

20 April 2011

Mr I Davies  
Interim Chief Executive  
Cherwell District Council  
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Banbury OX15 4AA

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Dear Ian

## 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 Cherwell District Council. The fee reflects the risk-based approach to audit planning set out in the Code of Audit Practice and work mandated by the Commission for 2011/12. The audit fee covers the:

- The audit of financial statements
- Value for money conclusion
- 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

The Audit Commission proposes to set the scale fee for each audited body for 2011/12, rather than providing a scale fee with fixed and variable elements. The scale fee reflects proposed decreases in the total audit fee, as follows:

- 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 VFM audit work; and
- a cut in scale audit fees of 3 per cent for local authorities, police and fire and rescue authorities, reflecting lower continuing audit costs after implementing IFRS.

The scale fee for Cherwell District Council is £114,338. The scale fee is based on the planned 2010/11 fee, adjusted for the proposals summarised above, shown in the table below. 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.

<b>Audit area</b>	<b>Scale fee 2011/12</b>	<b>Planned fee 2010/11</b>
<b>Audit fee</b>	<b>£114,338</b>	<b>£120,000</b>
<b>Certification of claims and returns * exact fee based on time spent will be charged</b>	<b>£31,885</b>	<b>£30,000</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 Head of Finance. I will then prepare a report outlining the reasons the fee needs to change for discussion with the Accounts, Audit and Risk Committee.

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

The fee excludes work the Commission 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**

Your audit team must meet high specifications and must:

- 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
Maria Grindley Engagement Lead	<a href="mailto:m-grindley@audit-commission.gov.uk">m-grindley@audit-commission.gov.uk</a> 0844 798 952	Maria is responsible for the overall delivery of the audit including the quality of outputs, liaison with the Chief Executive and Chair of Accounts, Audit and Risk Committee and issuing the auditor's report.
Nicola Jackson Engagement Manager	<a href="mailto:n-jackson@audit-commission.gov.uk">n-jackson@audit-commission.gov.uk</a> 0844 798 8962	Nicola manages and coordinates the different elements of the audit work. Key point of contact for the Head of Finance.

## Independence and objectivity

I comply with the ethical standards issued by the APB and with the Commission's requirements in respect of independence and objectivity.

I consider any relationships that may affect the independence and objectivity of the team, which I am required by auditing and ethical standards to communicate to you. I need to bring to your attention the following matter. Engagement Leads are normally appointed for five years but there is an option to extend for a further two years if the auditor and the audit committee are satisfied that there are no risks relating to long association and that this is necessary to safeguard audit quality. 2011/12 will be the sixth year of my appointment at the Council. I am satisfied that there are no independence risks posed by my extension for a further two years. I believe that it would be detrimental to audit quality to make a change in Engagement Lead at this time of significant change.

The Director of Audit Policy and Regulation at the Audit Commission has approved my request for an extension but the Accounts, Audit and Risk Committee also needs to approve it. I would be grateful if you could include this letter in the June agenda for their consideration.

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](mailto:c-westwood@audit-commission.gov.uk)).

Yours sincerely

Maria Grindley, District Auditor

cc Karen Curtin, Head of Finance

cc Cllr Donaldson, Chair of the Accounts, Audit and Risk Committee

## Appendix 1- Planned outputs

We will discuss and agree our reports with officers before issuing them to the Accounts, Audit and Risk 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 (if required)	October 2012
Annual audit letter	November 2012
Annual claims and returns report	February 2013