

28 April 2010

Mary Harpley
Chief Executive
Cherwell District Council
Bodicote House
Bodicote
Banbury Oxon
OX15 4AA

Direct line 0844 798 8952
Direct fax 0844 798 8999
Mobile 07769 932604
Email maria-grindley@audit-commission.gov.uk

— Dear Mary

Annual Audit and Inspection Fee 2010/11

Following our meeting today, I am writing to confirm the audit and inspection work that we propose to undertake for the 2010/11 financial year at Cherwell District Council. This year we are setting out audit and inspection fees for you in one letter. Therefore this letter covers my audit responsibilities and those of Robert Hathaway as the CAA Lead (Oxfordshire).

The fee is based on the risk-based approach to audit planning as set out in the Code of Audit Practice and work mandated by the Audit Commission for 2010/11; and for assessment and inspection, the Comprehensive Area Assessment (CAA) framework and associated guidance.

As I have not yet completed my audit for 2009/10, the audit planning process for 2010/11, including the risk assessment will continue as the year progresses and fees will be reviewed and updated as necessary. The inspection plan will also be reviewed and updated as necessary by Robert in discussion with you.

A summary of the indicative fee is shown in the table below.

Audit area	Planned fee 2010/11 £	Planned fee 2009/10 £
Financial statements	72,250	65,250
Use of Resources/VFM Conclusion Including data quality.	45,250	42,500
Whole of Government Accounts	2,250	2,250
Total audit fee	120,000	110,000
Managing Performance element of the organisational assessment	9,152	9,152
Certification of claims and returns	25,000	25,000

The Audit Commission has published its work programme and scales of fees 2010/11. The planned audit fee for 2010/11 is set at the Audit Commission scale fee for the year. The fee for 2009/10 was 4.5% below scale. However in line with the fee letter we need to ensure we have an adequate level of fee for us to perform our duties appropriately. Therefore I need to raise your fee to scale this year to ensure that my team can continue to complete and deliver the audit work for you to the required standards and deadlines. I assure you we will continue to look at efficiencies in our approach and will also strive to add value in all the work that we do.

The work programme published by the Commission signalled a 6% increase from the previous year to take account of additional audit work arising from the introduction of International Financial Reporting Standards and this is reflected in my proposal. The Audit Commission's Chief Executive set out the background to this in his letter of 5 February 2009. He has also confirmed that the Audit Commission will make a direct refund to you of part of this fee in December 2010. This represents our best estimate of the additional costs association with IFRS transition in 2010/11.

In terms of this significant change to your accounting framework, I would like to take this opportunity to remind you that those charged with governance within the Council are responsible for ensuring you are prepared for the introduction of IFRSs. Although I do not have direct audit responsibilities in respect of balances at the transition date these do form the opening balances for the comparative period, I will therefore consider your risk assessment process and gap analysis to inform my ongoing risk assessment.

Changes in International Auditing Standards will also increase the audit procedures I need to carry out. In line with the fee proposals for 2010/11 the Audit Commission will absorb the cost of these additional requirements within the above fee.

In setting the fee, I have assumed that the general level of risk in relation to the audit of the financial statements is not significantly different from that identified in 2009/10. A separate opinion plan for the audit of the financial statements will be issued by March 2011. This will detail the risks identified, planned audit procedures and any changes in fee. If I need to make any significant amendments to the audit fee during the course of the audit, I will first discuss this with the Head of Finance and then prepare a report outlining the reasons why the fee needs to change for discussion with the Accounts, Audit and Risk Committee.

The quoted fee for grant certification work is an estimate only and will be charged at published daily rates.

The assessment and inspection fee set out is the fee for the managing performance element of the organisational assessment. This is the same for all District Councils and has been published in the Commission's work programme 2010/11. Area assessment is grant funded and does not attract a fee. We are currently planning our benefits work regionally and Robert will continue to monitor progress on benefits performance. Robert will write to you if any significant amendments are needed to the inspection plan and fee during the course of the year. He will first discuss this with you.

For the purposes of setting this fee, I have assumed that my use of resources assessments will continue to be based on the key lines of enquiry as set out in the Audit Commission's work programme and scales of fees 2010/11. These are:

- Managing Finances;
- Governing the business; and,
- Managing Resources.

You will be aware that the Audit Commission is currently undertaking a review of the Use of Resources framework and my work and associated fee may need to be reassessed when the outcomes of this review are published.

I will issue a number of reports relating to my work over the course of the audit. These are listed at Appendix 1. The organisational assessment for the council incorporating use of resources and managing performance will be published on the Oneplace website and Robert will confirm the timetable for this once it has been confirmed nationally.

The above fee excludes work the Commission may agree to undertake using its advice and assistance powers. Each piece of work will be separately negotiated and a detailed project specification agreed with you.

The key members of the audit team for the 2010/11 are:

Audit Manager – Nicola Jackson 0844 798 8962

Performance Specialist – Lorraine McMullen 0844 798 8979

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 in the first instance. Alternatively you may wish to contact the South East Head of Operations, Neil Childs (n-childs@audit-commission.gov.uk).

Yours sincerely

Maria Grindley
District Auditor

cc Karen Curtin, Head of Finance
Councillor John Donaldson, Chair of the Accounts, Audit and Risk Committee
Nicola Jackson, Audit Manager

Appendix 1: Planned outputs

Our reports will be discussed and agreed with the appropriate officers before being issued to the Accounts, Audit and Risk Committee.

Table 1

Planned output	Indicative date
Opinion Audit plan	by March 2011
Annual governance report	September 2011
Auditor's report giving the opinion on the financial statements and value for money conclusion	September 2011
Annual audit letter	November 2011
Organisational assessment (incorporating the managing performance assessment and the use of resources assessment)	TBC