

WEST MIDLANDS FIRE AND RESCUE AUTHORITY

18 APRIL 2011

1. EXTERNAL AUDIT WORK PROGRAMME AND SCALE OF FEES FOR 2011/2012

Joint report of the Chief Fire Officer and Treasurer

RECOMMENDED

- 1.1 THAT Authority note the outcome of the Audit Commission's recent consultation on its proposed work programme and scale of fees for 2011/2012.
- 1.2 THAT Authority note the Audit Commission work programme and fee for 2011/2012.
- 1.3 THAT Authority note that, subject to affordability, the Commission will make additional rebates in 2011/2012.

2. PURPOSE OF REPORT

This report is submitted to update the Authority on the outcome of the Audit Commission's recent consultation and its proposed work programme and scale of fees for 2011/2012.

3. BACKGROUND

- 3.1 The Audit Commission recently consulted upon its proposed work programme and scale of fees for 2011/2012 and the level of rebate to be awarded against the 2010/2011 fee as a result of the abolition of the Comprehensive Area Assessment (CAA) framework. The consultation period, which was shorter than previous years started on 10 December 2010 with email responses being required to be submitted prior to consultation conclusion on 7 January 2011. A response was submitted on behalf of the Authority seeking clarity as to the methodology used for determining fee levels and questioning why the fee reduction for Fire Authorities was lower than that proposed for Single Tier and County Councils. This was one of only four responses sent from Fire Authorities.

- 3.2 The Commission's overall response to the consultation exercise is attached as Appendix 1 to this report and covers a range of points. The significant points of relevance to the Authority are detailed in 3.3 to 3.9 below.
- 3.3 The Commission's proposals for 2011/12 were for reductions in total audit fees. They reflected the new approach to local VFM audit work, and reductions in the ongoing audit costs associated with introducing International Financial Reporting Standards (IFRS). Their proposals were:
- no inflationary increase in 2011/12 for audit and inspection scales of fees and the hourly rates for certifying claims and returns;
 - a reduction in scale fees resulting from our new approach to local VFM audit work of 2 to 18 per cent;
 - a reduction in scale audit fees of 3 per cent for local authorities, police and fire and rescue authorities, reflecting lower ongoing audit costs after implementing IFRS; and
 - a rebate of between 1.5 and 3 per cent to all audited bodies following the ending of CAA against the 2010/2011 scale fee.
- 3.4 The 2010/2011 rebate given to Fire and Rescue Authorities is 1.5 per cent. Whilst, this is consistent with the rebate given to District Councils and Police Authorities it is lower than the 3 per cent awarded to Single Tier and County Councils.
- 3.5 The fee reduction for this Authority for 2011/12 financial year is 8 per cent. Whilst this is higher than the 5 per cent reduction given to District Councils it is lower than the 10 per cent given to Single Tier and County Councils. It is recognised by the Commission that there are concerns as to the transparency in applying the rebates and reductions. The Commission has stated that the cost of local value for money and use of resources work represented a larger proportion of the total fee at Single Tier and County Councils than at District Councils, Police and Fire and Rescue Authorities. As a consequence Single Tier and County Councils have received higher rebates and reductions.

- 3.6 There was a widespread view from audited bodies that the rebate for 2010/2011 and the fee reduction for 2011/2012 were too low. The Commission has recognised these concerns. To address this and as part of its wider programme to drive down costs, the Commission has agreed, subject to affordability, to make additional rebates of up to £7.2M (8 per cent) in 2011/2012. The rebate amount due will be confirmed in the summer of 2011. Members will be informed of this rebate when it becomes known.
- 3.7 As Members will be aware, the Government announced in August 2010 that the Audit Commission is to be abolished. The Commission are currently working with stakeholders to develop proposals for a new local public audit framework. The new audit arrangements and subsequent implications for audit fees; timetable for implementing them; and the transitional arrangements have yet to be determined. Whilst it was originally thought that Audit Commission work would cease in December 2012, this is by no means certain. Should the Commission continue to audit public bodies beyond this time, it is committed to delivering further significant fee reductions of up to 15 per cent in 2012/2013.
- 3.8 Members will be kept informed of progress on the development of the public audit framework, including the implementation timeframe as and when such information becomes known.
- 3.9 Following the consultation exercise, the Commission has confirmed that the external audit fee for this Authority for 2011/2012 will be £85,860. This represents a reduction of 8 per cent on the 2010/2011 fee of £93,326.
- 3.10 Attached as Appendix 2 is the Annual Audit and Inspection Fee Letter 2011/12. This letter sets out the work that the Audit Commission propose to undertake for the 2011/12 financial year and the fee for the delivery of this work.

4. **EQUALITY IMPACT ASSESSMENT**

In preparing this report an initial Equality Impact Assessment is not required has not been carried out. The matters contained in this report do not relate to a policy change.

5. **LEGAL IMPLICATIONS**

Section 7 of the Audit Commission Act 1998 and Section 12 of the Local Government Act 1999 places a statutory duty on the Commission to prescribe a scale of fees for the audit of accounts in inspections. Before prescribing any scale of fees it consults audited and inspected bodies, their representative associations and the accountancy profession. Once the Commission has prescribed a scale of fees it becomes payable by the audited or inspected body.

6. **FINANCIAL IMPLICATIONS**

The rebate on the 2010/11 external audit fee is £1,414.

The external audit fee for the 2011/2012 financial year is £85,860.
The fee is consistent with the provisions established as part of the Authority's 2011/2012 budget setting process.

BACKGROUND PAPERS

Audit Commission publication, July 2009 – Proposed Work Programme and Scales of Fees 2010/2011 and Indicative Fee Proposals for 2011/2012 and 2012/2013 for Local Government, Housing and Community Safety

Authority Report, 18 April 2010 – External Audit Plan and Scale of Fees for 2010/2011

Audit Commission Publication, December 2010 – Proposed Work Programme and Scales of Fees 2011/2012 Consultation

Audit Commission Publication, February 2011 – Work Programme and Scales of Fees 2011/2012 Consultation Response

Audit Commission Publication, February 2011 – Work Programme and Scales of Fees 2011/2012

Audit Commission Letter, April 2012 (still awaiting) Annual Audit and Inspection Fee 2011/2012

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