

22 March 2010

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Dear Richard

## Annual Audit Fee 2010/11

Following our discussions, I am writing to confirm the audit work for the 2010/11 financial year at Central Bedfordshire Council. 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 Commission for 2010/11; and
- reflects only the audit element of our work, excluding any inspection and assessment fees. Nigel Smith, Comprehensive Area Assessment Lead for Bedfordshire will be writing to you separately on these fees.

As I have not yet completed my audit for 2009/10 the audit planning for 2010/11, including the risk assessment, will continue and I will review and update the fee as necessary.

The proposed audit fee for 2010/11 is for £342,380, compared to the planned fee of £323,000 for 2009/10. A summary is set out below.

## Audit Fee

<b>Audit area</b>	<b>Planned fee 2010/11</b>	<b>Planned fee 2009/10</b>
Financial statements	248,815	229,435
Use of Resources/VFM Conclusion	89,225	89,225
WGA	4,340	4,340
<b>Total audit fee</b>	<b>342,380</b>	<b>323,000</b>
<b>Certification of claims and returns</b>	<b>100,562</b>	<b>83,400</b>

The Audit Commission has published its work programme and scales of fees 2010/11. The Audit Commission's indicative scale audit fee for an organisation such as Central Bedfordshire Council is £316,923. The audit fee proposed for the Council is +8 per cent compared with that scale fee and is within the normal level of variation specified by the Commission.

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 (IFRS). However the Audit Commission will make a one-off rebate equivalent to six per cent of the Council's scale fee in order to offset this increase for 2010/11. Changes in international auditing standards will increase the audit procedures I need to carry out, however the Audit Commission will absorb the cost of these additional requirements.

In setting the fee, I have assumed that the general level of risk for the audit of the financial statements is not significantly different from that for 2009/10. I will issue a separate opinion plan for the audit of the 2010/11 financial statements in December 2010. I will identify any additional risks, related audit procedures and 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 the Director of Customer and Shared Services and then prepare a report outlining the reasons the fee needs to change for discussion with the Audit Committee.

The increase in the estimate for the certification of claims reflects the time taken to complete the audit of the South Bedfordshire DC 2008/09 Housing Benefits (HB) claim. We will revisit this estimate following the completion of our audit of the Central Bedfordshire HB claim for 2009/10.

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

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

The Audit Commission set out the key lines of enquiry specified for this assessment in its work programme and scales of fees for 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:

Risk	Planned work	Timing of work
Our 2009/10 work on the Council's financial systems has identified weaknesses in the operation of controls in some systems, in particular in the Payroll system.	The impact of any weaknesses in internal controls will be considered as part of our Use of Resources work on Governing the Business in 2010/11 (KLOE	April 2010 – March 2011

There is a significant risk that these control problems will continue in to 2010/11.	2.4).	
The Council will continue to face considerable budget pressures in 2010/11. The budget for 2010/11 has been set on the basis that the outturn for 2009/10 will be a break even position and identified savings of some £12 million will be achieved.	We will continue to monitor the Council's financial position and progress in achieving efficiency savings as part of our UOR work on Managing Finances (KLOEs 1.1, 1.2 and 1.3).	April 2010 – March 2011

I will issue several reports about my work during and after the audit. I list these at Appendix 1.

The fee excludes work we may agree to undertake using our advice and assistance powers. We would separately negotiate such work and agree a detailed project specification with you.

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

Audit Manager – Cathy O'Carroll 07967 624334  
 Team Leader – Heather Rothwell – Trickett 07884 114003

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 ( [aperrin@audit-commission.gov.uk](mailto:aperrin@audit-commission.gov.uk) ).

Yours sincerely

Paul King  
 District Auditor

cc Richard Ellis, Director of Customer and Shared Services  
 cc David Lawrence, Chair of the Audit Committee