



# AUDIT COMMITTEE

16 May 2011

# REPORT

**Subject Heading:**

**Report Author and contact details:**

**Policy context:**

**Financial summary:**

## EXTERNAL AUDIT FEES 2011/12

Mike Stringer  
Head of Finance & Procurement  
Tel: 01708 – 432101  
E-mail : [mike.stringer@havering.gov.uk](mailto:mike.stringer@havering.gov.uk)

Ciaran McLaughlin  
[ciaran.t.mclaughlin@uk.pwc.com](mailto:ciaran.t.mclaughlin@uk.pwc.com)  
PricewaterhouseCoopers

The Audit Committee are required to consider the External Auditor's fees.

The letter from PwC sets out the proposed fees for the audit year 2011/12. The fee proposed is lower than that for 2010/11, as had been expected.

## SUMMARY

The Audit Commission appoints the external auditors for the Council. Auditors are rotated after a maximum of ten years service to an organisation. The Council's External Auditor is now PricewaterhouseCoopers LLP (PwC).

A report was considered by the Committee in June 2010 setting out the work that was proposed for the 2010/11 audit and the resultant fee.

This report presents the fee for the 2011/12 audit, and asks the Committee to note that the audit plan for the year will follow in due course.

## RECOMMENDATIONS

The Committee is asked to:

1. Consider and comment on the contents of the report and the fee letter.
2. Note that the 2011/12 audit plan will be presented at a subsequent meeting.

## REPORT DETAIL

PricewaterhouseCoopers (PwC) are the current External Auditor for the London Borough of Havering, as appointed by the Audit Commission.

The attached letter sets out how the fee for the 2011/12 audit has been arrived at, and shows a comparison to the fee for the 2010/11 plan.

The fee letter is presented for the Committee to review and make any comments on, taking into account that the plan covered by the fee will be presented to a subsequent meeting.

PwC have confirmed in their letter that the indicative audit fee for the Council's 2011/12 financial year is based on the risk-based audit approach set out in the Code of Audit Practice and work mandated by the Audit Commission for 2011/12.

The letter goes on to outline:

- The value for money work to be undertaken, and
- The grant certification work.

Representatives from PwC will be present at the meeting to explain the proposed fees further.

## IMPLICATIONS AND RISKS

### Financial implications and risks:

The Committee received a report in June 2010, summarising the proposed external audit fee, and containing the audit fee letter from PwC. The attached plan sets out the proposed fee for the 2011/12 audit year.

The details of the proposed fee, with a comparison of the elements making up the fee for both 2011/12 and the preceding year, is shown in the table below:

Element	2011/12 Fee £	2010/11 Fee £
Financial statements, value for money conclusion and Whole of Government Accounts	333,099	370,110
Pension Fund Audit	35,000	35,000
Certification of claims and returns	78,000	78,000
<b>TOTAL FEE</b>	<b>446,099</b>	<b>483,110</b>

The overall fee, taking into account all these elements, will be £446,099, as against the previous year's figure of £483,110, a reduction of £37,011 or 7.7%. This is broadly in line with the expected position from previous announcements by the Audit Commission, and also broadly in line with the £40k saving in fees included as part of the budget-setting process. The fees for both pensions and grants work have been held at the same level as 2010/11.

The fee includes estimated fees required to audit grants but does not include any additional work requested by the Council, or any additional work generated outside any assumptions on which the fee is based. As the letter indicates, the quoted fee is an estimate and may change to reflect the actual content of the audit plan.

The proposed fees are within the budget provision. There are no other financial implications or risks arising directly from this report.

**Legal implications and risks:**

None arising directly from this report

**Human Resources implications and risks:**

None arising directly from this report

**Equalities implications and risks:**

None arising directly from this report

**BACKGROUND PAPERS**

None.