

**Subject:** Ernst & Young Fee Letter 2012/13  
**Date of Meeting:** 22 January 2013  
**Report of:** Director of Finance  
**Contact Officer:** Name: Catherine Vaughan, Tel: 29-1333  
Director of Finance  
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**Wards Affected:** All

### FOR GENERAL RELEASE

#### 1. Summary and Policy Context

- 1.1 The council's external auditors, Ernst & Young have presented their proposed annual fee in the letter at Appendix 1. The fee letter sets out the planned audit fee and proposed work programme.

#### 2. Recommendations

- 2.1 Members are asked to review the fee letter and raise any questions with the external auditors.
- 2.2 Members are asked to approve the proposed fee letter.

#### 3. Background Information

- 3.1 The work proposed by the external auditors cover three areas:
- The audit of financial statements
  - The work to reach a conclusion on the economy, efficiency and effectiveness in our resources (the value for money conclusion)
  - The work on our whole government accounts return
- 3.2 The audit fee has been set by the Audit Commission as part of the five year procurement of external audit exercise.
- 3.3 The audit fee proposed for 2012/13 is set out at the scale fee of £210,330 and for certification of grants £23,700. This is a 41% reduction on the 2011/12 fee. At this stage Ernst & Young have not identified any local risk factors to vary from the scale. The reduction arises from a number of factors. The significant slimming down of the Audit Commission means that lower costs are recoverable through audit fees and the competitive tendering process is, in its own right, likely to have made a substantial contribution. However it is important to note that there has also been a

significant reduction over a number of years in the scope of the work covered by the external audit, in particular judgements about council wide and city wide performance and individual service performance. This does mean that the council will need to rely more strongly on using its own resources to test its comparative VFM and performance levels without such access to nationally available free benchmarking information and objective independent challenge. Consideration is being given during the budget setting process to reinvesting a modest element of the saving generated by the reduced audit fees to ensure that the council retains sufficient capacity to maintain adequate internal capacity for performance challenge and benchmarking.

#### **4. FINANCIAL & OTHER IMPLICATIONS:**

##### **4.1 Financial Implications:**

The budget proposals for 2013/4 include a saving of £96k on external audit fees reflecting the predicted reduction in audit fees following the Audit Commission's externalisation and retendering exercise. The resultant budget for 2013/14 will cover the fees set out in paragraph 3.3.

Finance Officer consulted: Anne Silley  
Head of Business Engagement

9<sup>th</sup> January 2013

##### **4.2 Legal Implications:**

Section 7 of the Audit Commission Act 1998 places the council under a legal duty to pay an audit fee in line with the scale of fees prescribed by the Audit Commission.

Legal Officer consulted: Oliver Dixon  
Lawyer

9<sup>th</sup> January 2013

##### **4.3 Equalities Implications:**

There are no direct equalities implications arising directly from this report

##### **4.4 Sustainability Implications:**

There are no direct sustainability implications arising from this report.

##### **4.5 Crime & Disorder Implications:**

There no direct implications for the prevention of crime and disorder arising from this report.

##### **4.6 Risk and Opportunity Management Implications:**

There no direct implications for risk and opportunity management arising from this report.

#### **4.7 Corporate / Citywide Implications:**

As described above, the scope of the audit work has significantly reduced over recent years and therefore it is up to the council to determine for itself and fund for itself an appropriate level of capacity to ensure effective performance assessment and benchmarking.

#### **Appendices**

- 1 Ernst & Young Fee Letter 2012/13

