

31 March 2010

Mr John Mitchell
Chief Executive
Uttlesford District Council
Council Offices
London Road
Saffron Walden
Essex CB11 4ER

Direct line 0844 798 5816
Email d-hanson@audit-commission.gov.uk

Dear John

Annual audit and inspection fee 2010/11

I am writing to confirm the audit and inspection work that we propose to undertake for the 2010/11 financial year at Uttlesford District Council.

The fee is based on:

- for audit, the risk-based approach to audit planning as set out in the Code of Audit Practice and work mandated by the Commission for 2010/11; and
- for 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 the Audit Commission CAA Lead, Ian Davidson, in discussion with you.

The total indicative fee for the audit for 2010/11 is for £122,200, which compares to the revised planned fee of £124,250 for 2009/10. A summary of this is shown in the table below.

Proposed fee

Area of work	Planned fee 2010/11	Planned fee 2009/10 (revised)
Financial statements	£71,617	£71,645 (original estimate) £66,035 (revised estimate)
Use of Resources/VFM Conclusion	£48,173	£55,955
WGA	£2,410	£2,260

Total audit fee	£122,200	£129,860 (original estimate) £124,250 (revised estimate)
Certification of claims and returns	£61,915	£64,365
Inspection work		
Managing performance assessment	£9,152	£9,152
Strategic housing services follow-up inspection	£20,318	-
Total fee	£213,585	£203,377 (original estimate) £197,767 (revised estimate)

The Audit Commission has published its work programme and scales of fees 2010/11. The Audit Commission scale audit fee for Uttlesford District Council is £105,781. The fee proposed for 2010/11 is 15.5 per cent above the scale fee and is within the normal level of variation specified by the Commission. The 2010/11 audit fee is a decrease of 1.7 per cent on the revised 2009/10 audit fee, and reflects an assumption on our part that the Council will continue to improve its accounts preparation processes and use of resources arrangements.

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 in 2010/11. Changes in international auditing standards will also increase the audit procedures I need to carry out, however the Audit Commission will absorb the cost of these additional requirements within the fee.

In setting the fee at this level, 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 plan for the audit of the financial statements will be issued in December 2010. This will detail the risks identified, planned audit procedures and any changes in fee.

The quoted fee for grant certification work is an estimate only and will be charged at published daily rates. 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 Chief Finance Officer and then prepare a report outlining the reasons why the fee needs to change for discussion with the Performance Select Committee.

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

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

I will shortly be undertaking a review of the Council's use of resources for 2009/10 which, in line with established charging arrangements, will be funded from the 2010/11 fee. The results of the audit will also inform my planning for 2010/11. I have identified a number of significant risks in relation to my value for money conclusion for 2009/10. 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:

Risk	Planned work	Timing of work
Asset management (KLOE 3.2) was scored as a "1" in the 2009 UoR assessment.	We will undertake a review of the asset management KLoE in the 2010 UoR assessment.	March 2010 – September 2010
Risk management and internal control (KLOE 2.4) was scored as a "1" in the 2009 UoR assessment. Risk management arrangements are still to be fully embedded.	We will undertake a review of the new risk management arrangements in the 2010 UoR assessment.	March 2010 – September 2010
Understanding of costs and procurement (KLOEs 1.2 and 2.1 respectively) were scored as a "1" in the 2009 UoR assessment and have been identified as areas for improvement.	We will monitor the work being undertaken through the voluntary improvement group to improve understanding of costs and procurement.	March 2010 – September 2010
Challenging savings targets have been identified in the Medium Term Financial Plan.	We will continue to review the Council's financial management arrangements and plans for achieving the medium term savings targets.	March 2010 – September 2010

The inspection work plan for 2010/11 includes a strategic housing services follow-up, as the previous inspection in 2007/08 received a score of fair service quality but poor prospects for improvement. A separate project specification for the strategic housing services follow-up inspection will be issued before the work is started.

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

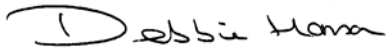
The above fee excludes any work requested by you that the Commission may agree to undertake using its advice and assistance powers. Each piece of work will be separately negotiated and a detailed project specification agreed with you.

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

Audit Manager	–	Gary Belcher	0844 798 2606
Team Leader	–	Francesca Palmer	0844 798 5552

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 Eastern Head of Operations, Andy Perrin (andy.perrin@audit-commission.gov.uk).

Yours sincerely

A handwritten signature in black ink that reads "Debbie Hanson". The signature is written in a cursive style with a large, looped initial 'D'.

Debbie Hanson
District Auditor

cc Stephen Joyce, Chief Finance Officer
cc Cllr Rolfe, Chair of the Performance Select Committee
cc Ian Davidson, CAA Lead
cc Gary Belcher, Audit Manager

Appendix 1: Planned outputs

Our reports will be discussed and agreed with the appropriate officers before being issued to the Performance Select Committee.

Table 1

Planned output	Indicative date
Opinion audit plan	December 2010
Annual governance report	September 2011
Auditor's report giving the opinion on the financial statements and value for money conclusion	September 2011
Use of resources report	September 2011
Final accounts memorandum (to the Chief Finance Officer)	October 2011
Annual audit letter	November 2011
Strategic housing services inspection follow-up	March 2011
Organisational assessment (incorporating the managing performance assessment and the use of resources assessment).	TBC