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29 March 2011

Dear Julie

### **Planned audit fee for 2011/12**

The Audit Commission consulted on its proposed work programme and scales of fees at the end of 2010. The consultation closed on 7 January 2011.

This was an opportunity for all audited bodies under the remit of the Audit Commission to influence the fee scales that form the basis of the 2011/12 audit fee.

### **Scope of the fee**

Our 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 2011/12. It covers:

- our audit of your financial statements
- our requirement to conclude on the economy, efficiency and effectiveness in your use of resources (the value for money conclusion).

A more detailed audit plan will be issued in December 2011 setting out the risks identified, planned audit procedures and any changes in fee.

### **Scale fee**

The Audit Commission defines the scale audit fee as “the fee required by auditors to carry out the work necessary to meet their statutory responsibilities in accordance with the Code of Audit Practice. It represents the best estimate of the fee required to complete an audit where the audited body has no significant audit risks and it has in place a sound control environment that ensures the auditor is provided with complete and materially accurate financial statements with supporting working papers within agreed timeframes.”

In prior years, we used a fee calculation to determine the scale fee. For 2011/12, the Commission has independently set the scale fee based on the planned 2010/11 fee. We must seek approval from the Commission for any variance to the scale fee.

Your 2010/11 scale fee has been published on the Audit Commission’s website. The scale fee for 2011/12 is £454,500.

“In law, audit fees are not a fee for audit services, but a levy to fund the costs of the [Audit] Commission, out of which it meets the costs of audits and its other statutory costs.”

*Audit Commission Work Programme and scales of fees 2011/12*

#### **Chartered Accountants**

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### **Planned fee**

We do not propose a variation from scale fee. The fee of £454,500 represents a 10% reduction from the 2010/11 fee of £505,000.

As we have not yet completed our audit for 2010/11, the audit planning process for 2011/12, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary. Any variation will be agreed with management and the Audit Committee.

### **Value for Money Conclusion**

Under the Audit Commission Act, we must be satisfied that each Council has adequate arrangements in place to secure economy, efficiency and effectiveness in its use of resources. To arrive at our conclusion we will focus on the Council's arrangements for:

- Securing financial resilience; and
  - Prioritising resources within tighter budgets
- Our work to support our conclusions will be risk-based. We will agree the detail of this with the Council during the course of the year.

We are in the process of discussing with management the areas that we could cover to support our Value for Money Conclusion. These areas include:

- Delivering the Medium Term Financial Strategy;
- Addressing the issues raised by the Localism Bill;
- Development of shared services with the London Borough of Waltham Forest;
- Review of the Council's arrangements for plurality of service providers; and
- The Council's arrangements for economic regeneration including its effective use of assets and potential development of joint ventures and commercial interest companies.

### **Certification of claims and returns**

We estimate that the fee for certification of grant claims and returns will be in the region of £125,000. This is an early estimate based on the average of fees charged in 2009/10 and 2010/11.

### **Rebate from the Audit Commission**

The Commission has proposed to give audited bodies a rebate up to £7.2million (8%) in 2011/12. The Audit Commission will write to you in the summer setting out the amount due.

The Audit Commission has proposed further reductions up to 15% in 2012/13.

### **Non-Code work**

The above fee excludes any work requested by the Council that we may agree to undertake outside of our Code audit. Each additional piece of work will be separately agreed and a detailed project specification and fee agreed with the Council.

**Administration**

The key members of the audit team for 2011/12 remain unchanged:

Partner	Paul Dossett	0207 728 3180	<a href="mailto:paul.dossett@uk.gt.com">paul.dossett@uk.gt.com</a>
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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 Sarah Howard, our Head of Government Audit ([sarah.howard@uk.gt.com](mailto:sarah.howard@uk.gt.com)).

Yours sincerely

Paul Dossett  
For Grant Thornton UK LLP