



Haringey Council

Agenda Item

Audit Committee

On 23 April 2009

Report title: **Audit and Inspection Fees 2009/10**

Report of: **Chief Financial Officer**

Ward(s) affected: All

Report for: Decision

1. Purpose

1.1 To inform the Committee of the proposed audit and inspection fees for 2009/10 to be charged by Grant Thornton and the Audit Commission.

2. Recommendation

2.1 That the Committee notes and approves the proposed audit and inspection fees for 2009/10 from Grant Thornton and the Audit Commission

Report authorised by: Gerald Almeroth – Chief Financial Officer

**Contact officer: Graham Oliver – Head of Finance – Accounting, Control & Income
Telephone 020 8489 3725**

3. Executive Summary

3.1 The Council are required to pay fees to its statutory auditors for the audit and inspection activities they undertake each year. The attached correspondence from the auditors are attached and set out their fees for 2009/10.

3.2 The fees charged by Grant Thornton are for the work they carry out for the statutory audit and the use of resources assessment under the CAA. The fees from the Audit Commission is for their function as the CAA lead for Haringey.

4. Reasons for any change in policy or for new policy development (if applicable)

4.1 None.

5. Local Government (Access to Information) Act 1985

The following background papers were used in the preparation of this report:

6. Background

6.1 The Council are required to pay fees to its statutory auditors for the audit activities they undertake each year. The attached correspondence from the auditors are attached and set out their fees for 2009/10.

6.2 The fees charged by Grant Thornton are for the work they carry out for the statutory audit and the use of resources assessment under the CAA. The fee from the Audit Commission is for their function as the CAA lead for Haringey.

7. Proposed fees

7.1 The fees for 2009/10 from both the Audit Commission and Grant Thornton are set out in the table below.

Audit Commission	£
CAA inspection (directly grant funded)	nil
Managing performance theme of organisational assessment	19,956
Sub total	19,956
Grant Thornton	
Financial statements, including WGA	340,000
Use of resources/VFM conclusion, including data quality	165,000
Sub total	505,000
Total Audit Fees 2009/10	524,956

- 7.2 The basis of the fees is detailed in the attached letters from Grant Thornton and the Audit Commission.
- 7.3 The fees from the Audit Commission for the new CAA inspection regime are directly grant funded.
- 7.4 The fees from Grant Thornton show an increase of £34k (7%) over the cost for 2008/09. The two main additional sums are in respect of preparation for IFRS (£9.55k) and additional data quality work (£19.63k). The other increase is for inflation of 1%.

8. Recommendation

- 8.1.1 That the committee notes and approves the audit fees for 2009/10 from Grant Thornton and the Audit Commission

Our Ref PD/PH

Mr Gerald Almeroth
Chief Financial Officer
London Borough of Haringey
5th floor, River Park House
225 High Road
Wood Green
London N22 8HQ

Grant Thornton UK LLP
Grant Thornton House
Melton Street, Euston Square
London NW1 2EP
T +44 (0)20 7728 2256
F +44 (0)20 7728 2256
www.grant-thornton.co.uk

25 March 2009

Dear Gerald

Annual audit fee 2009/10

We are writing to set out the audit work that we propose to undertake for the 2009/10 financial year at the Council. The 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 2009/10
- reflects only the audit element of our work, excluding any inspection and assessment fees. Your Comprehensive Area Assessment Lead will be writing to you separately on inspection fees.

The Audit Commission published its work programme and scales of fees 2009/10, in December 2008. From 2009-10, the Audit Commission has clarified that the starting point for any fee proposal is the scale fee, which is calculated using a prescribed formula. Any variation from scale fee must be approved by the Audit Commission, following agreement of the proposed fee with the audited body.

We are proposing a 2009/10 fee of £505,000 (excluding VAT). The proposed fee is 14% above the Audit Commission scale fee of £444,000 (from 10% above scale fee last year). This is due to increased risks relevant to our Code responsibilities, relating to preparing for accounting under International Financial Reporting Standards (IFRS), data quality, treasury management, managing performance through partnerships and workforce management arrangements.

A summary of the proposed fee is shown in the table below.

Audit area	Planned fee 2009/10	Planned fee 2008/09
Financial statements, including WGA	£340,000	£327,200
Use of resources/VFM conclusion, including data quality	£165,000	£143,920
Total audit fee	£505,000	£471,120
Certification of claims and returns	TBC (Dec. 09)	£100,000

Chartered Accountants

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In setting the fee at this level, we have assumed that the general level of risk in relation to the audit of the financial statements is not significantly different from that identified to 2008/09. A separate plan for the audit of the financial statements will be issued in December 2009. This will detail the risks identified, planned audit procedures and any changes in fee.

The audit fee is based on the assumption that detailed working papers, and other specified information, are provided to an agreed timetable. Where the Council does not meet agreed timetables and/or provide poor documentation such that additional audit work is necessary, or the audit is delayed, we reserve the right to charge additional fees to cover the costs incurred.

The Council must prepare its annual accounts under International Financial Reporting Standards (IFRS), from 2010/11. Early preparation is essential and there is a risk that the Council may not be adequately prepared for the transition.

Using our IFRS experts, we will continue to help the Council to prepare for introduction of IFRS, through awareness raising sessions for officers and members and constructive challenge on the Council's plans and progress. This is included within the financial statements audit fee.

Specialist colleagues from Grant Thornton's Financial Reporting Advisory Group, can also be commissioned for more detailed technical support, should the Council require it.

Our use of resources assessments will be based upon the evidence from three themes:

- Managing finances
- Governing the business
- Managing resources.

The key lines of enquiry specified for the assessment are set out in the Audit Commission's work programme and scales of fees 2009/10. Our work on use of resources informs our 2009/10 value for money conclusion. However, we have identified a number of risks in relation to the value for money conclusion. For each risk, we consider the arrangements put in place by the Council to mitigate the risk, and plan our work accordingly. Our initial risk assessment for value for money audit work is shown in the table overleaf:

Risk	Planned work	Timing
<p>Well publicised inspection activity at the Council during the year identified a number of issues for the Council to deal with.</p> <p>Some of the risks identified are in the areas covered by our Code of Practice responsibilities, most notably, data quality and working effectively in partnership.</p>	<p>We are allocating the Council a risk assessment of "high" for data quality, which means that we will carry out an extended programme of indicator testing to support our VFM conclusion.</p> <p>Fees in respect of data quality work already completed are included in this fee estimate.</p> <p>We plan to carry out a review of how effectively the Council works with its strategic partners to manage performance and deliver better outcomes for Haringey residents. This review will be jointly funded from the 2009-10 plans of the Council and PCT, and will be used to support our VFM conclusions for 2009/10.</p>	<p>February - August 2009</p> <p>October - December 2009</p>
<p>This time next year, we will review and score the Council's arrangements for managing its workforce, as part of the 2010 use of resources assessment.</p> <p>The assessment covers arrangements in place for 2009/10 and there is a risk that the Council's arrangements may not be sufficiently developed to perform well.</p>	<p>We will carry out an early review of the Council's workforce management arrangements and provide timely feedback on any areas where the Council is not progressing as well as it should be.</p> <p>This work will help the Council to improve its arrangements and will provide evidence to support our 2009/10 VFM conclusion.</p>	<p>July - September 2009</p>
<p>The Council has £37m of deposits with Icelandic banks, which are at risk.</p> <p>The Council has recently received a consultants report on its treasury management arrangements, which highlights some areas for improvement.</p>	<p>We will follow up on the Council's progress in implementing the required improvements.</p>	<p>October - December 2009</p>

The quoted fee for grant certification work is an estimate only and will be charged at published hourly rates.

Our fees exclude any additional work requested by you that we may agree to undertake. Each piece of work will be separately negotiated and a detailed project specification agreed with you.

As we have not yet completed our audit for 2008/09, the audit planning process for 2009/10, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary. If we need to make any significant amendments to the audit fee during the course of the audit, we will first discuss this with you and then prepare a report outlining the reasons why the fee needs to change for discussion with the Audit Committee.

The audit fee will be billed in quarterly instalments from June 2009.

We will issue a number of reports relating to our work over the course of the audit. These are listed at Appendix 1.

The key members of the audit team for 2009/10 are:

Engagement Lead - Paul Dossett 020 7728 3180 / paul.dossett@gtuk.com

Audit Manager – Paul Hughes 020 7728 2256 / paul.hughes@gtuk.com

Performance Manager – Martin Ellender 07798 844712 / martin.ellender@gtuk.com

Audit Executive – Caroline Glitre 020 7728 2078 / caroline.glitre@gtuk.com

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 the engagement lead in the first instance. Alternatively you may wish to contact the Head of Government Audit at Grant Thornton UK LLP, Richard Tremeer on richard.tremeer@gtuk.com.

Yours sincerely

Grant Thornton UK LLP

A Planned Outputs

Our reports will be discussed and agreed with the appropriate officers before being issued to the Audit Committee.

Planned output	Indicative date
Audit plan	December 2009
Audit strategy document	June 2010
Annual governance report	September 2010
Auditor's report giving the opinion on the financial statements and value for money conclusion	September 2010
Use of resources report	September 2010
Annual audit letter	November 2010

Any other specific outputs will be agreed with officers and communicated to the Audit Committee.

London Borough of Haringey
Itemisation of change in audit fee year on year

Audit area	Planned fee 2009/10	Planned fee 2008/09
Financial statements, including WGA	£340,000*	£327,200
Use of resources/VFM conclusion, including data quality	£165,000#	£143,920
Total audit fee	£505,000	£471,120

* Accounts fee increase is made up of £3,250 inflationary increase (at 1%) and £9,550 early IFRS work = £12,800

Use of resources increase is made up of £1,450 inflationary increase (at 1%) and £19,630 additional DQ work required under the revised Audit Commission regime and the Council's high risk rating in this area =£21,080. The recently undertaken data quality review, which took 30 days, was largely funded from the increase in fee.

The remaining use of resources risk identified in the letter, including partnerships, treasury management and workforce, are to be managed as part of the recurrent audit fee.



Reference 20090407. Fee letters. I O Donovan

7 April 2009

Dr Ita O'Donovan
Chief Executive
London Borough of Haringey
Civic Centre
High Road
Wood Green
N22 8LE

Direct line 0844 798 2320

Email j-barry-purssell@audit-commission.gov.uk

Dear Ita

Annual inspection fee 2009/10

Further to our discussions, I am writing to confirm the assessment and inspection work that we propose to undertake for the 2009/10 financial year at Haringey Council. The inspection fee:

- is based on the risk-based approach to inspection planning as set out in the Comprehensive Area Assessment (CAA) framework and associated guidance; and
- reflects only the Audit Commission's inspection work, excluding any audit fees. Your appointed auditor will be writing to you separately on fees for audit work.

CAA will deliver a more proportionate and risk based approach to inspection, targeting only high risk services and outcomes for inspection where alternative improvement activity is not appropriate. The inspection plan will be reviewed and updated as necessary.

The total indicative fee for inspection for 2009/10 is £19,956.00 and is shown in the table below. The inspection fee has been set in accordance with the Audit Commission's work programme and scales of fees 2009/10.

Assessment and inspection work plan and fee

Assessment / inspection activity	Planned fee for 2009/10
Area assessment of local partnership	n/a (CLG grant funded)
Managing performance theme of organisational assessment	£19,956.00
Total inspection fee	£19,956.00

If I need to make any significant amendments to the inspection plan and fee during the course of the year, I will first discuss this with you and then confirm in writing outlining the reasons for the change, including the proposed scope for the work.

The above fee excludes any work you requested and the Commission has agreed to undertake using its advice and assistance powers.

If you have any questions regarding this letter, please contact me in the first instance.

Yours sincerely,

Jackie Barry-Purssell
Comprehensive Area Assessment Lead

cc Director of Finance - Mr Gerald Almeroth