

**TO: GOVERNANCE AND AUDIT COMMITTEE
27 MARCH 2012**

**EXTERNAL AUDIT MATTERS
Borough Treasurer**

1 PURPOSE OF REPORT

- 1.1 To receive the District Auditor's annual report on the certification of claims and returns for 2010/11.
- 1.2 To note developments with regard to the appointment of external auditors.

2 RECOMMENDATION(S)

That the Governance and Audit Committee:

- 2.1 **Receive the District Auditor's annual report on the certification of claims and returns for 2010/11, and**
- 2.2 **Note developments with regard to the appointment of external auditors.**

3 REASONS FOR RECOMMENDATION(S)

- 3.1 To advise the Governance and Audit Committee of the District Auditor's conclusions and recommendations following the completion of the annual audit of claims and returns for 2010/11.
- 3.2 To advise the Governance and Audit Committee of recent developments regarding the appointment of external auditors.

4 ALTERNATIVE OPTIONS CONSIDERED

- 4.1 None

5 SUPPORTING INFORMATION

Certification of claims and returns – annual report

- 5.1 The Council claims significant sums of money from the Government and the District Auditor is required to undertake certification work to provide assurance that the Council's claims for grant are made properly and that the information contained in financial returns is reliable. In Bracknell Forest this work is focussed in five areas:
 - Housing and council tax benefit
 - National non-domestic rates
 - Teachers' pensions

Unrestricted

- Sure start, early years and childcare grant and aiming high for disabled children grant, and
- Disabled facilities

5.2 The District Auditor's annual report on the certification of claims and returns is attached at Annex A and the District Auditor, Helen Thompson, will attend the meeting to present the report and answer questions.

Appointment of External Auditors

5.3 On 6 March 2012 the Audit Commission announced the results of the procurement exercise it had undertaken to outsource the work of its in house audit practice, District Audit.

5.4 Ernst and Young have been awarded a five year contract to audit public bodies in the South East and will, therefore, be the Council's external auditor from 1 September 2012. A series of introductory meetings have been arranged during May, providing the opportunity to meet the new auditor and its senior partners and to hear how the firm plans to manage its new portfolio of work and its approach to the audits.

5.5 In practice this means that District Audit will complete the 2011/12 external audit work, handing over to Ernst and Young, following a short transition period. Helen Thompson will also provide the Committee with a further update at the meeting.

6 ADVICE RECEIVED FROM STATUTORY AND OTHER OFFICERS

Borough Solicitor

6.1 Nothing to add to the report.

Borough Treasurer

6.2 The costs associated with the certification of claims and returns (£83,402) can be met from the budget for external audit fees. The value of any amendments made to grant claims and returns is set out in Table 2 in Annex A.

6.3 The award of the external audit contract to Ernst and Young is expected to result in a reduction in external audit fees, although this cannot be quantified at this early stage.

Equalities Impact Assessment

6.3 Not applicable

Strategic Risk Management Issues

6.4 The change of external auditor represents a potential risk as the Council will need to adapt to the requirements of Ernst and Young. This is exacerbated by the change of internal audit provider from 1 April 2012, as external auditors place reliance on the work of internal audit. The risk will be mitigated by early and effective communication between all parties.

Other Officers

6.5 Not applicable

7 CONSULTATION

Principal Groups Consulted

7.1 Not applicable

Method of Consultation

7.2 Not applicable

Representations Received

7.3 Not applicable

Background Papers

Audit Commission press releases

Contact for further information

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