

Audit Committee

Meeting to be held on 27 June 2011

Electoral Division affected: All

County Council and Pension Fund External Audit Fees 2011-12

(Appendices A and B refer)

Contact for further information:

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Executive Summary

This report provides the proposed fees for the external audit of Lancashire County Council and Lancashire Pension Fund for 2011/12.

Recommendation

The committee is asked to note the Audit Commission's fee letters for the audit of the County Council and the Pension Fund for the year ending 31st March 2011.

Background and Advice

Attached at Appendices A and B are fees letters covering the Audit Commission's planned audit work for 2011/12. These comprise 2 separate audit fee letters, one for the audit of Lancashire County Council and one for Lancashire Pension Fund. The letters set out the main elements of the proposed audit work for 2011/12 and where appropriate, highlight any specific risks which will be reviewed as part of this work.

The letters refer to the 'scale fee'. This is the fee determined by the Audit Commission nationally. In previous years the Audit Commission set a scale fee for each audit based on a formula linked to gross expenditure in the case of the county council audit and net assets in the case of the pension fund. Local auditors agreed a fee locally reflecting their local risk assessment of the work which would be needed but with an expectation that the locally agreed fee would fall within a pre-defined variation from the scale fee. Historically the locally agreed fee for the county council audit has fallen well below the prescribed scale fee, (17% below for 20/10/11). The variation from scale fee for the pension fund in previous years has been more variable since the net assets of the pension fund, and therefore the scale fee, have varied significantly whilst the auditor's assessment of the work needed has remained relatively constant.

For 2011/12, the Audit Commission has set scale fees for local authority audits using the previously agreed fees as the basis in order to ensure that the prescribed scale

fees reflect the local risk assessments. The expectation is that locally agreed fees will match the scale fee unless there has been a significant change in the risk assessment for an individual audited body. For pension funds the scale fee has continued to be set based on the net assets of the pension fund.

The 2011/12 scale fees build in reductions to reflect the new approach being taken to local VFM audit work and lower continuing costs after implementing IFRS as outlined in the letters. In addition, rebates against the 2011/12 fees, subject to affordability, are expected to be announced in the summer of 2011.

The following table provides a comparison over the last two years of the overall fee for the audit of the Council and Pension Fund and shows a 10% reduction in the planned audit fees before taking account of any rebates.

	2010/11	2011/12
	£	£
LCC Audit	279,000	251,100
Pension Fund Audit	61,795	55,089
Total Audit Fee	340,795	306,189
Grant claims certification (estimated)	20,000	20,000
Total Fee	360,795	326,189
Rebate	(32,331)	TBA
Net Fee	328,464	326,189

The way in which the pension fund is being managed is changing and the fee letter for the pension fund notes that the application of the new Treasury Management strategy and policy may result in the need for additional audit procedures. In particular investments in new and more complex financial instruments could require additional audit work. The letter notes that this will be considered later in the year when more information is available and any impact on the fee will be reported to the audit committee.

Consultations

The fees have been agreed with the County Treasurer

Implications:

N/A

Risk management

N/A

Local Government (Access to Information) Act 1985
List of Background Papers

Paper	Date	Contact/Directorate/Tel
Audit Commission's statement of responsibilities of auditors and of audited bodies		Fiona Blatcher Audit Commission 0844 798 7056
Audit Commission Act 1998		
Codes of Audit Practice		
Audit Commission Work programme and scale of fees 2010/11		
Reason for inclusion in Part II, if appropriate		
N/A		