

Mr R Flinton
 Chief Executive
 North Yorkshire County Council
 County Hall
 Northallerton
 NE1 8BR

18 September 2012

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 North Yorkshire County Council. The fee has been set by the Audit Commission to reflect the work programme auditors are required to deliver and our assessment of audit risk.

The planned fee for the audit for 2012/13 is for £125,987 (exclusive of VAT), which compares to the planned fee of £209,978 for 2011/12 (40% reduction reflecting savings achieved following the national contract tendering exercise).

The fee is summarised below:

Audit area	Planned fee	Planned fee
	2011/12	2012/13
	£	£
Financial statements (inc Whole of Government Accounts)	137,890	97,152
VFM conclusion	72,088	28,835
Total audit fee	209,978	125,987
Rebate [note 1]	(16,734)	-
Net audit cost	193,244	125,987
Certification of claims and returns [note 2]	15,000	1,300

Note 1: In 2011/12, the Audit Commission gave local government bodies rebates of 8% to distribute savings achieved nationally. This is not expected to recur this year as savings have been passed on through the reduced scale fee.

Note 2: our fees for certification of claims and returns were previously billed on the basis of time spent by different grades of staff using scale fees advised by the Audit Commission. Going forward, the Audit Commission has replaced this with a composite indicative fee. 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% reduction.

The fee excludes:

- any additional work required to address questions and objections raised by local government electors which, due to uncertainty of timing and resource required, will be agreed separately;
- any work in relation to providing any specific accounting opinions, for example on PFI projects. Given the uncertainty of timing and input required, we will agree the scope of work and associated fee with you when you request the opinion;
- the cost of the National Fraud Initiative which is determined and billed by the Audit Commission;
- any work requested by you that we may agree to undertake. Each piece of work will be separately negotiated and a detailed project specification agreed with you; and
- our audit of the North Yorkshire Pension Fund. A separate annual audit fee letter will be provided to you in respect of this.

Work programme and risk assessment

The work programme has been published and copies sent directly to you by the Audit Commission. The programme includes:

- audit of the Authority's financial statements;
- work to support the value for money conclusion. This will be based on two criteria specified by the Commission covering the Authority's arrangements for:
 - securing financial resilience; and
 - prioritising resources within tighter budgets.
- work specified by the Commission on Whole of Government Accounts; and
- certification of individual claims and returns above £125,000, with only limited tests undertaken for claims up to £500,000.

Our audit is based on the risk-based approach to audit planning as set out in the Code of Audit Practice and work mandated by the Audit Commission. As the fee is based on the 2011/12 fee, it reflects our current assessment of audit risk but as we have not yet started our detailed audit planning process for 2012/13, this assessment could change. This process will continue as the year progresses and fees will be reviewed as necessary. Any significant variation in the assessment of risk may impact on the fee.

If we need to make any significant amendments to the audit fee during the course of the audit, we will first discuss this with Gary Fielding. We will prepare a report outlining the reasons why the fee needs to change for discussion with the Audit

Committee. Any variation in fee must be approved by the Audit Commission as they are responsible for setting audit fees.

The scale fee assumes that good quality working papers and records will be provided to support the financial statements within agreed timeframes. As the scale fee is based on the 2011/12 fee and risk assessment, the assumption that Internal Audit undertakes appropriate work on all key systems, and good quality working papers and records will be provided within agreed timeframes is also still relevant.

A separate plan detailing our assessment of audit risk and proposed response to those risks will be issued following completion of our detailed audit planning in March 2012. Within this, we will set out a timetable of deliverables required from you which will ensure a timely and efficient audit process, and therefore minimise the fees charged to you. As part of our detailed planning discussions we will seek to identify with you any further areas where efficiency can be achieved in the year end reporting and audit process.

We will issue a number of reports relating to our work over the course of the audit:

Planned output	Indicative date
Audit plan	31 May 2013
Auditors' report giving the opinion on the financial statements and value for money conclusion	30 September 2013
Annual audit letter	November 2013
Annual certification letter	January 2014

Audit Team

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

Team member	Role	Telephone number
Chris Powell	Engagement Partner	0113 292 1288
Celia Craig	Audit Director	0191 202 5345
Alistair Lince	Audit Senior Manager	0113 292 1615

We are 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 Chris Powell in the first instance.

Yours sincerely



Deloitte LLP

cc Gary Fielding
cc Audit Committee