

## **Bath and North East Somerset Council – Update on audit fees**

Fee consultation issued on 10 December 2010 – closing date for responses 7 January 2011.

### **Summary**

The announcement made on 13 August 2010 proposing the Commission's abolition implies (although it has still to be confirmed) that 2011/12 may be the Commission's final year in its current form. If so, this will be the last time it will publish a work programme and set scales of audit fees.

There will be significant transitional costs associated with the abolition of the Commission. However, the Department for Communities and Local Government has now agreed that these costs should not fall on audit fees. Therefore, the 2011/12 scales of audit fees is based only on what the Commission needs in order to recover the costs of audits and its other activities in 2011/12.

The combined financial effect of the proposals would be to reduce audit and inspection fees in 2011/12 by £11.8 million or 9 per cent for local government and health bodies.

The Audit Commission Board has also decided to return some of the audit fees already collected for work carried out this year (2010/11) on Use of Resources. This work was suspended immediately the government announced in May 2010 that it would abolish Comprehensive Area Assessment (CAA).

Rebates will be sent to audited and inspected bodies shortly.

- A 3.5 per cent rebate of the 2010/11 scale fee for single tier and county councils.

The Commission has also decided not to charge any inspection fees for work on the Managing Performance part of the assessment of organisational effectiveness, as there was no value to this once CAA ended.

## What this means for Bath and North East Somerset Council 2010/11 Audit Fee.

	£	£
2010/11 Audit Fee		303,776
2010/11 Assessment & inspection fee		<u>16,630</u>
<b>Total fee payable (excluding certification of grants)</b>		<b>320,406</b>

(Note: 2010/11 scale fee for the audit is £288,204)

Reductions in 2010/11 fee

6% rebate of scale fee for IFRS	16,776	
Assessment & inspection not invoiced	16,630	
3.5% rebate of scale fee for UoR	<u>10,087</u>	<b>43,493</b>

**Total fee payable for 2010/11 (excluding certification of grants)** **276,913**

(13.5% reduction in the audit fee)

## 2011/ 12 Fee proposal

The 2011/12 fee proposals are:

- 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 20 per cent; and
- 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.

The Commission is proposing to set an audit fee (excluding certification of grants) of **£273,398** for Bath and North East Somerset Council for 2011/12.

(10% reduction against the original 2010/11 audit fee of £303,776).

## Fee for Avon Pension Fund

The Commission has specified a formula for determining the 2011/12 audit fees for pension funds. Applying this formula indicates a scale fee for Avon Pension fund of £46,822. This compares to the audit fee for 2010/11 of £47,000.

The relatively small reduction reflects the formula. The formula works by applying a percentage to the pension fund net assets which have increased significantly from £1.8 billion in April 2009 to £2.5 billion in April 2010. The Commission intends to keep the fees for pension fund audits under review.

