

<b>TITLE</b>	<b>2013/14 Audit Scale Fee – Late variation</b>
<b>FOR CONSIDERATION BY</b>	Audit Committee on 9 December 2014
<b>WARD</b>	None specific
<b>DIRECTOR</b>	Graham Ebers

<p><b>OUTCOME/BENEFITS TO THE COMMUNITY</b></p> <p>The Council demonstrates the highest levels of financial management which means that the council tax payers money is used effectively and managed safely.</p>
<p><b>RECOMMENDATION</b></p> <p>That the proposed increase of £1,470 in the audit scale fee be approved for 2013/14.</p>
<p><b>SUMMARY OF REPORT</b></p> <p>The attached letter from Ernst and Young at Appendix A identified additional audit work required in 2013/14 to gain sufficient assurance around business rate income and expenditure within the Collection Fund.</p> <p>This extra work was required largely due to the introduction of the business rates retention scheme. However the extra cost of £1,470 is more than offset by a saving due to the cessation of the NNDR3 grant claim. The saving on the 2013/14 grant certification is £2,121. and as a result the net saving to the Council is £651.</p> <p>The amended final audit fee for 2013/14 is £141,222, an increase of £1,470 on the previously notified fee of £139,752.</p>

## Background

The issues are covered in the summary of the report and attached Appendix A

## Analysis of Issues

The issues are covered in the summary of the report and attached Appendix A

### FINANCIAL IMPLICATIONS OF THE RECOMMENDATION

*The Council faces severe financial challenges over the coming years as a result of the austerity measures implemented by the Government and subsequent reductions to public sector funding. It is estimated that Wokingham Borough Council will be required to make budget reductions in excess of £20m over the next three years and all Executive decisions should be made in this context.*

	How much will it Cost/ (Save)	Is there sufficient funding – if not quantify the Shortfall	Revenue or Capital?
Current Financial Year (Year 1)	(£651)	Yes	Revenue
Next Financial Year (Year 2)	(£651)	Yes	
Following Financial Year (Year 3)	(£651)	Yes	

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

None

#### Cross-Council Implications

N/A

#### List of Background Papers

Letter from Ernst and Young 24/11/2014 attached at Appendix A

<b>Contact</b> Stephen McGrail	<b>Service</b> Finance and Resources
<b>Telephone No</b> 0118 974 6560	<b>Email</b> Stephen.McGrail@wokingham.gov.uk
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Wokingham Borough Council  
Council Offices  
Shute End  
Wokingham  
RG40 1BN

24 November 2014

Ref: WBC NDR SFV  
Your ref: NDR SFV

Direct line: 0118 928 1667

Email: mgrindley@uk.ey.com

Dear Rob

### Wokingham Borough Council - 2013/14 Audit Scale Fee – late variation

We issued our formal 'Annual Audit Letter' on the 27 October 2014, to formally report the outcome from our work in respect of the 2013/14 audit year. Within this report, we set out the 'final' audit fees, as required by the Audit Commission.

However, the Audit Commission has recently consulted on a supplement to the 2014/15 audit scale fees. In that consultation, the Audit Commission applied a permanent variation of £1,470 to the base scale fee. This reflects the additional audit procedures required to gain sufficient audit assurance around business rate income and expenditure within the Collection Fund.

This additional work is required because the certification work on Business Rates (the NNDR3 grant claim) is no longer within the Audit Commission's grant regime - it was withdrawn for 2013/14. Auditors were previously able to use the certification work on the NNDR3 claim as the required assurance for the audit opinion on the financial statements (including the Collection Fund). As a result, the 2013/14 grant certification scale fee was reduced by £2,121, to reflect this.

The Audit Commission has now acknowledged that auditors were required to undertake these additional audit procedures to be able to gain assurance for the 2013/14 financial statements opinion. Indeed, business rates were included as a significant audit risk within our Audit Plan. In recognising that this applies equally to 2013/14, the Audit Commission has asked us to agree a scale fee variation of £1,470 to that audit fee with you.

The revised final scale fee in respect of the 2013/14 audit is set out in the table below.

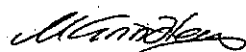
	2013-14	2013-14
	Reported final fee (within Annual Audit Letter)	Amended final fee (revised and final)
	£	£
Audit Code Scale Fee	139,752	141,222

I appreciate that any increase to the audit scale fee is unwelcome news, but I hope that the narrative above sets out the Audit Commission's rationale for the increase. I think that this increase should be seen in the context of the Audit Commission reducing the 2015/16 scale fee by a further 25%, as a result of its latest procurement exercise.

If you wish to discuss this in more detail please do let me know, so we can arrange a call or a meeting. Otherwise, I would be grateful if this letter could be included within the agenda for the next Audit Committee, as we are required to report the final audit fee to 'those charged with governance' of the Council.

I look forward to catching up with you in due course.

Yours sincerely



Maria Grindley  
Director  
Ernst & Young LLP