

**BRISTOL CITY COUNCIL
AUDIT COMMITTEE**

8 APRIL 2011

Report of: Strategic Director (Corporate Services)

Title: Grant Thornton's Audit Fee Letter 2011-12

Ward: Citywide

Officer presenting report: Richard Powell, Chief Internal Auditor

Contact telephone number: 0117 92 22448

RECOMMENDATION

The Audit Committee note, and comment as appropriate, on Grant Thornton's Audit Fee Letter for 2011-12.

Summary

Attached to this report is Grant Thornton's Audit Fee Letter, which sets out the proposed audit fee and outline work programme for 2011-12.

The key considerations set out within this letter are:

- This letter sets out the work that Grant Thornton propose to undertake for the 2011-12 financial year at Bristol City Council, and the associated fee.
- The proposed fee is prepared in accordance with the Audit Commission's Work programme and scale of fees 2011-12.
- For 2011-12, the Audit Commission has published the expected scale fee for each local government organisation.

Policy

None affected by this report. The Audit Commission has statutory responsibility for inspection and assessment at the Council. Grant Thornton are the Council's appointed external auditors. In carrying out their audit and inspection duties they have to comply with the relevant statutory requirements. In particular these are the Audit Commission Act 1998 and the Code of Audit Practice with regard to audit, and the Local Government Act 1999 with regard to best value and inspection.

Consultation

Internal: Grant Thornton consulted with Senior Officers before finalising the fee letter.

External: Grant Thornton has liaised with the Audit Commission in developing their fee proposals.

1 Introduction

- 1.1 The attached document is a short 3 page letter setting out at a high level the areas that the auditors anticipate covering during the 2011-12 audit, and the proposed fee. A more detailed Audit Plan and risk assessment, will be prepared and presented to the Audit Committee at the end of 2011/start of 2012, following the conclusion of the audit of the 2010-11 statement of accounts.
- 1.2 Grant Thornton's partner, John Golding, the appointed auditor responsible for the City Council's audit will be attending the Committee, and will be pleased to answer Members' questions.

Other Options Considered

Not applicable.

Risk Assessment

Not as a result of this report.

Equalities Impact Assessment

There are no issues arising from this report.

Legal and Resource Implications

None arising from this report.

Appendices:

Appendix 1: Grant Thornton's Audit Fee Letter 2011-12.

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

Background Papers: None

Our Ref: JCG/CT/BCC01285176

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7 March 2011

Dear Jan

ANNUAL AUDIT FEE 2011-12

I am writing to confirm the audit work that we propose to undertake for the 2011-12 financial year at Bristol City Council and the associated fee. This is based on the Audit Commission's work programme and scale of fees for 2011-12 published in February 2011.

As in previous years, the Audit Commission publishes its work programme and scale of fees on a national basis. However, for 2011-12, instead of providing a scale fee with fixed and variable elements, it has published the expected scale fee for each local government organisation. The proposals aim to reduce total audit fees to reflect:

- no inflationary increase in 2011-12 for audit and inspection scales of fees and the hourly rate for certifying claims and returns;
- a reduction in scale fees resulting from the new approach to local value for money audit work; and
- a reduction in scale audit fees of 3% for local authorities reflecting lower ongoing costs after implementing IFRS.

The indicative fee for the Councils' audit for 2011-12 has been determined as £450,855 (exclusive of VAT).

Audit fee

Audit area	Proposed fee 2011-12	Agreed fee 2010-11	Actual fee 2009-10
Financial statements and value for money conclusion	£450,855	£455,410	£500,950
Certification of claims and returns (estimate)	£50,000	£52,000	£52,890

In its communication to audited bodies on 25 February 2011, the Audit Commission indicated that additional rebates will be made in 2011-12, leading to a further fee reduction compared to 2010-11. It is expected that the Council will be notified of the amount due to them in the summer.

Chartered Accountants

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A list of members is available from our registered office.

Grant Thornton UK LLP is authorised and regulated by the Financial Services Authority for investment business.

As we have not yet completed our audit for 2010-11, the audit planning process for 2011-12 will continue as the year progresses and fees will be reviewed and updated as necessary, with the approval of the Audit Commission. A separate plan for the audit of the financial statements for 2011-12 will be issued in late 2011, once the outcomes of the 2010-11 audit are known.

Our value for money work will be based upon two reporting criteria specified by the Audit Commission:

- whether the Council has proper arrangements in place for securing financial resilience; and
- whether the Council has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

This work will be underpinned by a robust risk assessment to ensure that we focus on those areas where we need specific assurance in order to give our value for money conclusion or where arrangements at the Council need to be strengthened.

The quoted fee for certification of grant claims and returns is an estimate based upon our previous experience and knowledge of forthcoming developments or changes in requirements. The fee charged is based on the prescribed rates set out in the Audit Commission proposed work programme and scales of fees 2011-12. These rates have not increased over the level prescribed for 2010-11 and indicate a small £2,000 reduction. If we need to make any significant amendments to the audit fee during the course of the audit, we will first discuss this with the Head of Finance and then prepare a report outlining the reasons why the fee has changed for discussion with the Audit Committee.

We will issue a number of reports relating to our work over the course of the audit. These are listed at Appendix 1.

The proposed fee excludes any work that may be requested by you that we agree to undertake using our advice and assistance powers. Each piece of work will be separately negotiated and a detailed project specification agreed with you.

The contact details for key members of the audit team for 2011-12 are:

Engagement Lead	John Golding	0117 305 7802
Audit Manager	Claire Thomas	02920 347525
Audit Manager	Julie Masci	0117 3057696 (from February 2012)

We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact me in the first instance. Alternatively, you may wish to contact the Head of Government Audit, Sarah Howard at sarah.howard@uk.gt.com.

Yours sincerely

JOHN GOLDING
Engagement Lead
For Grant Thornton UK LLP

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c.c. Peter Robinson, Service Director (Finance)
Councillor Mark Brain, Chair of the Audit Committee

Appendix 1: Planned outputs

Our reports will be discussed and agreed with the appropriate officers before being issued to the Audit Committee.

Table 1

Planned output	Indicative date
Audit plan	December 2011
Audit approach memorandum	April 2012
ISA260 report to those charged with governance	September 2012
Auditor's report giving the opinion on the financial statements and value for money conclusion	September 2012
Value for money conclusion report	September 2012
Annual audit letter	November 2012
Certification work report	December 2012