

BABERGH DISTRICT COUNCIL

FROM: Corporate Director

REPORT NUMBER **E154**

TO: Overview & Scrutiny (Stewardship)

DATE OF MEETING 27 September 2005

AUDIT AND INSPECTION PLAN 2005/06

1. **SUMMARY**

1.1 At the last meeting the Committee deferred a decision on the Audit Commission's fee for 2005/06 until further information had been obtained. That information is provided in this report.

2. **RECOMMENDATIONS TO STRATEGY COMMITTEE**

2.1 That in the light of the information received and earlier negotiations which have reduced the Audit Commission's proposed fee for 2005/06, the the revised fee of £130,000 be approved.

2.2 That the Corporate Director on behalf of a number of Suffolk authorities write to the Chairman of the Audit Commission expressing concern and highlighting the discrepancy between national announcements by the Audit Commission on reducing fee levels and the reality of higher fees.

3. **FINANCIAL IMPLICATIONS**

3.1 Following negotiations with the Audit Commission the revised Audit and Inspection Fee for 2005/06 of £130,000 is 4.6% higher than the fee for the previous year of £124,300.

3.2 The revised submission of £130,000 is £1,750 more than the provision made in the budget of £128,250; and so, if accepted by this Committee, the approval of the Strategy Committee will need to be sought.

4. **KEY INFORMATION**

4.1 At the last meeting the Committee deferred the decision on the acceptance or otherwise of the Audit Commission's fee proposal for 2005/06 until further information was obtained on:-

- An appropriate breakdown from the Audit Commission on the proposed Audit and Inspection Fee for 2005/06.
- An indication of whether through the Suffolk Chief Finance Officers Group the other Suffolk authorities would support a joint approach on the fee issue being made to the Audit Commission.

4.2 On the first point, further discussions have been held with the Audit Commission's Relationship Manager and the District Auditor and they have provided the attached breakdown at Appendix 1. That is not as detailed a breakdown or an explanation as I, or I am sure the Committee, would have liked, but it goes much further than they are normally prepared to go and I do not believe that a more detailed breakdown can be obtained. However, it does provide a breakdown which can be of some use when discussing their proposed fees for future years.

4.3 On the second point of support from the other Suffolk authorities, five have responded and none are happy with the increase in their fees. In some cases the percentage increase in the fee is far higher than our own. One authority has already written to the Audit Commission to express their concern and so does not wish to be party to a further representation. But the other four authorities are supportive of a joint representation being made on their behalf.

5. **APPENDIX**

Fee breakdown analysis from the Audit Commission – Appendix 1.

Geoff Kistner
Corporate Director

16 September 2005

BACKGROUND INFORMATION

Emails from Mid Suffolk District Council, Ipswich Borough Council, St Edmundsbury Borough Council, Waveney District Council and Suffolk County Council on fee levels and representation.

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Babergh District Council - breakdown of 2004/05 and 2005/06 Audit and Inspection fees

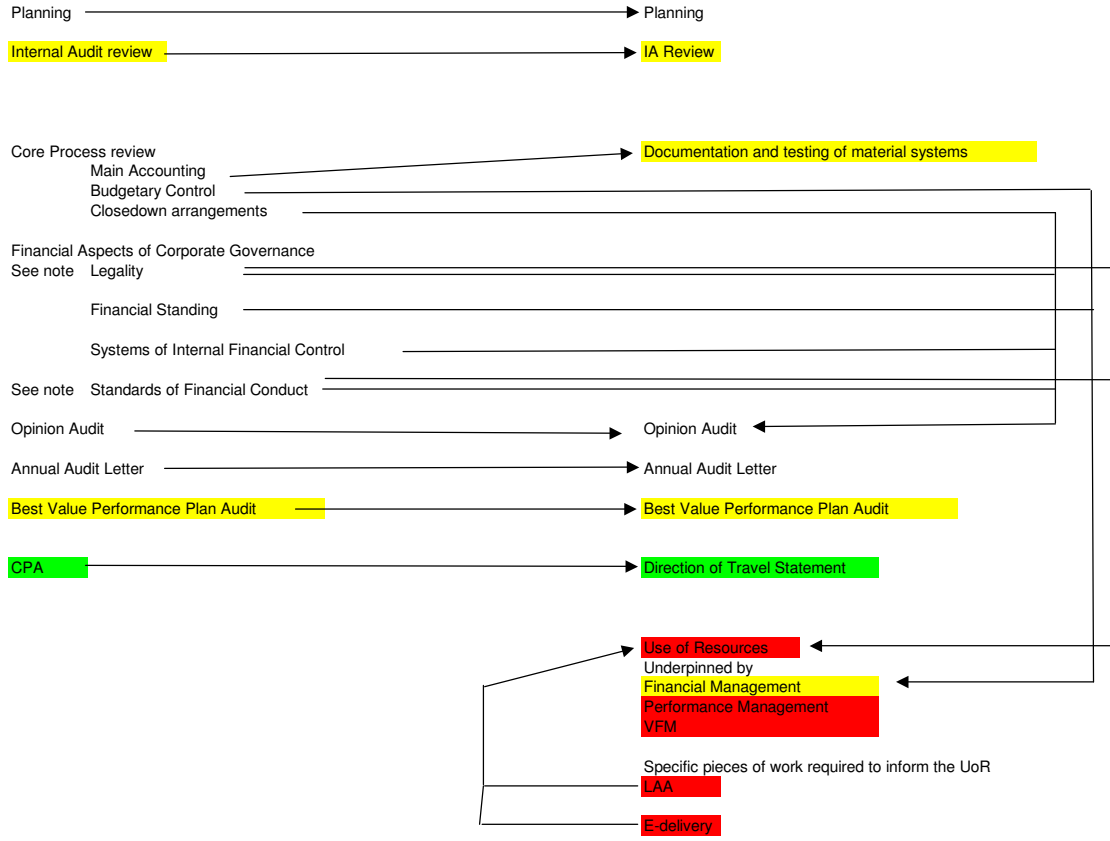
	£	
2004/05 fee	79,300	
Increasing impact on audit fee		
BVPI	1,000	Due to increasing level of errors in BVPIs
Specific risk work new to 2005/06		
LAA	5,100	Specific cross sector risk
E-Delivery work	2,000	Specific cross sector risk
New ISA/Code of practice requirements	2,600	Use of Resources work greater scope than Financial Aspects of Corporate Governance (FACG) Testing of all material systems under ISAs - wider coverage than under previous SASs Full Internal Audit review required for 2005/06
Subtotal	90,000	
Decreasing impact on audit fee		
Reduction in Inspection fee	-6,000	Arising from good CPA rating
2005/06 fee	84,000	

	----- 2004/05 -----				----- 2005/06 -----			
	Days	%	Fee	%	Days	%	Fee	%
Accounts	83	39%	30900	39%	121.5	61%	53000	63%
FACG	34	16%	26400	33%	0	0%	0	0%
Performance	25.5	12%	12000	15%	53	27%	27000	32%
Inspection	70	33%	10000	13%	24	12%	4000	5%
	212.5		79300		198.5		84000	

**Audit Plan activity
2004/05**

2005/06

Notes



Follow up reviews done since last full review in 02/03
Therefore full review required in 05/06.
Also IA found to be borderline compliant with IA standards in 04/05
Full self-assessment against standards requested.

Impact of new ISAs - 10 systems identified as material
IA coverage planned for all of them and
IA reliance has already been factored into the fee for this
But issues above and over system documentation and covering
key systems in thirds have **not** been factored in.

Dual requirement under opinion and UoR work

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Increase in fee due to rise in number of amendments on BVPP
in last 2 years

Process for "good" rated CPA council, therefore £6k reduction
in inspection fee

Explicit conclusion

Partnerships identified as key national risk and agreed at Suffolk CEx Group
in late Feb a key risk for suffolk requiring a Suffolk wide response.
E- Delivery Is a key local risk which we need to do Suffolk-wide to discharge our
Code of practice responsibilities (again agreed at CEx group)

Fee	79300	84000	Increase	5.93%
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- Reduced workload
- Present obligations with increased workload
- New Obligations