financial year. The report also includes the proposed indicative fee.

5. Recommendation(s)

THAT:

(a) **Audit and Governance Committee notes the content of Grant Thornton's Annual Fee letter; and**

(b) **Audit and Governance Committee note the planned outputs.**

6. Key Points Summary

- The proposed audit fee for 2012/13 is £164,803. This is a reduction of 40% or £109,869 on the 2011/12 fee.
- The Audit Plan lists key milestones and deadlines leading to the Auditors being able to complete required work prior to issuing an audit opinion and value for money conclusion.

7. Alternative Options

7.1 There are no Alternative Options.

8. Reasons for Recommendations

8.1 Grant Thornton are the Council's appointed external auditor. The annual fee letter is an opportunity for the Audit and Governance Committee to be informed of the planned outputs and proposed fee.

9. Introduction and Background

9.1 This report is required in order to inform Audit and Governance Committee about the outputs and fees level for audit work.

10. Key Considerations

10.1 The Annual Audit Fee letter details the amount to be paid to Grant Thornton (£164,803). This is a decrease on the actual fees of £274,672 for 2011/12. The reason for the reduction is outlined in the letter and is from a combination of factors. Any fee amendments will be discussed with the Council's Chief Officer: Finance and Commercial and a report would then go to the Audit and Governance Committee.

10.2 The Audit fee covers work on the audit of financial statements, value for money conclusion and Whole of Government accounts requirements.

10.3 The Audit Commission indicates that given the timescale of the financial challenge faced by local government it will review the robustness of Herefordshire's medium term financial plan. The financial resilience of all local authorities is of increasing importance given the combination of government funding reductions and pressure on services. In 2013/14 Herefordshire's government funding will be £5.45m less than it was in 2012/13 and this requires the Council to have a robust system for delivering savings and for assurance to be given that it can deliver services within resources.

10.4 The letter lists the planned outputs and their indicative dates.

11. Community Impact

11.1 Not applicable.

12. Equality and Human Rights

12.1 Not applicable.

13. Financial Implications

13.1 The fee reflected in the Audit Plan is included in the Council's budget.

14. Legal Implications

14.1 There are no legal implications.

15. Risk Management

- 15.1 The effective management of risk is through the delivery of internal processes that address the risks associated with areas such as final accounts delivery.
- 15.2 Appendix 1 of the attached report indicates the basis of the fee. Certain assumptions are included such as Hoople providing appropriate access and working papers of the required standard. This is mitigated by the oversight of the Hoople contract by the Chief Officer: Finance and Commercial.

16. Consultees

- 16.1 None.

17. Appendices

- 17.1 Audit letter dated 12 December 2012 from Grant Thornton.

18. Background Papers

- 18.1 None identified.