

Our reference Central/WE00312

2 June 2011

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Northampton Borough Council
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Dear David

Audit Fee 2011/12

I am writing following our meeting on 27th April at which we discussed the proposed 2011/12 audit fee.

I have considered further the issues raised and in particular the emerging findings from our 2010/11 audit and can confirm that a fee below the Audit Commission's published scale fee is appropriate. I can confirm a proposed fee of £178,000 and also that I will review the fee and the associated audit work programme further once my audit of the 2010/11 financial statements is completed in September.

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:

- The audit of financial statements
- Value for money (VFM) 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

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- 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 Northampton Borough Council is £194,275. 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. As mentioned above a lower fee is proposed for Northampton Borough Council to reflect the emerging findings from the 2010/11 audit.

Audit area	Proposed fee 2011/12	Scale fee 2011/12	Planned fee 2010/11	Actual Fee 2009/10
Audit fee	£178,000	£194,275	£204,500	£231,000
Certification of claims and returns (estimate)	£34,000	£34,000	£34,000	£41,990

I will issue a further separate audit plan in early 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 overall risk and fee. If I need to make any significant amendments to the audit fee, I will first discuss this with the Director of Finance and Support. I will then prepare a report outlining the reasons the fee needs to change for discussion with the audit committee.

The estimated fee for the certification of claims and returns is based on the Council undertaking all of the initial testing of the Housing and Council Tax Benefits Claim.

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:

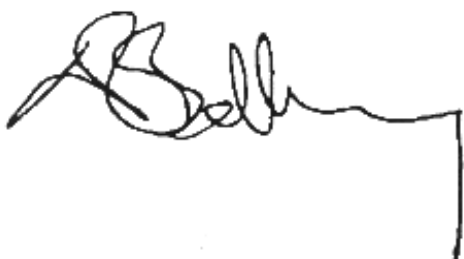
- understand you, your priorities and provide you with fresh, innovative and useful support;
- be readily accessible and responsive to your needs, but independent and challenging to deliver a rigorous audit;
- understand national developments and have a good knowledge of local circumstances; and
- communicate 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
Neil Bellamy District Auditor	n-bellamy@audit-commission.gov.uk 0844 798 4057	Neil is responsible for the overall delivery of the audit including the quality of outputs, liaison with the Chief Executive and Chair of the Audit Committee and issuing the auditor's report.
Trevor Croote Audit Manager	t-croote@audit-commission.gov.uk 0844 798 4064	Trevor manages and coordinates the different elements of the audit work. Key point of contact for the Head of Finance.
Alastair Ambrose Team Leader	a-ambrose@audit-commission.gov.uk 0844 798 4094	Alastair has experience of auditing the financial statements of district councils. 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



Neil Bellamy
District Auditor

cc Isabell Proctor
Bill Lewis