

Our reference OX01011

8 April 2010

David Buckle
Chief Executive
South Oxfordshire District Council
Council Offices
Crowmarsh Gifford

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Dear David

Annual Audit and Inspection Fee 2010/11

Following our recent meeting on 8 April I am writing to confirm the audit and inspection work that we propose to undertake for the 2010/11 financial year at South Oxfordshire District Council. This year we are setting out audit and inspection fees for you in one letter. Therefore this letter covers my audit responsibilities and those of Robert Hathaway as the CAA Lead (Oxfordshire).

The 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 2010/11; and for assessment and inspection, the Comprehensive Area Assessment (CAA) framework and associated guidance.

As I have not yet completed my audit for 2009/10, the audit planning process for 2010/11, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary. The inspection plan will also be reviewed and updated as necessary by Robert in discussion with you.

A summary of the indicative fee is shown in the table below.

Audit area	Planned fee 2010/11 £	Planned fee 2009/10 £
Planning and reporting the Audit	20,000	19,331
Financial statements (inc WGA)	64,137	59,360
Use of Resources/VFM Conclusion Including data quality.	27,000	26,215
Total audit fee	111,137	104,906
Managing Performance element of the organisational assessment	9,152	9,152

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The Audit Commission has published its work programme and scales of fees 2010/11. The planned audit fee for 2010/11 is set at the Audit Commission scale fee for the year. This represents a 6% increase from the 2009/10 fee.

The increase in fee for the financial statements element of the audit reflects the costs of additional work arising from the introduction of international financial reporting standards in 2010/11. The Audit Commission Chief Executive wrote to all councils in February 2009 to announce measures to rebate part of the cost of the increase. A schedule of rebates is due to be published in June 2010. Changes in international auditing standards will increase the audit procedures I need to carry out. However, the Audit Commission has agreed to absorb the cost of 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 in 2009/10. A separate opinion plan for the audit of the financial statements will be issued by March 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 the audit, I will first discuss this with the Head of Finance and then prepare a report outlining the reasons why the fee needs to change for discussion with the audit committee.

In addition to the fee above, we estimate fees for grant certification work will be £28,000. Actual fees will be charged at published daily rates.

The assessment and inspection fee set out is the fee for the managing performance element of the organisational assessment. This is the same for all District Councils and has been published in the Commission's work programme 2010/11. Area assessment is grant funded and does not attract a fee. No inspections are currently planned although Robert will continue to monitor progress on benefits performance. Robert will write to you if any significant amendments are needed to the inspection plan and fee during the course of the year. He will first discuss this with you.

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. As part of the planning process, I have considered risks in relation to the opinion, use of resources and 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 assessments for are shown in the table below:

Risk	Planned work	Timing of work
Retention of evidence to support outcomes has not been done on an ongoing basis, resulting in additional work for both council staff and auditors.	We will work with your officers to identify and review outcomes ahead of the assessment in February 2011	October – December 2010
International Financial Reporting Standards (IFRS) – inherent risk due to the scale and complexity of changes	overview of preparation arrangements review of material treatments as they emerge review of restated figures for prior years	across year across year to be agreed

I will issue a number of reports relating to my work over the course of the audit. These are listed at Appendix 1. The organisational assessment for the council incorporating use of resources and managing performance will be published on the Oneplace website and Robert will confirm the timetable for this once it has been confirmed nationally.

The above fee excludes work the Commission may agree to undertake using its advice and assistance powers. Each piece of work will be separately negotiated and a detailed project specification agreed with you.

The key members of the audit team for the 2010/11 are:

Audit Manager – Anne Ockleston	0844 798 8958
Team Leader – Adam Prickett	0844 798 1752
Performance Specialist – Kevin Stewart	0844 798 4457

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 South East Head of Operations, Neil Childs (n-childs@audit-commission.gov.uk).

Yours sincerely

Maria Grindley
District Auditor

cc Steve Bishop, Executive Director

Appendix 1: Planned outputs

Our reports will be discussed and agreed with the appropriate officers before being issued to the Audit and Corporate Governance Committee /published .

Table 1

Planned output	Indicative date
Opinion Audit plan	by March 2011
Annual governance report	September 2011
Auditor's report giving the opinion on the financial statements and value for money conclusion	September 2011
Annual audit letter	November 2011
Organisational assessment (incorporating the managing performance assessment and the use of resources assessment)	TBC