

**Financial Scrutiny and Audit
Committee**

9 July 2013

Agenda Item No 14

External Audit Annual Audit Fee 2013/14

Report by Head of Finance

Summary:	<p>This report appends the annual audit fee letter from Ernst & Young for undertaking the 2013/14 audit. The fee will be maintained at £13,943.</p> <p>This report also appends notification of a rebate for audit fees from the Audit Commission in relation to the 2012/13 audit.</p>
Recommendation:	<p>That the details of the annual audit fee letter be noted, and the Audit Commission rebate be welcomed.</p>

1 Introduction

- 1.1 This report appends the Audit Commission's 2013/14 audit fee letter (Appendix 1), setting out the audit fee which will be payable for undertaking the 2013/14 audit of the Authority's accounts and its financial, governance and value for money arrangements.
- 1.2 Members will note that the audit fee will be £13,943, which represents no change when compared with the audit fee charged for 2012/13.
- 1.3 The Audit Manager, David Riglar, will be attending the meeting and will present this item and answer any questions.

2 Audit Commission Rebate 2012/13

- 2.1 The Audit Commission has in addition notified the Authority of a rebate for audit fees following revisions to its structure and business model which have enabled a further reduction in costs. Details of these changes are set out in Appendix 2.
- 2.2 The Audit Commission rebate for 2012/13 amounts to £1,200, with a similar rebate currently anticipated for 2013/14.

3 Financial Implications

- 3.1 Provision for the annual audit fee was included in the 2013/14 budget and will be charged in the accounts for the year.

Background papers: None

Author: Titus Adam

Date of report: 19 June 2013

Broads Plan Objectives: None

Appendices: APPENDIX 1 – Ernst & Young audit fee letter 2013/14
APPENDIX 2 – Audit Commission rebate for audit fees letter



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Dr John Packman
Chief Executive
Broads Authority
Yare House
62-64 Thorpe Road
Norwich
NR1 1RY

17th April 2013

Ref: DR/NH/EM/Audit Fee 13/14

Direct line: (0) 7789032619

Email: driglar@uk.ey.com

Dear John

**Broads Authority
Audit fee 2013-14**

We are writing to confirm the 2013-14 audit work we propose to undertake. The 2013-14 fees reflect the risk-based approach promoted by the Audit Commission for audit and certification work.

Planned audit fee

The audit fee covers the work we perform to provide our:

- ▶ Opinion on the financial statements
- ▶ Value for money conclusion
- ▶ Report to the National Audit Office on the Whole of Government Accounts

The Audit Commission has set scales of fees as part of its five year procurement exercise. It has indicated scale fees are not liable to increase in that period unless there is a change in scope. For 2013-14 the Audit Commission has set a scale fee for each audited body. The scale fee is based on certain assumptions, including:

- ▶ The overall level of risk in relation to the audit of the financial statements, Whole of Government Accounts and proper arrangements is not significantly different from that of the prior year
- ▶ Reliance can be placed on the work of internal audit to the maximum extent possible under auditing standards
- ▶ The financial statements will be available in line with the agreed timetable
- ▶ Working papers and records provided in support of the financial statements are of a good quality and are provided in line with agreed timetable
- ▶ Prompt responses are provided to draft audit reports

Meeting these assumptions will help ensure the delivery of an audit at the audit scale fee.

We have set the planned audit fee at the scale fee level which assumes the overall level of risk is not significantly different from that of 2012-13. The 2012-13 audit is in progress. We will update our risk

assessment and undertake more detailed planning for the 2013-14 audit after we complete the 2012-13 audit.

Summary of fees

	Planned fee 2013-14 £	Planned fee 2012-13 £	Actual fee 2011-12 £
Code audit fee	13,943	13,943	23,238

The planned audit fees will be billed in quarterly instalments of £3,485.75.

Any additional work we may agree to undertake (outside of the Audit Code of Practice) will be separately negotiated and agreed with you in advance.

Audit plan

We will issue our 2013-14 audit plan for the audit of the financial statements, Whole of Government Accounts and proper arrangements in February 2014. This will detail the financial statement and value for money conclusion risks identified, planned audit procedures to respond to those risks, and any changes in fee. Should we need to make any significant amendments to the audit fee during the course of the audit, we will discuss this in the first instance with the Head of Finance, and, if necessary, prepare a report outlining the reasons for the fee change for discussion with the Chair of the Financial Scrutiny and Audit Committee.

Audit team

The key members of the audit team for 2013-14 are:

Neil Harris
Director

nharris2@uk.ey.com

Tel: (0) 1223 394459

David Riglar
Manager

driglar@uk.ey.com

Tel: (0) 7789032619

We are committed to providing you with a high quality service. If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, please contact me. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London, SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute.

Yours faithfully

A handwritten signature in dark ink, appearing to be 'Neil Harris', with a stylized, cursive script.

Neil Harris

Director

Ernst & Young LLP

United Kingdom

cc. Mr G McGregor, Chairman of the Financial Scrutiny and Audit Committee
Titus Adam, Head of Finance



22 March 2013

Dr John Packman
Chief Executive Officer
Broads Authority
Dragonfly House, 2 Gilders Way
Norwich, NR3 1UB

221872

Dear Dr Packman,

Rebate for audit fees

The Audit Commission has made significant fee reductions since the announcement of its closure in August 2010, and you will already be aware that audit fees were reduced by 40 per cent, following the outsourcing of the Commission's Audit Practice last year. Since then, we have agreed a revised structure and business model that focuses on our core functions for the period until our planned closure – as a result, we have been able to reduce our costs further.

We will be holding fees for 2013/14 work at the significantly reduced levels we set for 2012/13 and will be able to return some £4.2 million to local government, police and fire and rescue bodies and £1.8 million to NHS bodies as a rebate in respect of audit fees.

The rebate is being made by the Commission directly to avoid any confusion with the annual audit fee.

I am pleased to be enclosing a cheque for £1,440.00, your remittance advice is on the back of this page.

It is our current intention to make a similar rebate at this time next year.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Marcine Waterman'.

Marcine Waterman
Controller of Audit

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Remittance advice

22 March 2013

Broads Authority
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Audit Fee Rebate	£1,200.00
VAT	£240.00
Total	£1,440.00

VAT Registration Number: GB 358 0778 22