

Report of the: Director of Policy and  
Resources

Agenda  
Item No:  
Meeting: 16 April 2013

## **NORTH LINCOLNSHIRE COUNCIL**

### **AUDIT COMMITTEE**

#### **EXTERNAL AUDIT REPORTS**

#### **1. OBJECT AND KEY POINTS IN THIS REPORT**

- 1.1. To consider external audit's Annual Audit Fee Letter for 2013/14

#### **2. BACKGROUND INFORMATION**

- 2.1 The Audit Fee Letter (appendix A) sets out the audit arrangements for 2013/14 covering audit team members, the indicative fee, audit fee assumptions, planned outputs and audit quality. The proposed fee for the audit of £137,780 is in line with the scale fee recommended by the Audit Commission. The fee only provides for basic audit work and does not include items such as challenge from ratepayers or following up detailed audit issues. Some extra costs above the basic fee could be incurred.
- 2.2 The fee for 2013/14 is £4,890 lower than the planned fee for 2012/13. This reflects the additional assurance work requested on the 2012/13 accounting treatment of Property Plant and Equipment that the Audit Committee was informed of in January.

#### **3. OPTIONS FOR CONSIDERATION**

- 3.1 The Audit Committee should consider the external auditor's Annual Audit Fee Letter and the assurance that has been given or can be implied from its conclusions. The Committee should seek clarification from the external auditors or council officers as necessary.

#### **4. ANALYSIS OF OPTIONS**

- 4.1 None

**5. RESOURCE IMPLICATIONS (FINANCIAL, STAFFING, PROPERTY, IT)**

5.1. Audit fees of £137,780 (plus £24,000 for certification of claims and returns) are met within existing budgets.

**6. OUTCOMES OF INTEGRATED IMPACTASSESSMENT (IF APPLICABLE)**

6.1. An Integrated Impact Assessment is not required.

**7. OUTCOMES OF CONSULTATION AND CONFLICTS OF INTERESTS DECLARED**

7.1. The Annual Audit Fee letter has been discussed with the Director of Policy and Resources.

7.2. There are no conflicts of interests to declare.

**8. RECOMMENDATIONS**

8.1. That the Audit Committee notes the Audit Fee Letter and receives further reports as the work is concluded in the Annual Governance Report and Annual Audit Letter

**DIRECTOR OF POLICY AND RESOURCES**

Civic Centre  
Ashby Road  
SCUNTHORPE  
North Lincolnshire  
DN16 1AB

Author: Carol Andrews  
Date: 02 April 2013

**Background Papers used in the preparation of this report:** None

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**KPMG LLP**  
**Audit**  
1 The Embankment  
Neville Street  
Leeds LS1 4DW  
1 The Embankment  
United Kingdom

Tel +44 (0) 113 2313510  
Fax +44 (0) 113 231 3200  
Damian.murray@kpmg.co.uk

Mr S Driver  
Chief Executive  
North Lincolnshire Council  
Civic Centre  
Ashby Road  
Scunthorpe  
DN16 1AB

Our ref

16 April 2013

Dear Simon

**Annual audit fee 2013/14**

I am writing to confirm the audit work and fee that we propose for the 2013/14 financial year at North Lincolnshire Council. Our proposals are based on the risk-based approach to audit planning as set out in the Code of Audit Practice and work mandated by the Audit Commission.

As we have not yet completed our audit for 2012/13 the audit planning process for 2013/14, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary. We will naturally keep you informed.

The proposed indicative audit and certification fees for 2013/14 are shown below. All fees are subject to VAT.

<b>Audit area</b>	<b>Planned fee 2013/14</b>	<b>Planned fee 2012/13</b>
Code of Audit Practice audit fee – North Lincolnshire Council	137,780	142,670
Certification of grant claims & returns	21,741	24,000

The planned fee for the audit, at £137,780, is in line with the scale fee recommended by the Audit Commission. It is £4,890 lower than the planned fee for 2012/13 reflecting the need for additional fee in 2012/13 for providing early assurance on the accounting treatment of Property, Plant and Equipment.

The Audit Commission has calculated the composite indicative fee for the certification of grant claims and returns. This is based on the Council requiring specific grants claims and returns to be certified. I will write to you later this year with more details on our certification work.

The indicative fees are based on a number of assumptions, including that you will provide us with complete and materially accurate financial statements, with good quality supporting working papers, within agreed timeframes. It is imperative that you achieve this. If this is not the case and we have to complete more work than was envisaged, we will need to charge additional fees for this work. Our assumptions are set out in more detail in Appendix 1 to this letter.

In setting the fee at this level, I have assumed that the general level of risk in relation to the audit of the financial statements and certification work is not significantly different from that identified for the 2012/13 audit. A more detailed audit plan will be issued later this year. This will detail the risks identified, planned audit procedures and (if required) any changes in fee. If I need to make any significant amendments to the audit fee during the course of the audit, I will first discuss this with the Director of Policy and Resources and then prepare a report for the Audit Committee, outlining the reasons why the fee needs to change.

I expect to issue a number of reports relating to my work over the course of the audit. These are listed at Appendix 2.

The proposed fee excludes any additional work we may agree to undertake at the request of North Lincolnshire Council. Any such piece of work will be separately discussed and a detailed project specification agreed with you.

The key members of our audit team for the 2013/14 audit are:

<b>Name</b>	<b>Role</b>	<b>Contact details</b>
Linda Wild	Manager	<a href="mailto:linda.wild@kpmg.co.uk">linda.wild@kpmg.co.uk</a> 0113 231 3512 or 07717 483538
Matthew Moore	Assistant Manager	<a href="mailto:matthew.moore@kpmg.co.uk">matthew.moore@kpmg.co.uk</a> 0113 231 3663

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 KPMG's national contact partner for Audit Commission work, Trevor Rees ([trevor.rees@kpmg.co.uk](mailto:trevor.rees@kpmg.co.uk)).

If we are unable to satisfy your concerns, you have the right to make a formal complaint to the Audit Commission. The complaints procedure is set out in the leaflet '*Something to Complain About*', which is available from the Commission's website ([www.audit-commission.gov.uk](http://www.audit-commission.gov.uk)) or on request.



**KPMG LLP**  
*Annual audit fee 2013/14*  
*16 April 2013*

Yours sincerely

Damian Murray  
Director

cc: Mike Wedgwood, Director of Policy and Resources

## **Appendix 1 – Audit fee assumptions**

In setting the fee, I have assumed that:

- the level of risk in relation to the audit of the financial statements is not significantly different from that identified for 2012/13;
- you will inform us of significant developments impacting on our audit;
- internal audit meets the appropriate professional standards;
- where we intend to rely on controls within key financial systems, internal audit undertakes appropriate work on those systems sufficient that we can place reliance for the purposes of our audit;
- you will identify and successfully implement any changes required under the CIPFA IFRS-based Code of Practice on Local Authority Accounting within your 2013/14 financial statements;
- your financial statements will be made available for audit in line with the timetable we agree with you;
- good quality working papers and records will be provided to support the financial statements in line with our *Prepared by client* request and by the date we agree with you;
- requested information will be provided within agreed timescales;
- prompt responses will be provided to draft reports;
- complete and accurate claims and returns are provided for certification, with supporting working papers, within agreed timeframes; and
- additional work will not be required to address questions or objections raised by local government electors or for special investigations eg arising from disclosures under the Public Interest Disclosure Act 1998.

Where these assumptions are not met, we will be required to undertake additional work and charge an increased audit fee. The fee for the audit of the financial statements will be re-visited when we issue the detailed audit plan.

Any changes to our audit plan and fee will be agreed with you. Changes may be required if:

- new residual audit risks emerge;
- additional work is required by the Audit Commission, KPMG or other regulators; or
- additional work is required as a result of changes in legislation, professional standards or as a result of changes in financial reporting.

## **Appendix 2: Planned outputs**

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

<b>Planned output</b>	<b>Indicative date</b>
External audit plan	January 2014
Interim audit report	June 2014
Report to those charged with governance (ISA260 report)	September 2014
Auditor's report giving the opinion on the financial statements, value for money conclusion and audit certificate	September 2014
Opinion on Whole of Government Accounts return	September 2014
Annual audit letter	November 2014
Certification of grant claims and returns	December 2014