

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

23 April 2014

Dear Richard

### **Annual audit fee 2014/15**

We are writing to confirm the audit work that we propose to undertake for the 2014/15 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.

In March 2014 the Audit Commission announced the results of their procurement of audit services for 2015/16 onwards. Deloitte was not successful in being awarded a contract, but we remain your auditors for the 2013/14 and 2014/15 audits, and we will therefore continue to work with you for these years and provide a high quality service. The Audit Commission will shortly be starting the appointment process for new auditors, with new appointments being made by the end of 2014 for the 2015/16 audits onwards.

Audit Commission standing guidance on the rotation of audit partners means that a new engagement lead should be appointed for the 2014/15 audit. As 2014/15 will be our last year of appointment we have requested and received permission from the Audit Commission to a one year extension. We consider this is the best way of providing our clients with a high level of audit quality and continuity in our final audit year, given that there will be a change of auditor in the following year.

The planned fee for the audit for 2014/15, 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 2013/14.

As already communicated to you in our 2012/13 fee letter, the 2014/15 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 2014/15, including our risk assessment will commence in early 2015 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 2013/14	Planned fee 2014/15
	£	£
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]	-	-

Note 1: The total 2014/15 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/201415-work-programme-and-scales-of-fees/>

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 and 2014/15 is based on indicative changes to the certification requirements whereby the Teachers' Pension Return will be done under a tri-partite agreement directly between the Teachers' Pension Scheme, Local Authorities and Auditors.

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 2014/15, 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 2015. 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	July 2015
Auditors' report giving the opinion on the financial statements and value for money conclusion	30 September 2015
Annual audit letter	October 2015
Annual certification letter (if applicable)	January 2016



**Audit Team**

The key members of the audit team for the 2014/15 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

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

23 April 2014

Dear Richard

## **Annual audit fee 2014/15**

We are writing to confirm the audit work that we propose to undertake for the 2014/15 financial year at North Yorkshire Pension Fund. 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.

In March 2014 the Audit Commission announced the results of their procurement of audit services for 2015/16 onwards. Deloitte was not successful in being awarded a contract, but we remain your auditors for the 2013/14 and 2014/15 audits, and we will therefore continue to work with you for these years and provide a high quality service. The Audit Commission will shortly be starting the appointment process for new auditors, with new appointments being made by the end of 2014 for the 2015/16 audits onwards.

Audit Commission standing guidance on the rotation of audit partners means that a new engagement lead should be appointed for the 2014/15 audit. As 2014/15 will be our last year of appointment we have requested and received permission from the Audit Commission to a one year extension. We consider this is the best way of providing our clients with a high level of audit quality and continuity in our final audit year, given that there will be a change of auditor in the following year.

The planned fee for the audit for 2014/15, as set by the Audit Commission, is £24,943 (exclusive of VAT), which is consistent with the base audit fee for 2013/14.

As already communicated to you in our 2012/13 fee letter, the 2014/15 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 2014/15, including our risk assessment will commence in early 2015 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:

<b>Audit area</b>	<b>Planned fee 2013/14</b>	<b>Planned fee 2014/15</b>
	£	£
<b>Total planned audit fee [note 1]</b>	<b>24,943</b>	<b>24,943</b>

Note 1: The total 2014/15 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/201415-work-programme-and-scales-of-fees/>

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. 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;
- value added tax; and
- 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.

### **Work programme and risk assessment**

Based on guidance issued by the Audit Commission, auditors have been requested, for audit purposes, to treat Local Government Pension Schemes as stand-alone bodies.

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 and in accordance with additional guidance issued by the Commission in relation to the audit of pension schemes. However, this only extends to the audit of the accounts and there is no requirement for a separate value for money conclusion on the pension fund accounts.

The fee reflects our current assessment of audit risk but as we have not yet completed our detailed audit planning process for 2014/15, 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 in July 2015 following a discussion with Officers on the development of the Fund during 2014/15. 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	July 2015
Auditors' report giving the opinion on the financial statements (incorporated within the auditors' report on the Council accounts) and on the Pension Fund Annual Report	30 September 2015

#### **Audit Team**

The key members of the audit team for the 2014/15 are:

<b>Team member</b>	<b>Role</b>	<b>Telephone number</b>
Chris Powell	Engagement Partner	0113 292 1288
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