

**TO: GOVERNANCE AND AUDIT COMMITTEE**  
**27 MARCH 2013**

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**EXTERNAL AUDIT MATTERS**  
**Borough Treasurer**

**1 PURPOSE OF REPORT**

- 1.1 To note the External Audit Plan for 2012/13.
- 1.2 To note the Annual Audit Fee for 2013/14.

**2 RECOMMENDATIONS**

**That the Governance and Audit Committee:**

- 2.1 Note the External Audit Plan for 2012/13, and**
- 2.2 Note the Annual Audit Fee for 2013/14.**

**3 REASONS FOR RECOMMENDATIONS**

- 3.1 To advise the Governance and Audit Committee of the external auditor's audit plan for 2012/13.
- 3.2 To advise the Governance and Audit Committee of the Annual Audit Fee for 2013/14.

**4 ALTERNATIVE OPTIONS CONSIDERED**

- 4.1 None

**5 SUPPORTING INFORMATION**

**External Audit Plan**

- 5.1 The External Audit Plan for 2012/13 is attached at Annex A and Catherine Morganti, Manager, Ernst and Young will attend the meeting to present the report and answer questions.

**Annual Audit Fee 2013/14**

- 5.2 Ernst and Young have been awarded a five year contract to audit public bodies in the South East and are now the Council's external auditors. The fee for 2013/14 has been set by the Audit Commission as part of that procurement exercise and will not increase unless there is a change in the scope of the external auditor's work.
- 5.3 The letter attached at Annex B sets out the scope of the external auditor's work and the assumptions underpinning their fee. The Total Code audit fee for 2013/14 is £138,564, which is the same as 2012/13. Whilst the fee for the certification of claims and returns (£45,420) is over £3,000 less than the indicative fee for 2012/13 this is a

volatile figure which is dependent upon the level of audit testing required. However, the improvements that have been made in the Council's approach to compiling grant claims and returns should ensure a saving is achievable.

## **6 ADVICE RECEIVED FROM STATUTORY AND OTHER OFFICERS**

### Borough Solicitor

- 6.1 Nothing to add to the report.

### Borough Treasurer

- 6.2 The budget for external audit fees was reduced by £92,000 as one of the Council's savings proposals for 2013/14. The costs associated with the annual external audit and the certification of claims and returns can be met from this reduced budget.

### 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 risk is being mitigated by effective communication between the Council, Ernst and Young and Deloitte (the Council's internal audit provider), whose work Ernst and Young will place reliance upon.

### 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

None

### Contact for further information

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