ITEM 4

MONITORING AND AUDIT COMMITTEE: 24 MARCH 2016

AUDIT SCOTLAND – FEE PROPOSAL – 2015/16 AUDIT

REPORT BY HEAD OF FINANCE

1. PURPOSE OF REPORT

1.1 To consider Audit Scotland's Fee Proposal for 2015/16.

2. RECOMMENDATIONS

The Committee is invited to note:-

2.1 the indicative fee range in respect of the 2015/16 audit, indicating a basic fee in the range of £183,930 to £224,800;

2.2 Audit Scotland's fee proposal for the 2015/16 audit, amounting to £213,024, which includes the following elements:-

2.2.1 £21,000 for the Pension Fund audit,
2.2.2 £1,000 for the audit of the Council's Charity Accounts; and
2.2.3 £5,000 for the Orkney Integration Joint Board audit; and

2.3 that the total fee for the 2015/16 audit is £2,386 lower than the combined audit fees for 2014/15.

3. POLICY ASPECTS

3.1 This report contributes to the Council's declared value of working to provide better services – to improve the planning and delivery of services through performance management - as outlined in the Council Plan 2013-2018.

4. BACKGROUND

4.1 The Accounts Commission for Scotland is a statutory, independent body responsible for appointing auditors to all Scotland's local authorities (and associated joint boards) and determining their terms of appointment. The auditor is appointed for a fixed period of time, and once appointed acts independently in performing responsibilities, and in the exercise of professional judgement.

4.2 The Accounts Commission appointed Audit Scotland as external auditor of the Council for the 5 year period 2011/12 to 2015/16.

5. FEE PROPOSAL 2015/16

5.1 Audit Scotland sets the indicative charge range for the audit. The agreed fee within the indicative fee range is then set following discussion regarding the local circumstances which influence the audit plan.

5.2 The audit fees cover a wide range of audit work and related outputs, including the following:-

5.2.1 All audits get a financial statements audit including the auditor's opinion on whether the statements present a true and fair view for the year. This opinion is supplemented by an annual audit report.

5.2.2 Audit Scotland produces 10 to 12 performance reports annually, providing independent assurance that public money is being spent properly and value for money is being provided.

5.2.3 In the local government sector, Best Value reports are produced for individual councils which consider how well they are meeting their statutory duties in particular areas.

5.3 In compiling the 2015/16 proposed fee, Audit Scotland assumes that bodies are well managed; have sound controls; auditors are able to rely on work undertaken by internal audit and that sound arrangements exist for preparing the financial statements (including satisfactory working papers and audit trails).

5.4 The proposed fee also takes cognisance of the assurance that Audit Scotland can obtain from reviewing other sources of information, including:-

5.4.1 an assessment of the areas identified in the Assurance and Improvement Plan;

5.4.2 an assessment of the Council's governance and accountability arrangements;

5.4.3 an initial review of internal audit and consideration of the reliance that can be placed on its work;

5.4.4 a review of the outcomes from other inspections and audits of the Council;

5.4.5 the control environment and the experience of senior management;

5.4.6 a review of the Council's risk assessment procedures; and

5.4.7 a review of the arrangements for producing the Council's financial statements.

5.5 Audit Scotland's fee proposal for the 2015/16 audit is £213,024. The total fee is £2,386 lower than the combined Council, Pension Fund and Charity Accounts audit fees paid for 2014/15. The £5,000 fee for the audit of the Orkney Integration Joint Board is new for 2015/16.

5.6 The fee takes account of additional planned work for the HBCOUNT audit, which is an audit of housing benefit claims. Internal Audit is not carrying out work in this area, unlike in previous years and therefore there will be no ability to place reliance on Internal Audit work.

5.7 Due to the interaction of section 106 of the Local Government (Scotland) Act 1973 with the Charities Accounts (Scotland) Regulations 2006, an audit of a registered charity's financial statements has been required since 2013/14 where the local authority is the sole trustee. The Assistant Auditor General for Scotland advised the Council in June 2013 of the Accounts Commission's decision to appoint the auditor of each council as the auditor of its relevant charities.

5.8 Since the 2013/14 financial year end, a full audit has therefore been required of registered charities where the local authority is the sole trustee, irrespective of the size of the charity.

5.9 The Council has made good progress in reducing the number of registered charities using the reorganisation provisions of the charities legislation in order to reduce the number of separate audits to one for 2015/16. The 2014/15 Audit fee of £2,200 has been reduced to £1,000 for 2015/16.

5.10 The 2015/16 audit fee proposal includes the fee for a separate Pension Fund audit. The element of the total audit charge that is applicable to the Pension Fund audit is £21,000.

5.11 The 2015/16 audit fee proposal includes the fee for a separate audit of the Orkney Integration Joint Board (IJB). The element of the total audit charge that is applicable to the audit of the IJB is £5,000.

6. FINANCIAL IMPLICATIONS

6.1 A comparison of the current audit fee proposal with previous years is provided in the following table: -

Financial Year	Total Fee	Percentage Change Total Fee
2015/16	£213,024	-1.1%
2014/15	£215,410	4.1%
2013/14	£206,740	-0.1%
2012/13	£204,540	-5.9%
2011/12	£217,390	1.3%

6.2 The Audit fee for the Council Audit is met from the Corporate Management revenue budget whilst the Pension Fund Audit fee is charged to the Pension Fund and the Charity Audit Fee is recharged to the charity accounts. The Audit fee for the IJB is a new burden on account of the IJB and will be met from the combined resources delegated to the IJB.

7. LEGAL ASPECTS

7.1 The provision of external audit and review helps the Council to meet its obligation to secure best value.

8. CONTACT OFFICER

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