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CFO - HANES
B.



28 January 2008

Mr M Burrell ✓ B
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Dear Mr Burrell

South East Regional Management Board (Fire) – appointment of external auditor

I am writing to let you know that the Audit Commission proposes to appoint Mazars LLP as auditor to South East Regional Management Board (Fire). The appointment will be for a five year period, commencing with the 2007/08 accounts.

The Commission also proposes to appoint a panel of its own officers that can be the external auditor to South East Regional Management Board (Fire) in the event that Mazars LLP is not able to continue with the appointment, or to assist with, or act solely on, additional work where necessary. Details of the panel may be found at Appendix 1 to this letter.

There is no need to respond to this consultation letter if you are content with the Commission's proposal. However, if you wish to comment or ask a question, please do so by post or by e-mail (see above) by **Friday 29 February**. You may find it helpful to refer to the list of Frequently Asked Questions at Appendix 2.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Mike Norman'.

Mike Norman
Manager, Audit Appointments and Fees

APPENDIX 1

The panel of Audit Commission officers referred to in paragraph 2 of the letter will be selected from the following:

Alun Williams, Andrew Blackburn, Andy Burns, Andy Perrin, Brian Bethell, Chris Wilson, Clive Portman, Darren Wells, Dave Brumhead, Dave Rigg, Debbie Hanson, Fiona Blatcher, Helen Thompson, Ian Sadd, John Prentice, Jon Hayes, Judith Tench, Julian Farmer, Karen McConnell, Kash Pandya, Lindsey Mallors, Liz Cave, Lynne Snowball, Maria Grindley, Mark Heap, Mark Kirkham, Martin Robinson, Mick West, Mike Thomas, Neil Bellamy, Paul King, Paul Lundy, Phil Johnstone, Phil Jones, Richard Lott, Robert Davies, Robin Baker, Steve Nicklin, Steve Warren, Sue Sunderland, Tim Watkinson, Tony Corcoran.

Each of these officers is licensed to conduct challenge work across the whole of local government in England and could also be asked to take over audits of small bodies in the rare event that this was required.

FAQs

This letter has been incorrectly addressed. What should I do?

Please return it to Mike Norman at the address on page one of this letter, together with details of the new Clerk's name and address if known, or contact details for the Chair of the council.

Why do we need an external auditor?

Under section 3 of the Audit Commission Act 1998 (the Act) the Audit Commission is required to appoint external auditors to all local councils, and a number of other bodies with local government connections, including internal drainage boards and joint committees. The Commission is also required to consult with each body prior to making the appointment.

We already have an internal auditor – why do we need an external auditor as well?

Internal and external auditors are both required by law but have very different roles. Internal audit's job is to comment on your body's arrangements for internal controls. The external auditor gives an opinion on the accounts and annual return, and certifies the conclusion of your public reporting formalities each year.

How will the audit be carried out?

Bodies with annual income and expenditure below £1 million are audited under the Commission's limited assurance audit regime, which was introduced some time ago in consultation with interested parties. The audit is carried out on a remote basis, by means of an annual return.

The basic audit approach is common to all bodies. However, for bodies with annual income or expenditure over £200,000, and for a small sample of those below this figure, auditors are required to carry out some additional testing, referred to as the intermediate audit.

My council's expenditure is more than £1 million. What should I do?

Your council remains eligible for the limited assurance regime unless its income and/ or expenditure has been above £1 million for three consecutive years. If this is the case, Please write to or e-mail Mike Norman (see letter for contact details).

My council has no budget, so why do we need an auditor?

The Commission is required by law to appoint an auditor to all small bodies identified in Schedule 2 of the Act, whether or not they have a budget. If you have no financial transactions, you simply need to complete the declaration on the notice of audit and send it back to your auditor. No fee is payable in these circumstances.

My council's budget is very small and we cannot afford audit fees.

There is no audit fee for councils and other bodies with annual income and expenditure up to £1,000. The cost of the audit is borne by the Commission. Please refer to the scale of fees at Appendix 2.

Will audit fees increase as a result of the new appointment?

No. A new scale of fees was introduced with effect from the 2006/07 audit year (see below). This will remain in force until at least 2011/12. Audit fees are however linked to income and expenditure levels and so may change as a result of fluctuations in spending patterns.

Are there any additional costs associated with the audit?

No, not normally. However, exceptionally, it may be necessary for auditors to carry out additional work over and above basic and intermediate audit requirements, including:

- clarifying or investigating matters of non-compliance arising from the annual return, including errors or omissions in the completed return;*
- dealing with any enquiries or objections from local electors;*
- the certification of grant claims and returns; and*
- dealing with more complex matters, eg the issue of public interest reports.*

This work may be charged in accordance with the skill-related fee scales agreed by the Commission for work at principal audited bodies.

Why are you proposing to change my auditor?

In 2007, the Audit Commission invited tenders for the provision of audit services, and awarded five-year contracts to the four firms that demonstrated their ability to deliver the highest quality audit services at the most economic rate. This represents a reduction in the number of contracted firms from six to four. Contracts have again been awarded on a county-wide basis, but some re-allocation of appointments is necessary as a result of the reduction in suppliers. The 70:30 division of appointments between private sector firms and the Commission's in-house practice remains unchanged.

My council may wish to comment on this proposal, but is not meeting until after the response deadline. May I have longer to respond, please?

In these circumstances the Audit Commission's agreement to a revised deadline of 14 March may be assumed. Please write to or e-mail Mike Norman (see letter for contact details).

How much will the audit cost?

The scale of fees covering the years 2007/08 to 2011/12 is as follows:

Income/expenditure band (£) (fees are payable on whichever is the higher)	Type of audit	Total fee charged to audited body (£)
0–1,000	Basic	No fee payable
1,001–5,000	Basic	50
5,001–10,000	Basic	120
10,001–25,000	Basic	135
25,001–50,000	Basic	285
50,001–100,000	Basic	400
100,001–200,000	Basic	550
200,001–300,000	Intermediate	875
300,001–400,000	Intermediate	1,050
400,001–500,000	Intermediate	1,450
500,001–750,000	Intermediate	1,950
750,001–1 million	Intermediate	2,500