

**Committee:** Performance Select Committee  
**Date:** 29 April 2008  
**Title:** Audit Commission Fees

**Agenda Item**

**6**

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Item for Decision

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## Summary

1. Previous meetings of the Performance Select Committee have been made aware that the problems with the audit of the Council's 2006/07 accounts have had an adverse effect on the amount of work needed by the external auditors to form their independent opinion on the accounts. The Committee has been advised that this additional time would result in additional fees being due.
2. This paper sets out the extent of the additional work that has been necessary, and the extent of the additional fees that result. We are required by professional standards to report additional fees to 'Those Charged with Governance', which in the case of Uttlesford District Council is the Performance Select Committee.

## Recommendations

3. Members consider the additional fees set out in Appendix One.

## Background Papers

None.

## Impact

Communication/Consultation	There are no specific communication or consultation implications contained in this report
Community Safety	There are no specific community safety implications contained in this report
Equalities	There are no specific equalities implications contained in this report
Finance	Any additional fees payable for external audit will need to be found from existing Council Budgets.
Human Rights	There are no specific human rights implications contained in this report
Legal implications	There are no specific legal implications contained in this report
Ward-specific impacts	There are no specific ward implications contained in this report
Workforce/Workplace	There are no specific workforce/workplace implications contained in this report

### Appendix One: Additional Fees

1. Table 1 sets out the original proposed audit fees for 2006/07, together with the actual cost incurred in completing the audit. The total additional fee is £23,150.
2. Table 1 also shows the amount estimated in respect of the certification of grant claims and returns against the outturn position. The charging of fees for grant claims is on a different basis to that of the main audit and inspection work, in that it is charged as the work is carried out (whereas the main audit and inspection fee is charged in 12 equal monthly instalments in the year to which it relates). The position on grant claims and returns is that we expect to charge some £4,000 less than anticipated in the audit and inspection plan.
3. The overall net additional fee in respect of 2006/07 would therefore be £19,150 (£23,150 less £4,000).

**Table 1: Additional Fees 2006/07**

Work Element	Original Cost Estimate (£)	Outturn Cost (£)	Difference (£)
<b>Audit Fees</b>	<b>126,450</b>	<b>149,600</b>	<b>23,150</b>
<b>Grants</b>	<b>60,000</b>	<b>56,000</b>	<b>-4,000</b>

### 2007/08 Audit

4. The problems experienced in completing the audit of the 2006/07 audit also have a knock-on effect on the 2007/08 audit, because it affects the assessment of risk to the audit. Put simply, because of the 2006/07 experience the 2007/08 audit is considered to be higher risk than previously thought when the original audit and inspection plan for 2007/08 was prepared (in Spring 2007). These additional risks also arise from the fact that:
  - Capacity in the Finance Team is still fragile and the team has limited experience of preparing financial statements, and are relatively new to the Council;
  - Controls are unlikely to have been fully effective across all areas during 2007/08, which increases the amount of substantive testing of transactions in the 2007/08 accounts; and
  - The accounts for 2007/08 will need to be prepared to reflect the classification of the waste collection vehicles as finance leases, and the 2006/07 comparative figures within the 2007/08 accounts re-stated to reflect this change of treatment. We will need to review this work in detail.
5. These additional risks will lead to the 2007/08 audit fee being re-assessed, and a supplementary opinion audit plan will be prepared and presented to the next meeting of the Committee for approval. The additional risks will necessitate a supplementary audit fee, but this will be less than the additional fee for 2006/07, and the revised audit and inspection fee will be less than anticipated by the Director of Finance (although slightly more than budget).

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