

Our reference CA22311A

Your reference

28 April 2010

Mr Greg Harlock
Chief Executive
South Cambridgeshire District Council
Cambourne Business Park
Cambourne
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Dear Greg

Annual audit and inspection fee 2010/11

Further to our discussions and consultation with the Audit Commission Comprehensive Area Assessment (CAA) Lead Nigel Smith, I am writing to confirm the audit and inspection work that we propose to undertake for the 2010/11 financial year at South Cambridgeshire District Council.

The fee is based on:

- for audit, the risk-based approach to audit planning as set out in the Code of Audit Practice and work mandated by the Commission for 2010/11; and
- for inspection, the CAA framework and associated guidance.

As we have not yet completed our 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 the Audit Commission CAA Lead in discussion with you.

The total indicative fee for 2010/11 is £192,941, which compares to the planned fee of £166,783 for 2009/10. A summary of this is shown in the table overleaf.

Indicative audit and inspection fee:

Work	Planned fee 2010/11	Planned fee 2009/10
Financial statements	£98,300	£90,800
Use of Resources/VFM Conclusion	£31,150	£31,150
Whole of Government Accounts	£2,550	£2,550
Total audit fee	£132,000	£124,500
Certification of claims and returns	£33,936	£33,131
Inspection work (provided by CAAL)		
Managing performance assessment	£9,152	£9,152
Housing landlord services	£17,853	n/a
Total inspection fee	£27,005	£9,152
Total indicative fee	£192,941	£166,783

The Audit Commission has published its work programme and scales of fees 2010/11. The Audit Commission scale audit fee for South Cambridgeshire District Council is £122,622. The fee proposed for 2010/11 is +7.65 per cent compared to the scale fee and is within the normal level of variation specified by the Commission.

The increase in fee for the financial statements element of the audit reflects the costs of additional audit work arising from the introduction of International Financial Reporting Standards. Changes in international auditing standards will increase the audit procedures I need to carry out, however the Audit Commission will absorb the cost of the additional requirements within the fee.

In setting the fee, we have assumed that the level of risk in relation to the audit of the financial statements is not materially different from that identified in respect of 2009/10, with the exception of the following additional significant risk:

Additional significant risks

Risk	Planned work	Timing of work
<p>The 2010/11 budget exercise identified and set in place a plan to reduce the budget by some £2.1m. As a result it is recognised that some redundancies will be necessary.</p>	<ul style="list-style-type: none"> • Monitor the delivery of the savings package as part of our 2011 use of resources assessment • Review the arrangements for any redundancies and ensure that expenditure is correctly disclosed in the financial statements as part of our use of resources assessment and audit of the financial statements. 	<p>March 2010 – September 2011</p>

A separate opinion plan for the audit of the financial statements will be issued in December 2010. This will detail any additional risks identified, planned audit procedures and any changes in fee. If we need to make any significant amendments to the audit fee during the course of this plan, we will first discuss this with the Executive Director (Corporate Services) and then prepare a report outlining the reasons why the fee needs to change for discussion with the Corporate Governance Committee.

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

Our use of resources assessments will be based upon the evidence from three themes:

- Managing finances;
- Governing the business; and
- Managing resources.

We are currently undertaking a review of the Council's use of resources for 2009/10 which, in line with established charging arrangements, will be funded from the 2010/11 fee. The results of the audit will inform our planning for 2010/11. At this stage, we have not identified any significant risks in relation to the value for money conclusion for 2010/11, but will update our audit plan and indicate any impact on audit fees in December 2010.

The inspection work plan for 2010/11 includes a managing performance assessment of the Council and a review of housing landlord services which was deferred pending the result of the Large Scale Voluntary Transfer ballot. The CAA Lead, Nigel Smith 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.

We will issue a number of reports relating to our work over the course of the audit. These are listed at Appendix 1.

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 – Neil Gibson 0844 798 4142

Team Leader – Daniel Woo 0844 798 5786

We are 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 Any Perrin, Head of Operations, Eastern (a-perrin@audit-commission.gov.uk).

Yours sincerely

A handwritten signature in black ink that reads "Debbie Hanson". The signature is written in a cursive style with a large initial 'D'.

Debbie Hanson
District Auditor

cc Alex Colyer, Executive Director (Corporate Services)
Councillor Peter Topping, Chair of Corporate Governance Committee
Nigel Smith, CAA Lead
Neil Gibson, Audit Manager

Appendix 1: Planned outputs

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

Table 1

Planned output	Indicative date
Opinion audit plan	December 2010
Annual governance report	September 2011
Auditor's report giving the opinion on the financial statements and value for money conclusion	September 2011
Use of resources report	September 2011
Final accounts memorandum (to the Executive Director (Corporate Services) if required)	October 2011
Annual audit letter	December 2011
Managing performance	October 2011
Housing landlord services	November 2011