

11 April 2011

Ms E Raikes  
Chief Executive  
Torbay Council  
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— Dear Elizabeth

## **Annual audit fee 2011/12**

I am writing to confirm the audit work that we plan to undertake for the 2011/12 financial year at Torbay Council. The fee reflects the risk-based approach to audit planning set out in the Code of Audit Practice and the work mandated by the Audit Commission for 2011/12.

The fee covers:

- the audit of the financial statements;
- the value for money conclusion; and
- the Whole of Government accounts audit.

As I have not yet completed the 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 has set the scale fee for each audited body for 2011/12, rather than providing a fee scale with fixed and variable elements. The scale fee reflects decreases in the total audit fee, as follows:

- no inflationary increase for 2011/12 in the audit & inspection scales of fees and the hourly rates which apply to the certification of 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 & rescue authorities, reflecting lower continuing audit costs after implementing IFRS.

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.

The scale fee for Torbay Council is £225,000. The fee is based on the planned 2010/11 fee, adjusted as outlined above, and is shown in the table below.

<b>Audit area</b>	<b>Scale fee 2011/12</b>	<b>Planned fee 2010/11 (before rebates)</b>
<b>Audit fee</b>	<b>£225,000</b>	<b>£250,000</b>
<b>Estimated fee for certification of claims and returns</b> (actual fee will be based upon time and hourly rates set by the Commission)	<b>£36,000</b> (estimate)	<b>£36,000</b> (2009/10 outturn)

I will issue a separate audit plan in spring 2012. 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 them with the Executive Head - Finance. I will then prepare a report outlining the reasons the fee needs to change for discussion with the audit committee.

I intend to apply a risk-based approach to my review of the Council's arrangements for prioritising budgets within tighter resources and for securing financial resilience, to support the VFM conclusion.

I will issue several reports over the course of the audit. I have listed these at Appendix 1.

The fee excludes work which the Commission may agree to undertake using its advice and assistance powers. In those circumstances we will negotiate each piece of work separately and agree a detailed project specification.

## **The audit team**

The audit team must meet high specifications and must:

- understand you and 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
Alun Williams District Auditor/Engagement Lead	<a href="mailto:al-williams@audit-commission.gov.uk">al-williams@audit-commission.gov.uk</a> 0844 798 5603	Alun is responsible for: <ul style="list-style-type: none"> <li>• the overall delivery of the audit including the quality of outputs;</li> <li>• liaison with the Chief Executive and Chair of Audit Committee; and</li> <li>• issuing the auditor's report.</li> </ul>
Steve Brown Audit Manager/Engagement Manager	<a href="mailto:s-brown@audit-commission.gov.uk">s-brown@audit-commission.gov.uk</a> 07769 672920	Steve manages and coordinates the different elements of the audit work. He is the key point of contact for the Executive Head - Finance.
Stuart Holmes Team Leader	<a href="mailto:s-holmes@audit-commission.gov.uk">s-holmes@audit-commission.gov.uk</a> 07779 331745	Stuart has considerable experience auditing the financial statements of large local authorities and health bodies. 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@audit-commission.gov.uk)

Yours sincerely



District Auditor

cc Executive Head - Finance

cc Chair of the Audit Committee

## Appendix 1- Planned outputs

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

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**Table 1**

<b>Planned output</b>	<b>Indicative date</b>
Audit plan	Spring 2012
Annual governance report	September 2012
Auditor's report giving the opinion on the financial statements and the value for money conclusion	September 2012
Final accounts memorandum (to management)	October 2012
Annual audit letter	November 2012
Annual claims and returns report	February 2013