

**Our reference** CA22312A

**Your reference**

20 April 2011

Mrs Jean Hunter  
Chief Executive  
South Cambridgeshire District Council  
Cambourne Business Park  
Cambourne  
Cambridgeshire CB3 6EA

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Dear Jean

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

I am writing to confirm the audit work that I propose to undertake for the 2011/12 financial year at South Cambridgeshire 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:

- audit of financial statements;
- Value for money (VFM) 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 has set the scale fee for each audited body. This is a different approach to that in previous years where the scale fee has been made up of fixed and variable elements.

The 2011/12 scale fee is 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 the 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 implementation of International Financial Reporting Standards (IFRS).

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The scale fee for South Cambridgeshire District Council is £114,000 as set out in the table below. The scale fee is based on the revised 2010/11 fee notified to you in the 2010/11 audit plan, adjusted for the proposals summarised above. 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. At present I have not identified any differences.

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.

<b>Audit area</b>	<b>Scale fee 2011/12</b>	<b>Planned fee 2010/11</b>
<b>Audit fee</b>	<b>£114,000</b>	<b>£120,000</b>
<b>Certification of claims and returns</b>	<b>£35,140</b>	<b>£36,512</b>

The change in respect of grant claims for 2010/11 reflects the reduction in the cost of certification work in 2009/10. It also takes account of an early estimate of the additional work that will be required on the Housing finance base data return, formerly the Housing Revenue Account subsidy base data return, in advance of Housing Revenue Account self-financing. As and when the additional work is clarified I will discuss further with your officers. The indicative claim fee for 2011/12 has therefore assumed that this return will not be required in 2011/12.

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. It will also update the position in respect of the likely cost of certification of claims and returns. 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 Executive Director, Corporate Services. I will then prepare a report outlining the reasons the fee needs to change for discussion with the Corporate Governance Committee.

I propose to adopt a similar approach to the current year in my work to support the VFM Conclusion. I will therefore carry out an initial risk assessment and discuss the results with officers in early 2012. On the basis of this I will identify and carry out any further work later in the year. Any issues identified will be reported to officers and members in advance of the issuing of the VFM conclusion.

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. I will negotiate any appropriate piece of work separately and agree a detailed project specification and fee.

## 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
Paul King District Auditor	<a href="mailto:paul-king@audit-commission.gov.uk">paul-king@audit-commission.gov.uk</a>  0844 798 5811	Responsible for the overall delivery of the audit including the quality of outputs, liaison with the Chief Executive and Chair of Corporate Governance Committee and issuing the auditor's report.
Neil Gibson Audit Manager	<a href="mailto:n-gibson@audit-commission.gov.uk">n-gibson@audit-commission.gov.uk</a>  0844 798 4142	Manages and coordinates the different elements of the audit work. Key point of contact for the Executive Director, Corporate Services.
Daniel Woo Team Leader	<a href="mailto:d-woo@audit-commission.gov.uk">d-woo@audit-commission.gov.uk</a> <a href="mailto:d-woo@audit-commission.gov.uk">mailto:</a>  0844 798 5786	Responsible for day to day supervision of the audit team. Key point of contact for the Head of Accountancy and the Principal Accountant

I am committed to providing you with a high-quality service. If you are in any way dissatisfied, or would like to discuss how I can improve my 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

A handwritten signature in black ink, appearing to read 'Paul King'.

Paul King  
District Auditor

cc Councillor P Topping, Chair of the Corporate Governance Committee  
Alex Colyer, Executive Director, Corporate Services  
Adrian Burns, Head of Accountancy  
Neil Gibson, Audit Manager

## Appendix 1- Planned outputs

I will discuss and agree my reports with officers before issuing them to the Civic Affairs committee.

<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 the Executive Director, Corporate Services (if necessary)	October 2012
Annual audit letter	November 2012
Annual claims and returns report	January 2013