

# CHESHIRE EAST COUNCIL

## Audit and Governance Committee

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<b>Date of Meeting:</b>	30 June 2011
<b>Report of:</b>	Borough Treasurer and Head of Assets
<b>Subject/Title:</b>	Annual Audit Fees 2011/2012
<b>Portfolio Holder</b>	Councillor Wesley Fitzgerald

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### **1.0 Report Summary**

- 1.1 This report presents the Audit Commission's Annual Audit fees for 2011/12. The Annual Audit letter which is attached at Appendix A sets out the proposed audit work for 2011/12 and the associated fee.
- 1.2 Representatives from the Audit Commission will attend the meeting to present their proposals and answer questions.

### **2.0 Recommendations**

- 2.1 To receive the Audit Commission's letter on the Annual Audit Fee for 2010/11 (Appendix A).
- 2.2 To note the proposed work programme, indicative fees and associated budgetary implications.
- 2.3 In considering the letters members should make reference to the Audit Commission Code of Audit Practice and to the Statement of Responsibilities of Auditors.

### **3.0 Reasons for Recommendations**

- 3.1 The Audit fee letter is required to be presented and received by those members charged with Governance.

### **4.0 Wards Affected**

- 4.1 Not applicable.

### **5.0 Local Ward Members**

- 5.1 Not applicable.

### **6.0 Policy Implications including – Carbon Reduction - Health**

- 6.1 Not applicable.

## **7.0 Financial Implications (Authorised by the Borough Treasurer)**

- 7.1 The planned audit fee for 2011/12 is £341,750 (exclusive of VAT). This is based on a set scale rather than containing fixed and variable elements and reflects a reduction in fees from 2010/11.
- 7.2 The fee for Cheshire East Borough Council is 5% below the scale fee of £358,650 and is based on an assessment of audit risk and complexity. This is a reduction from previous years where fees have been set above the scale fee to reflect the audit risks associated with a new authority.
- 7.3 The base budget for audit fees is £330,389. The quoted audit fee for 2011/12 therefore exceeds the budget provision by £11,361. In addition fees relating to the certification of claims and returns amount to £97,994. This overspend will be met from Council balances.

## **8.0 Legal Implications (Authorised by the Borough Solicitor)**

- 8.1 There is a statutory requirement for audited bodies to meet the fees specified by the Audit Commission.

## **9.0 Risk Management**

- 9.1 Regular liaison meetings between senior finance officers and the Audit Commission will continue during 2011/12 to keep the identified risks under review.

## **10.0 Background and Options**

- 10.1 The Audit fee letter is attached at Appendix A. This sets out the audit work to be undertaken during the year in relation to the financial statements, the Value for Money conclusion, the Whole of Government Accounts return and the certification of grant claims and returns.

## **11.0 Access to Information**

The background papers relating to this report can be inspected by contacting the report writer:

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Designation: Corporate Finance Lead  
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Email: [joanne.wilcox@cheshireeast.gov.uk](mailto:joanne.wilcox@cheshireeast.gov.uk)

## APPENDIX A



24 April 2011

Ms Erica Wenzel Chief Executive  
Cheshire East Borough Council  
Westfields Middlewich Road  
Sandbach CW11 1HZ

Dear Erica

### **Annual Audit fee 2011/12**

I am writing to confirm the audit work that we propose to undertake for the 2011/12 financial year at Cheshire East Borough 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:

- The audit of financial statements
- Value for money conclusion
- 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**

The Audit Commission proposes to set the scale fee for each audited body for 2011/12, rather than providing a scale fee with fixed and variable elements. The scale fee reflects proposed decreases in the total audit fee, as follows:

- 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 our 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 implementing IFRS.

The scale fee for Cheshire East Borough Council is £358,650. The scale fee is based on the planned 2010/11 fee, adjusted for the proposals summarised above, as shown in the table below. 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. Based on my current assessment of the risks associated with the audit for 2011/12, my planned fee for the Council is £341,750 which is 5% below scale.

<b>Audit area</b>	<b>Scale fee 2011/12</b>	<b>Planned fee 2011/12</b>	<b>Planned Fee 2010/11</b>
<b>Audit fee</b>	<b>£358,650</b>	<b>£341,750</b>	<b>£397,500*</b>
<b>Certification of claims and returns</b>	<b>£97,994</b>	<b>£97,994</b>	<b>£149,394</b>

\* Prior to rebates of £35,047

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. 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 Borough Treasurer. I will then prepare a report outlining the reasons the fee needs to change for discussion with the audit & governance committee.

I will issue a detailed project plan before my work begins to support the value for money conclusion.

I will also 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. We will negotiate each piece of work separately and agree a detailed project specification.

## **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
Judith Tench Engagement Lead	<a href="mailto:j-tench@audit-commission.gov.uk">j-tench@audit-commission.gov.uk</a> 07799 656646	Judith is responsible for the overall delivery of the audit including the quality of outputs, liaison with the Chief Executive and Chair of Audit & Governance Committee and issuing the auditor's report.
Andrea Castling Engagement Manager	<a href="mailto:a-castling@audit-commission.gov.uk">a-castling@audit-commission.gov.uk</a> 07966 399090	Andrea manages and coordinates the different elements of the audit work. Key point of contact for the Borough Treasurer
Ivan Parkhill Team Leader	<a href="mailto:i-parkhill@audit-commission.gov.uk">i-parkhill@audit-commission.gov.uk</a> 0844 798 3552	Ivan has experience of auditing the financial statements of large local authorities. He will lead the on-site team in delivering the audit.

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. 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@auditcommission.gov.uk](mailto:c-westwood@auditcommission.gov.uk))

Yours sincerely

Judith Tench  
District Auditor

cc Lisa Quinn (Borough Treasurer)

cc Councillor M J Simon (Chair of the Audit & Governance Committee)

## Appendix 1- Planned outputs

We will discuss and agree our reports with officers before issuing them to the Audit & Governance committee.

**Table 1**

<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 Director of Finance)	October 2012
Annual audit letter	November 2012
Annual claims and returns report	February 2013