



*St Edmundsbury*  
BOROUGH COUNCIL

# C78

## Performance and Audit Scrutiny Committee 27 July 2011

### Audit Commission – Presentation of Annual Audit Fee Letter 2011/12

#### SUMMARY

A representative from the Audit Commission will be attending the meeting to present the attached Annual Audit Fee Letter. This document confirms the audit work which the Commission proposes to undertake for the 2011/12 financial year, and sets out the fee for that work.

The Audit Commission representative will answer any questions Members may wish to raise following presentation of the letter.

#### PURPOSE OF THE REPORT

The letter is for information, and estimates the fee for the Audit Commission's audit work at the Council in the coming year. The quoted fee is an estimate only, and should any significant amendments to the fee be found to be necessary during the course of the audit, this will be presented to and discussed with the Committee.

#### Contact Details

Name  
Telephone  
E-mail

#### Chairman

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#### Chief Finance Officer

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20 April 2011

Liz Watts  
Chief Finance Officer  
St Edmundsbury Borough Council  
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IP33 3YU

**Direct line** 0844 798 2414

— Dear Liz

## **Annual audit fee 2011/12**

I am writing to confirm the audit work that we propose to undertake for the 2011/12 financial year at St Edmundsbury Borough Council. The fee reflects the work required to meet the Code of Audit Practice and work mandated by the Commission for 2011/12. The audit fee covers the:

- Audit of financial statements;
- Value for money conclusion; and
- Whole of Government accounts.

As I have not yet completed my audit for 2010/11, the audit planning process for 2011/12, including the risk assessment will continue as the year progresses.

## **Audit fee**

For 2011/12, the Audit Commission will specify individual scale fee for each audited body. In previous years, the Commission has determined scales of audit fees with fixed and variable elements that reflect the type, size and location of audited bodies. The appointed auditor has then set the individual fees, based on the scale fee adjusted as necessary to reflect the level of local risk and the scale and complexity of the audit.

The 2011/12 scale fee will be based on the planned 2010/11 fee, adjusted for the following proposed decreases in the total audit fee:

- no inflationary increase in 2011/12 for audit and inspection scales of fees and the hourly rates for certifying claims and returns;
- a cut in scale fees resulting from our new approach to local value for money audit work; and

- a cut in scale audit fees of 5 per cent for local authorities, police and fire and rescue authorities, reflecting lower continuing audit costs after implementing IFRS.

Variations from the scale fee will only occur where my assessments of audit risk and complexity are significantly different from those identified and reflected in the 2010/11 fee. In its *Work programme and scales of fees 2011/12: Consultation response, Local Government, housing and community safety* published in February 2011, the Audit Commission indicated that, subject to affordability, it would make additional rebates of up to £7.2 million in total in 2011/12. The document also indicated that the Audit Commission will notify audited bodies of the amount due to them in the summer.

The scale fee for St Edmundsbury Borough Council is £95,760, as shown in the table below:

<b>Audit area</b>	<b>Scale fee 2011/12</b>	<b>Planned fee 2010/11</b>
<b>Audit fee</b>	<b>£95,760</b>	<b>£100,800</b>
<b>Certification of claims and returns</b>	<b>£42,000</b>	<b>£42,000</b>

I will issue a separate Audit Plan in December 2011. This will detail the risks identified to both the financial statements audit and the vfm conclusion. The audit plan will set out the audit procedures I plan to undertake and any changes in fee. If I need to make any significant amendments to the audit fee, I will first discuss this with the Chief Finance Officer. I will then prepare a report outlining the reasons the fee needs to change for discussion with the Performance and Audit Scrutiny Committee.

I will issue several reports over the course of the audit. I have listed these at Appendix 1.

The fee excludes work the Audit Practice may agree to undertake using its advice and assistance powers. We will negotiate each piece of work separately and agree a detailed project specification.

## **Audit team**

My audit team will meet high specifications and should:

- understand you, your priorities and provide you with fresh, innovative and useful support;
- be readily accessible and responsive to your needs, but independent and challenging to deliver a rigorous audit;
- understand national developments and have a good knowledge of local circumstances; and
- communicate relevant information to you in a prompt, clear and concise manner.

The key members of the audit team for 2011/12 are:

Name	Contact details	Responsibilities
Neil Harris Engagement Lead	<a href="mailto:neil-harris@audit-commission.gov.uk">neil-harris@audit-commission.gov.uk</a> 0844 798 2414	Neil is responsible for the overall delivery of the audit including the quality of outputs, liaison with the Chief Executive, Chief Finance Officer and Chair of the Performance and Audit Scrutiny Committee and issuing the auditor's report.
Melanie Richardson Engagement Manager	<a href="mailto:melanie-richardson@audit-commission.gov.uk">melanie-richardson@audit-commission.gov.uk</a> 0844 798 3004	Melanie manages and coordinates the different elements of the audit work. Key point of contact for the Chief Finance Officer.
Mike Wood Team Leader	<a href="mailto:mike-wood@audit-commission.gov.uk">mike-wood@audit-commission.gov.uk</a> 0844 798 3031	Mike has experience of auditing the financial statements of local authorities. He will lead the on-site team in delivering the audit.

I am committed to providing you with a high-quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact me. Alternatively you may wish to contact Chris Westwood, Director of Professional Practice, Audit Practice, Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ (c-westwood@audit-commission.gov.uk)

Yours sincerely



Neil Harris  
District Auditor

cc Chris Barber, Deputy Chief Finance Officer

Councillor J Hale, Chair of the Performance and Audit Scrutiny Committee

## Appendix 1- Planned outputs

We will discuss and agree our reports with officers before issuing them to the Performance and Audit Scrutiny Committee.

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**Table 1**

<b>Planned output</b>	<b>Indicative date</b>
Audit plan	December 2011
Annual governance report	September 2012
Auditor's report giving the opinion on the financial statements and value for money conclusion	September 2012
Final accounts memorandum (to Chief Finance Officer)	October 2012
Annual audit letter	November 2012
Annual claims and returns report	February 2013