

27 April 2011

Mr Chris Bull
Chief Executive
Herefordshire Council
Brockington
35 Hafod Road
Hereford
HR1 1SH

Direct line 0844 798 8552

Dear Chris

Annual audit fee 2011/12

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

- Audit of financial statements
- Value for money conclusion
- Whole of Government accounts.

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

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

The scale fee for Herefordshire Council is £274,672. The scale fee is based on the planned 2010/11 fee, adjusted for the proposals summarised above, shown in the table below. 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.

	Scale fee 2011/12	Planned fee 2010/11
Audit fee	£274,672	£305,191

I will issue a separate audit plan in December 2011. 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 this with the Director of Resources. I will then prepare a report outlining the reasons the fee needs to change for discussion with the audit and governance committee.

For the VFM conclusion I plan at this stage to review the robustness of your medium term financial planning and your consideration of the value for money of any variations to the waste disposal contract. I also plan to review progress on benefits realisation from the transformation programme.

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

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

Audit team

Your audit team must meet high specifications and must:

- understand you, 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
Elizabeth Cave Engagement Lead	<u>l-cave@audit-commission.gov.uk</u> 0844 798 7552	Elizabeth Cave is responsible for the overall delivery of the audit including the quality of outputs, liaison with the Chief Executive and Chair of the Audit and Governance Committee and issuing the auditor's report.
Terry Tobin Engagement Manager	<u>t-tobin@audit-commission.gov.uk</u> 0844 798 7562	Terry Tobin manages and coordinates the different elements of the audit work. Key point of contact for the Director of Resources.
Martin Bell Team Leader	<u>m-bell@audit-commission.gov.uk</u> 0844 798 8789	Martin Bell has experience of auditing the financial statements of large local authorities. 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



Elizabeth Cave
District Auditor

cc David Powell ✓

Chair of the Audit Committee

Room 24
West Mercia Police HQ
Hindlip Hall
PO Box 55
Worcs WR3 8SP



Appendix 1- Planned outputs

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

Table 1

Planned output	Indicative date
Audit plan	December 2011
Annual governance report	September 2012
Auditor's report giving the opinion on the financial statements and value for money conclusion	September 2012
Final accounts memorandum (to the Director of Finance)	October 2012
Annual audit letter	November 2012
Annual claims and returns report	February 2013

