



23 April 2010

Ms Lisa Quinn  
Borough Treasurer  
Cheshire East Borough Council  
Westfields  
Sandbach  
Cheshire  
CW11 1HZ

Dear Lisa

### Annual Audit Fee 2010/11

I am writing to confirm the audit work that we propose to undertake for the 2010/11 financial year at Cheshire East Council and to set out the fee implications. The proposed work and fee reflects:

- our risk-based approach to audit planning as set out in the Code of Audit Practice;
- work mandated by the Audit Commission for 2009/10; and
- only the audit element of our work.

Val Edmonds, the Comprehensive Area Assessment Lead will write separately on assessment and inspection fees to Erika Wenzel.

The total indicative fee for the audit for 2010/11 is for £397,500 (exclusive of VAT). A summary of this is shown in the table below.

#### Audit fee

Audit area	Planned fee 2010/11	Planned fee 2009/10
Financial statements	£248,296	£236,287
Use of Resources/VFM Conclusion [including risk based work]	£149,204	£165,638
<b>Total audit fee</b>	<b>£397,500</b>	<b>£401,925</b>
Certification of claims and returns	£149,394	£131,544

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Runcorn, Cheshire, WA7 4QF  
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The Audit Commission has published its work programme and scales of fees 2010/11. The published fee scale for 2010/11 included a 6% increase to cover the costs of additional audit work arising from the introduction of International Reporting Standards. In July 2009, in recognition of the financial pressures that public bodies are facing in the current economic climate, the Commission confirmed that it would subsidise the 'one-off' element of the cost of transition to International Financial Reporting Standards (IFRS) for local authorities and police and fire and rescue authorities from 2010/11. You will therefore receive a refund from the Audit Commission of £4,588 in April 2010, which is sufficient to cover the increase in fee.

The scale fee for the Council is £364,300 (based on GRE of £715m). The fee proposed for 2010/11 is 9 per cent above the scale fee, which reflects the inherent audit risk in the Council's second year of operation.

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, I have assumed that the general level of risk in relation to the audit of the financial statements is not significantly different from that identified to 2009/10. A separate opinion plan for the audit for the financial statements will be issued in early 2011. This will detail the risks identified, planned audit procedures and any changes in fee. If I need to make any significant amendments to the audit fee during the course of this plan, I will first discuss this with you and then prepare a report outlining the reasons why the fee needs to change for discussion with the Governance & Constitution committee.

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

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

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

The key lines of enquiry specified for the assessment are set out in the Audit Commission's work programme and scales of fees 2010/11. My work on use of resources informs my 2010/11 value for money conclusion. However, I have identified a number of significant risks in relation to my value for money conclusion. For each risk, I consider the arrangements put in place by the Council to mitigate the risk, and plan my work accordingly. My initial risk assessment for value for money audit work is shown in the table below.

<b>Risk area</b>	<b>Planned work</b>	<b>Timing of work</b>
Ethical Governance	Survey and workshops for staff and Members to assess impact of Council's arrangements for promoting and embedding ethical governance within the organisation	October 2010 – December 2010
Changing organisational culture	Workshop with Senior staff and Members to explore organisational attitudes and areas for change	December 2010 – January 2011
Shared services	Review of Council's management to shared services to support delivery of planned efficiencies and value for money	January 2011 – March 2011

I will issue a separate project specification each of these topics before beginning the work.

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

The above fee excludes any work requested by you that the Commission may agree to undertake using its advice and assistance powers.

The key members of the audit team are:

Audit Manager – Andrea Castling 0844 798 3557

Team Leader – Ivan Parkhill 0844 798 3552

Performance Specialist – Sarah Davies 0844 798 3561

This letter will be presented to the members of the Governance Committee in their capacity as those charged with Governance. In considering this letter they should make reference to the Audit Commission Code of Audit Practice and to the Statement of Responsibilities of Auditors and Audited Bodies. Copies will be provided to the Council and they can be found on the Commissions website using the links below:

<http://www.audit-commission.gov.uk/reports/NATIONAL-REPORT.asp?CategoryID=&ProdID=0070AC93-EE4E-4A42-8C78-3DB722EF5A79>

and

<http://www.audit-commission.gov.uk/reports/NATIONAL-REPORT.asp?CategoryID=&ProdID=A9F9AD95-AE7D-4755-935B-94700E020A9E>

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 in the first instance. Alternatively you may wish to contact the Head of Operations, Terry Carter on 0844 798 7150.

Yours sincerely

Judith Tench  
*Engagement Lead*

## **Appendix 1: Planned Outputs**

Our reports will be discussed and agreed with the appropriate officers before being issued to the Governance & Constitution committee.

<b>Planned output</b>	<b>Date</b>
Opinion Plan	January 2011
Annual Governance Report	September 2011
Auditors' report on Financial Statements and Value for Money conclusion	September 2011
Use of Resources report	September 2011
Final Accounts Memo	October 2011
Annual Audit letter	December 2011
Grants Report to those Charged with Governance	January 2012
Review of Shared Services	TBC



16 April 2010

Ms E Wenzel  
Chief Executive  
Cheshire East Council

Dear Ms Wenzel

### **Annual inspection fee 2010/11**

I am writing to confirm the assessment and inspection work that we propose to undertake for the 2010/11 financial year at Cheshire East Council. The inspection fee:

- is based on the risk-based approach to inspection planning as set out in the Comprehensive Area Assessment (CAA) framework and associated guidance; and
- reflects only the Audit Commission's inspection work, excluding any audit fees. Judith Tench will be writing to you separately on fees for audit work.

CAA will deliver a more proportionate and risk based approach to inspection, targeting only high risk services and outcomes for inspection where alternative improvement activity is not appropriate. The inspection plan will be reviewed and updated as necessary.

The total indicative fee for inspection for 2010/11 is and is shown in the table below. The inspection fee has been set in accordance with the Audit Commission's work programme and scales of fees 2010/11.

### **Assessment and inspection work plan and fee**

<b>Assessment / inspection activity</b>	<b>Planned fee for 2009/10</b>
Area assessment of local partnership	n/a (CLG grant funded)
Managing performance theme of organisational assessment	£16,630
Strategic Housing Inspection	£35,595
Housing Benefit Inspection	n/a (DWP grant funded)
<b>Total inspection fee</b>	<b>£52,225</b>

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If I need to make any significant amendments to the inspection plan and fee during the course of the year, I will first discuss this with you and then confirm in writing outlining the reasons for the change, including the proposed scope for the work.

The above fee excludes any work you requested and the Commission has agreed to undertake using its advice and assistance powers.

If you have any questions regarding this letter, please contact me in the first instance. Alternatively you may wish to contact the Northern Region Head of Operations, Terry Carter.

Yours sincerely,

Valerie Edmonds  
Comprehensive Area Assessment Lead