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Dear Martin

### Cherwell District Council - 2013-14 Audit Scale Fee – late variation

We issued our 'Audit Results Report' on the 11 September 2014, to report the outcome from our work in respect of the 2013-14 audit year. Within this report, we set out the 'final' audit fees, as required by the Audit Commission.

However, the Audit Commission has recently consulted on a supplement to the 2014-15 audit scale fees. In that consultation, the Audit Commission applied a permanent variation of £900 to the base scale fee. This reflects the additional audit procedures required to gain sufficient audit assurance around business rate income and expenditure within the Collection Fund.

This additional work is required because the certification work on Business Rates (the NNDR3 return) is no longer within the Audit Commission's certification regime - it was withdrawn for 2013-14. Auditors were previously able to use the certification work on the NNDR3 return as the required assurance for the audit opinion on the financial statements (including the Collection Fund). As reported in our Certification of claims and returns annual report (January 2014), the 2012-13 fee was £3,085.

The Audit Commission has now acknowledged that auditors were required to undertake these additional audit procedures to be able to gain assurance for the 2013-14 financial statements opinion. Indeed, business rates were included as a significant audit risk within our Audit Plan. In recognising that this applies equally to 2013-14, the Audit Commission has asked us to agree a scale fee variation of £900 to that audit fee with you.

The revised final scale fee in respect of the 2013-14 audit is set out in the table below.

	2013-14	2013-14
	Reported final fee (within Audit Results Report)	Amended final fee (revised and final)
	£	£
Audit Code Scale Fee	68,603	69,503

I appreciate that any increase to the audit scale fee is unwelcome news, but I hope that the narrative above sets out the Audit Commission's rationale for the increase. I think that this increase should be seen in the context of the Audit Commission reducing the 2015-16 scale fee by a further 25%, as a result of its latest procurement exercise.

If you wish to discuss this in more detail please do let me know, so we can arrange a call or a meeting. Otherwise, I would be grateful if this letter could be included within the agenda for the next Accounts, Audit and Risk Committee, as we are required to report the final audit fee to 'those charged with governance' of the Council.

I look forward to catching up with you in due course.

Yours sincerely

Mick West  
Director  
Ernst & Young LLP