

# **AUDIT COMMITTEE**

## **Audit Commission Proposed Work Programme and Fees 2007/08**

**24 January 2007**

### **Report of Corporate Director (Finance & Performance)**

#### **PURPOSE OF REPORT**

To advise Members of the Audit Commission's recently issued proposals for their 2007/08 work programme and scale of fees and ask Members if they wish to comment on those proposals to the Commission.

**This report is public**

#### **RECOMMENDATIONS**

- (1) That the Audit Commission's proposals are noted.**
- (2) That Members consider whether they wish to comment to the Audit Commission on its proposed work programme and scale of fees for 2007/08.**

#### **1.0 Introduction**

- 1.1 The Audit Commission has recently issued a document setting out its proposed work programme and scale of fees for local government, housing, criminal justice and fire and rescue services.

#### **2.0 Proposal Details**

- 2.1 The Audit Commission's document, on which it has invited comments by Friday, 16<sup>th</sup> February 2007, is attached as Appendix A. The main points relating to the audit of the Council are:

##### **Work Programme**

- a) The scale of fees proposed covers all work required of auditors to meet their statutory responsibilities (i.e. meeting the Code of Audit Practice); and

- b) Additional elements of work specified by the Commission. For 2007/08 the Commission is planning to specify the following:
- Auditor input to Comprehensive Performance Assessment (CPA) via the Use of Resources (UoR) judgement.
  - Data quality auditing of specified performance indicators
  - Whole of Government Accounts (WGA) auditing
  - National Fraud Initiative (NFI) – data matching exercise to detect possible fraud within public bodies
- c) Grant claims and returns certification (an additional charge at published hourly rates)
- d) In Spring 2007, the Commission will consult on proposed changes to the CPA framework for district councils and the 2007 framework for single tier councils.
- e) Service inspections will continue to be undertaken on a risk basis where an inspection is considered the most appropriate way to drive improvement. The inspection programme will be confirmed as part of the annual audit and inspection planning process and will be tailored to reflect differing local priorities.
- f) The Commission's planned housing inspection programme will be published on completion of the annual audit and inspection planning process.
- g) A number of other risk-based programmes will be delivered, including corporate assessment activity in district councils.
- Items e) to g) are covered by proposed days and fees for "Inspection Activity".

### Fee Scales

2.2 The fee scales proposed by the Commission for 2007/08 represent an average increase of 2.75 percent. As the fee scales are indicative, represent a "standard" level of service and will be subject to discussion, it is impossible at this stage to predict the fees that the Commission will ultimately charge. The following table, however, gives an indication of the position for those fees relevant to the Council:

Fee Element	Proposed Scale Fee 2007/08	2006/07 Scale Fee	Comments
Audit Fee (scale mid point)	£67,500 + 0.051% of gross expenditure (+/- 30% depending on risk factors)		No change in fee scale. The charge for 2006/07 is actually set at £107,665 (approx 3% below the scale mid point)
Grant Claim Certification	Hourly Rates		See page 11 of the appendix for hourly rates.
Inspection Activity			In 2006/07, agreed fee includes £2,858 for inspection activity (no charges re Corporate Assessment or Service Inspection)
• Relationship Manager	£2,950	£2,870	
• Direction of Travel	£2,950	£2,870	
• Corporate Assessment	£13,720	£13,360	
• Service Inspection	£6,330	£6,160	

2.3 In addition to this normal activity, the Council has been approved to undergo a CPA reclassification assessment. At this stage the timing for the assessment and the likely cost to the Council are not known.

### **3.0 Details of Consultation**

3.1 Not applicable

### **4.0 Options and Options Analysis (including risk assessment)**

4.1 The options available to Members are to either comment or decline to comment to the Audit Commission on these proposals.

### **5.0 Officer Preferred Option**

5.1 In overall terms, the proposed average increase in fees of 2.75% is reasonable and within existing budget assumptions. The actual budgetary implications cannot be forecast at this stage until more detailed proposals regarding the audit are submitted and discussions held with the relationship manager. In the light of this, the officer preferred option is not to comment at this stage.

### **6.0 Conclusion**

6.1 The Audit Commission's work programme and fee scale proposals for 2007/08 include some minor changes to the way in which work is categorised as regards fees, but in general the scope of their work is largely unaltered. More detailed proposals regarding audit work for the Council will be the subject of discussion and agreement once the auditor's plans are submitted.

<b>CONCLUSION OF IMPACT ASSESSMENT</b> (including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)	
Not applicable	
<b>FINANCIAL IMPLICATIONS</b>	
None arising directly from this report. Indications are that the Audit Commission's fee levels fall within existing budget assumptions.	
<b>SECTION 151 OFFICER'S COMMENTS</b>	
The Section 151 Officer has been consulted and has no further comments	
<b>LEGAL IMPLICATIONS</b>	
None arising from this report	
<b>MONITORING OFFICER'S COMMENTS</b>	
The Monitoring Officer has been consulted and has no further comments.	
<b>BACKGROUND PAPERS</b>	<b>Contact Officer:</b> Derek Whiteway <b>Telephone:</b> 01524 582045 <b>E-mail:</b> dwhiteway@lancaster.gov.uk <b>Ref:</b> aud/comm/audit/070124