

Mr K. Ryley
Chief Executive
Cheshire East Council
Westfields,
Middlewich Road
Sandbach,
Cheshire
CW11 1HZ

Grant Thornton UK LLP
Royal Liver Building
Liverpool
L3 1PS
T: +44 (0)151 2247200

www.grant-thornton.co.uk

14 November 2012

Dear Mr Ryley

Planned audit fee for 2012/13

We are delighted to have been appointed by the Audit Commission as auditors to the Council and look forward to providing you with a high quality external audit service for at least the next five years. We look forward to developing our relationship with you over the coming months, ensuring that you receive the quality of external audit you expect and have access to a broad range of specialist skills where you would like our support.

The Audit Commission has set its proposed work programme and scales of fees for 2012/13. In this letter we set out details of the audit fee for the Council along with the scope and timing of our work and details of our team.

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.”

For 2012/13, the Commission has independently set the scale fee for all bodies. The Council's scale fee for 2012/13 is £205,050 which compares to the audit scale fee of £341,750 for 2011/12, a reduction of 40%. The final fee for the 2011/12 audit was £361,750.

Further details of the work programme and individual scale fees for all audited bodies are set out on the Audit Commission's website at: www.audit-commission.gov.uk/scaleoffees1213.

The audit planning process for 2012/13, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary as our work progresses.

Scope of the audit 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 2012/13. It covers:

- our audit of your financial statements

Chartered Accountants

Member firm within Grant Thornton International Ltd
Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No. OC307742. Registered office: Grant Thornton House, Melton Street, Euston Square, London NW1 2EP
A list of members is available from our registered office.

Grant Thornton UK LLP is authorised and regulated by the Financial Services Authority for investment business.

- our work to reach a conclusion on the economy, efficiency and effectiveness in your use of resources (the value for money conclusion)
- our work on your whole of government accounts return.

Value for money conclusion

Under the Audit Commission Act, we must be satisfied that the Council has adequate arrangements in place to secure economy, efficiency and effectiveness in its use of resources, focusing on the arrangements for:

- securing financial resilience; and
- prioritising resources within tighter budgets.

We undertake a risk assessment to identify any significant risks which we will need to address before reaching our value for money conclusion. We will assess the Council's financial resilience as part of our work on the VFM conclusion and a separate report of our findings will be provided.

Our planning to date has identified that the previous auditor issued a qualified VFM conclusion in 2011/12 and made a number of recommendations in her Annual Governance Report. As part of our value for money work we will review the Council's response to those recommendations. We will also continue to assess the Council's arrangements and discuss any additional work required during the year.

Certification of grant claims and returns

The Audit Commission has replaced the previous schedule of hourly rates for certification work with a composite indicative fee. This composite fee, which is set by the Audit Commission, is based on actual 2010/11 fees adjusted to reflect a reduction in the number of schemes which require auditor certification and incorporating a 40% fee reduction. The composite indicative fee grant certification for the Council is £41,600.

Billing schedule

Our fees are billed quarterly in advance. Given the timing of our appointment we will raise a bill for two quarters in December 2012 with normal quarterly billing thereafter. Our fees will be billed as follows:

| Main Audit fee | £ |
|----------------------------|----------------|
| December 2012 | 102,525 |
| March 2013 | 51,263 |
| June 2013 | 51,262 |
| Grant Certification | |
| June 2013 | 41,600 |
| Total | 246,650 |

Outline audit timetable

We will undertake our audit planning and interim audit procedures in December 2012. Upon completion of this phase of our work we will issue our detailed audit plan setting out our findings and details of our audit approach. Our final accounts audit and work on the VFM conclusion will be completed in September 2013 and work on the whole of government accounts return in September 2013.

| Phase of work | Timing | Outputs | Comments |
|----------------------------------|-----------------------|---|--|
| Audit planning and interim audit | Nov to March 2013 | Audit plan | The plan summarises the findings of our audit planning and our approach to the audit of the Council's accounts and VFM. |
| Final accounts audit | June to Sept 2013 | Report to those charged with governance | This report will set out the findings of our accounts audit and VFM work for the consideration of those charged with governance. |
| VFM conclusion | Jan to Sept 2013 | Report to those charged with governance | As above |
| Financial resilience | Jan to Sept 2013 | Financial resilience report | Report summarising the outcome of our work. |
| Whole of government accounts | September 2013 | Opinion on the WGA return | This work will be completed alongside the accounts audit. |
| Annual audit letter | October 2013 | Annual audit letter to the Council | The letter will summarise the findings of all aspects of our work. |
| Grant certification | June to December 2013 | Grant certification report | A report summarising the findings of our grant certification work |

Our team

The key members of the audit team for 2012/13 remain unchanged:

| | Name | Phone Number | E-mail |
|--------------------|-----------------|----------------------------------|-----------------------------|
| Engagement Lead | Judith Tench | 0161 214 6369 | Judith.M.Tench@gt.uk.com |
| Engagement Manager | Andrea Castling | 0161 214 6396 m: 07880 456161 | Andrea.N.Castling@uk.gt.com |
| Audit Executive | Ivan Parkhill | 0161 214 6377 | Ivan.Parkhill@uk.gt.com |

Additional work

The scale 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.

Quality assurance

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 Public Sector Assurance at Sarah.Howard@uk.gt.com.

Yours sincerely

Judith Tench
For Grant Thornton UK LLP