

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

24 April 2013

Dear Richard

### Annual audit fee 2013/14

We are writing to confirm the audit work that we propose to undertake for the 2013/14 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 2013/14, as set by the Audit Commission, and excluding the audit of the pension scheme and the certification of claims and returns, is £125,987 (exclusive of VAT), which is consistent with the base audit fee for 2012/13.

As already communicated to you in our 2012/13 fee letter, the 2013/14 scale fees that the Audit Commission has set include reductions of up to 40% on 2011/12 fees. These result from savings generated from the outsourcing of the Audit Commission's in-house Audit Practice and internal efficiency savings that the Commission is passing on to audited bodies.

The audit planning process for 2013/14, including our risk assessment will commence in early 2014 and any potential impact on fees will be reviewed and discussed with you as necessary. Any revision to the fee must also be approved by the Audit Commission prior to being finalised.

The fee is analysed as follows:

Audit area	Planned fee 2012/13	Planned fee 2013/14
	£	£
Financial statements (inc Whole of Government Accounts)	97,152	97,152
VFM conclusion	28,835	28,835
<b>Total planned audit fee [note 1]</b>	<b>125,987</b>	<b>125,987</b>
Certification of claims and returns [note 2]	1,300	1,600

Note 1: The total 2013/14 fee agrees to the scale fee set by the Audit Commission. The scale of fees set by the Audit Commission for the Council can be found at: <http://www.audit-commission.gov.uk/audit-regime/audit-fees/201314-fees-and-work-programme/>

Note 2: From 2012/13 onwards, the Audit Commission has replaced the previous schedule of maximum hourly rates with a composite indicative fee for certification work. The scale fee for 2013/14 is based on actual certification fees for 2011/12 adjusted to reflect the fact that a number of schemes will no longer require auditor certification.

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;
- value added tax; 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. The fee reflects our current assessment of audit risk but as we have not yet completed our detailed audit planning process for 2013/14, 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. We have also assumed that Internal Audit undertakes appropriate work on all key systems, and good quality working papers and records will be provided within the agreed timeframes.

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 - April 2014. 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:

<b>Planned output</b>	<b>Indicative date</b>
Audit plan	30 June 2014
Auditors' report giving the opinion on the financial statements and value for money conclusion	30 September 2014
Annual audit letter	October 2014
Annual certification letter	January 2015

## **Audit Team**

The key members of the audit team for the 2013/14 are:

<b>Team member</b>	<b>Role</b>	<b>Telephone number</b>
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