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13<sup>th</sup> December 2012

Ref: 27504922 2012-13

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Dear Richard

## **Annual Audit Fee 2012/13**

We are writing to confirm the audit work that we propose to undertake for the 2012/13 financial year at Central Bedfordshire 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 2012/13. The audit fee covers the:

- ▶ Audit of the financial statements;
- ▶ Value for money conclusion; and
- ▶ Whole of Government accounts.

Our fee has been set by the Audit Commission as part of the recent 5 year procurement exercise and consequently is not liable to increase in that period without a change in scope.

### **Indicative audit fee**

For 2012/13 the Audit Commission has set the scale fee for each audited body. The 2012/13 scale fee is based on certain assumptions, including:

- ▶ The overall level of risk in relation to the audit of the financial statements is not significantly different from that of the prior year;
- ▶ We are able to place reliance on the work of internal audit to the maximum extent possible under auditing standards;
- ▶ The financial statements will be available to us in line with the agreed timetable;
- ▶ Working papers and records provided to us in support of the financial statements are of a good quality and are provided in line with our agreed timetable; and
- ▶ Prompt responses are provided to our draft reports.

Meeting these assumptions will help ensure the delivery of our audit at the indicative audit fee.

The indicative audit fee set out in the table below has initially been set at the scale fee level as the overall level of risk in relation to the audit of the financial statements is not significantly different from that of the prior year.

	Indicative fee 2012/13 £	Planned fee 2011/12 £	Actual fee 2010/11 £
Total Code audit fee	184,885	308,142	342,380

### Certification work

As well as audit work under the Code, appointed auditors, as agents of the Commission, must certify grant claims and returns.

For 2012/13, the Audit Commission has replaced the previous schedule of maximum hourly rates with a composite indicative fee for certification work for each body. The indicative fee for certification work at individual audited bodies is published on the Audit Commission website. The indicative fee is based on actual certification fees for 2010/11 adjusted to reflect the fact that a number of schemes will no longer require auditor certification, and incorporating a 40 per cent reduction. This is based on the expectation that audited bodies are able to provide the auditor with complete and materially accurate claims and returns, with supporting working papers, within agreed timeframes.

The indicative fee for certification work is set out in the following table.

	Indicative fee 2012/13 £	Planned fee 2011/12 £	Actual fee 2010/11 £
Certification of claims and returns	45,350	85,253	84,246

The indicative fee for 2012/13 relates to the certification of grant claims and returns for the year ended 31 March 2013.

The planned fee for 2011/12 covers claims and returns for the year ended 31 March 2012 and £9,400 for additional work on the 2010/11 housing and council tax benefits claim carried out in October 2012.

The 2010/11 actual fee covers claims and returns for the year ended 31 March 2011 excluding the additional benefits work.

We find and report a high number of errors in benefits claims. The Department for Work and Pensions has raised further queries on the 2010/11 claim and is likely to raise queries on the 2011/12 claim. We anticipate there will be variations to the indicative fee for 2012/13 to cover the additional certification work required.

We also need to assess your arrangements for administering benefits which may require an additional Code audit fee.

### Additional Non-Code work

Any additional work that we may agree to undertake (outside of the Audit Code of Practice) will be separately negotiated and agreed with you in advance.

## Audit plan

Our audit plan for the audit of the financial statements will be issued in March 2013. This will detail the significant financial statement risks identified, planned audit procedures to respond to those risks, and any changes in fee. It will also set out the risks identified in relation to the value for money conclusion including further work on your arrangements for administering benefits. Should we need to make any significant amendments to the audit fee during the course of the audit, we will discuss this in the first instance with the Chief Finance Officer and, if necessary, prepare a report outlining the reasons for the fee change for discussion with the Audit Committee.

## Billing

The indicative audit and certification fees will be billed in 4 instalments of £57,559.

## Audit team

The key members of the audit team for 2012/13 are:

Mick West <b>Director</b>	<a href="mailto:MWest@uk.ey.com">MWest@uk.ey.com</a>	Tel: 01582 643000
Cathy O'Carroll <b>Manager</b>	<a href="mailto:lcocarroll@uk.ey.com">lcocarroll@uk.ey.com</a>	Tel: 07967 624334

We are committed to providing you with a high quality service. If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, please contact me. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London, SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute.

Yours faithfully

Mick West  
Director  
Ernst & Young LLP  
United Kingdom

cc. Charles Warboys, Chief Finance Officer  
Councillor David Bowater, Chairman of the Audit Committee