

WIRRAL COUNCIL

PENSIONS COMMITTEE

28 JUNE 2010

AUDIT AND RISK MANAGEMENT COMMITTEE

30 JUNE 2010

REPORT OF THE DIRECTOR OF FINANCE

AUDIT COMMISSION FEES

1. EXECUTIVE SUMMARY

- 1.1 The purpose of this report is to inform Members of a reduction in the fee levels of the Audit Commission for MPF for the audit of the annual accounts for the financial years 2009-2010 through to 2012-2013.

2. BACKGROUND

- 2.1 As reported to Pensions Committee on 13 January 2010, the approach of the Audit Commission regarding fees for the audit of the 2009-2010 accounts was to refer to a "scale fee", based on a number of variables, including the type, size and location of the audited body. For MPF a scale fee of £70,900 was indicated in the report.
- 2.2 In addition to the scale fee, a joint review of additional risks in any particular year could result in an additional charge if additional audit work was required. During 2009-2010 MPF migrated to a new accounting and budgeting system using the Oracle financial package. It was therefore prudent to budget in 2010-2011 above this scale fee to allow for the extra audit work involved. Consequently, a budget of £73,000 was approved.

3. RECENT DEVELOPMENTS

- 3.1 In May 2010, the Audit Commission advised of a change in approach to the basis of charging fees, which would contain three elements, and would apply to the Audit of the Accounts for the year ended 31 March 2010, and thereafter.
- 3.2 A statutory scale fee of £33,300 per annum will apply to multi-employer funds for the 2009-2010 and 2010-2011 audits. The previously announced scale fee for MPF was £70,900. The additional costs of auditing the transition in 2010-2011 to International Financial Reporting Standards (IFRS) will be absorbed within the current fee envelope. Scale fees will be kept under review.
- 3.3 A new variable element is now introduced, to reflect the size of the pension fund, as a proxy for the amount of auditing involved. For the 2009-2010 audit,

this is based on 0.00055% of net Fund assets as at 31 March 2009 of £3,521,496,000. Hence a variable fee of £19,365 is expected for two years.

- 3.4 In addition, a joint annual identification of additional risks by MPF and the Audit Commission will take place relating to any exceptional changes and transitions in a particular year. As detailed in paragraph 2.2, an additional budgetary provision has been made in the 2010-2011 budget to reflect the additional auditing required to gain assurance on the accounting transition. In future years, issues such as any change of custodian, changes of valuation software, or major transitions of portfolios could also account for a supplementary charge to reflect the associated additional audit work.

4. FINANCIAL IMPLICATIONS

- 4.1 In January 2010, the Committee agreed a budget of £73,700 for the audit and opinion on the accounts for the year ended 31 March 2010.
- 4.2 Fees for the audit of the 2009-2010 accounts, which are charged against the 2010-2011 budget, are expected to total £54,068 which would represent a saving of £19,632 against the budget.

5 STAFFING IMPLICATIONS

- 5.1 There are none directly arising from this report.

6. EQUAL OPPORTUNITY IMPLICATIONS

- 6.1. There are none arising from this report.

7. COMMUNITY SAFETY IMPLICATIONS

- 7.1. There are none arising from this report.

8. HUMAN RIGHTS IMPLICATIONS

- 8.1 There are none arising from this report.

9. LOCAL AGENDA 21 IMPLICATIONS

- 9.1. There are none arising from this report.

10. PLANNING IMPLICATIONS

- 10.1. There are none arising from this report.

11. MEMBER SUPPORT IMPLICATIONS

- 11.1. This report has no particular implications for any Members or wards.

12. BACKGROUND PAPERS

12.1 Audit Commission correspondence.

13. RECOMMENDATION

13.1 That Members note the reduction in the Audit Commission fees for auditing the accounts from the financial year 2009-2010 onwards.

IAN COLEMAN
DIRECTOR OF FINANCE

FNCE/103/10