

**EXTERNAL AUDIT FEE PROPOSAL**  
**WDA/04/13**

**Recommendation**

That:

1. Members note the audit approach set out in the fee letter; and
2. Approve the level of fee proposed.

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**EXTERNAL AUDIT FEE PROPOSAL****WDA/04/13****Report of the Treasurer****1. Purpose of the Report**

- 1.1 The external auditor is required to provide their audit fee proposal to the Authority before carrying out the substantive audit work they are required to complete. The auditor's fee proposals are attached at Appendix 1 to this report.

**2. Background**

- 2.1 As a statutory local authority Merseyside Waste Disposal Authority is required to have its accounts and value for money arrangements audited by external auditors under the terms set out by the Audit Commission.
- 2.2 The Audit Commission has appointed Grant Thornton as the Authority's external auditor for a period of five years. The terms of the appointment include an indication of the scale fee for the audit (i.e. the normal and reasonable cost of the audit to the Authority under most circumstances).

**3. Report Body**

- 3.1 The new auditor, Grant Thornton, has provided details of their proposed fee for the external audit of the Authority. The fee proposed is based on the Audit Commission's scale fee and as set out in the letter at Appendix 1 that amounts to £39,000. This is a significant reduction on the amount charged under the previous audit regime, the new fee is 40% less than the previous scale fee for this Authority.
- 3.2 The auditor has, however, included a caveat within the letter about the level of the fee. The fee proposal is based on the Authority carrying out only a 'normal' range of functions without any unusual activities that may carry additional risk. In the case of this Authority the scale, size and nature of the Resource Recovery Contract (RRC) procurement is considered to be outside the 'normal' range. Therefore the auditor will need to carry out an additional risk assessment to determine the scope of any additional

work required by them to reach a conclusion on the authority's value for money and governance arrangements.

- 3.3 When the external auditor has carried out such additional risk assessment as they require they will provide the Authority with an additional proposal for the additional costs of the work they will be required to complete to reach their conclusion. When the additional fee proposal is received it will be presented to Members so that they understand the full cost of the audit.
- 3.4 Within the fee letter the external auditor has identified the key contacts for the audit and key dates by when their work will be concluded. The key contacts are:
  - 3.5 Mike Thomas – Engagement Lead
  - 3.6 Claire Deegan – Engagement Manager
  - 3.7 Other staff will carry out the work with the named contacts and their reports will be made to the Authority as specified in the fee letter.

#### **4. Risk Implications**

- 4.1 The Authority is required to have an external auditor appointed to ensure it meets its statutory duties and obligations.

#### **5. HR Implications**

- 5.1 There are no HR implications arising from this report.

#### **6. Environmental Implications**

- 6.1 There are no environmental implications arising from this report.

#### **7. Financial Implications**

- 7.1 The proposed audit fee of £39,000 is a significant reduction on the audit fee from prior years. This fee proposal does not reflect the whole of the external auditors work and a further fee proposal will be made when they have carried out a risk assessment of the work they need to do to review the Authority's arrangements for the RRC. The cost of the fee and a provision for the additional fee has been included in the proposed budget for 2013-14.

## 8. Conclusion

- 8.1 The Authority is required to have an external auditor review its arrangements. The external auditor has provided a letter setting out the proposed fee for the audit which also outlines the arrangements for carrying out the audit. An additional fee proposal will be made in due course for the external audit work relating to the RRC procurement. Members are asked to note the audit approach set out in the fee letter.

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The background documents to this report are open to inspection in accordance with Section 100D of The Local Government Act 1972 - Nil.