

<b>TITLE</b>	<b>External Audit Fees and Plan 2012/13</b>
<b>FOR CONSIDERATION BY</b>	Audit Committee on 6 February 2013
<b>WARD</b>	None specific
<b>STRATEGIC DIRECTOR</b>	Graham Ebers, Strategic Director Resources

#### **OUTCOME/BENEFITS TO THE COMMUNITY**

The work of the Council's external auditors provides external validations of the Council's financial statements, and ensures that they provide a fair and accurate representation to stakeholders of the Audit Committee.

#### **RECOMMENDATIONS**

That the Audit Committee :

- 1) Approves the external audit fees of £139,750 in respect of the 2012/13 accounts.
- 2) Notes that the External Audit Plan will be submitted to a future meeting of Audit Committee

#### **SUMMARY OF REPORT**

From 1 November 2012 onwards the Council's external auditors are Ernst and Young, who have taken over from the Audit Commission. The proposed fee for the audit of the 2012/13 accounts is £139,750, as set out in their letter of 14<sup>th</sup> December 2012 (attached). The fee has been set by the Audit Commission as part of the five year procurement exercise, which is a substantial saving of £93,250 on the 2011/12 fee of £233,000 (approximately 40%).

The External Audit Plan provides information to the Audit Committee on the responsibilities of the Council's external auditors, and the focus of the audit. Ernst and Young confirm in their letter that this will be issued in February 2013. It is proposed that the plan be submitted to a future meeting of this committee.

## Background

Local authorities are required under legislation to make appropriate arrangements for the audit of their financial statements, and for a Value for Money conclusion.

## Analysis of Issues

The attached letter from Ernst and Young (Appendix A) sets out the proposed fee for the audit of the 2012/13 accounts, which will be met from the 2013/14 budget. In the event that any additional work is required, an additional fee would be payable subject to negotiation and agreement in advance

## FINANCIAL IMPLICATIONS OF THE RECOMMENDATION

	How much will it Cost/ (Save)	Is there sufficient funding – if not quantify the Shortfall	Revenue or Capital?
Current Financial Year (Year 1)	£139,750	Yes	Revenue
Next Financial Year (Year 2)	N/A	N/A	
Following Financial Year (Year 3)	N/A	N/A	

### Other financial information relevant to the Recommendation/Decision

The cost of £139,750 is included in the draft 2013/14 budget.

### Cross-Council Implications

The audit of financial statements covers all Council services

### List of Background Papers

Letter from Ernst & Young 14/12/2012 confirming the proposed audit fee

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<b>Date</b> 28 January 2013	<b>Version No.</b> 1

Andy Couldrick  
Chief Executive  
Wokingham Borough Council  
P.O. Box 150  
Shute End  
Wokingham  
Berkshire  
RG40 1WQ

14 December 2012

Ref: WBC/1213/Feeletter

Direct line: 0776 9932604

Email: mgrindley@uk.ey.com

Dear Andy

## Annual Audit Fee 2012/13

We are writing to confirm the audit work that we propose to undertake for the 2012/13 financial year at Wokingham Borough Council. The fee reflects the risk-based approach to audit planning set in the Code of Audit Practice and the work mandated by the Audit Commission for 2012/13. The audit fee covers the:

- ▶ Audit of the financial statements;
- ▶ Value for money conclusion; and
- ▶ Whole of Government accounts.

Our fee has been set by the Audit Commission as part of the recent 5 year procurement exercise and consequently is not liable to increase in that period without a change in scope.

### Indicative audit fee

For 2012/13 the Audit Commission has set the scale fee for each audited body. The 2012/13 scale fee is based on certain assumptions, including:

- ▶ The overall level of risk in relation to the audit of the financial statements is not significantly different from that of the prior year;
- ▶ We are able to place reliance on the work of internal audit to the maximum extent possible under auditing standards;
- ▶ The financial statements will be available to us in line with the agreed timetable;
- ▶ Working papers and records provided to us in support of the financial statements are of a good quality and are provided in line with our agreed timetable; and
- ▶ Prompt responses are provided to our draft reports.

Meeting these assumptions will help ensure the delivery of our audit at the indicative audit fee.



The indicative audit fee set out in the table below has initially been set at the scale fee level as the overall level of risk in relation to the audit of the financial statements is not significantly different from that of the prior year.

	Indicative fee 2012/13 £	Actual fee 2011/12 £	Actual fee 2010/11 £
Total Code audit fee	139,752	232,900	258,800
Certification of claims and returns*	9,900	13,473	21,769

\*The indicative fee for 2012/13 and the actual fee for 2011/12 relate to the certification of grant claims and returns for the years ended 31 March 2013 and 31 March 2012 respectively. The certification fees for 2010/11 are the actual fees for the year ended 31 March 2011.

Any additional work that we may agree to undertake (outside of the Audit Code of Practice) will be separately negotiated and agreed with you in advance.

Our audit plan for the audit of the financial statements will be issued in February 2013. This will detail the significant financial statement risks identified, planned audit procedures to respond to those risks, and any changes in fee. It will also set out the risks identified in relation to the Value for Money conclusion. Should we need to make any significant amendments to the audit fee during the course of the audit, we will discuss this in the first instance with the General Manager of Business Services and, if necessary, prepare a report outlining the reasons for the fee change for discussion with the Audit Committee.

## Billing

The indicative audit fee will be billed in four equal instalments of £37,413.

## Audit team

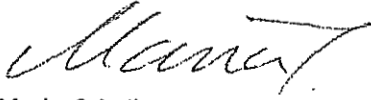
The key members of the audit team for 2012/13 are:

David Wilkinson Partner	dwilkinson@uk.ey.com	Tel: 0117 981 2318
Maria Grindley Director	mgrindley@uk.ey.com	Tel: 0118 928 1667
Mark Catlow Senior Manager	mcatlow@uk.ey.com	Tel: 02380 382087

We are committed to providing you with a high quality service. If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, please contact me. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London, SE1 2AF. We undertake to look into any complaint

carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute.

Yours sincerely



Maria Grindley  
Audit Director  
Ernst & Young LLP  
United Kingdom

cc. Graham Ebers, General Manager of Business Services  
Cllr P Murfin, Chair of the Audit Committee