

Our reference AS appointments April 2011

15 April 2011

Mr Don McLure
Treasurer
Central Durham Crematorium Joint Committee
The Central Durham Crematorium
17 Claypah
Durham, DH1 1DH

Direct line 0844 798 2679
Email a-shah@audit-
commission.gov.uk

Dear Mr McLure

Central Durham Crematorium Joint Committee – Appointment of external auditor

Following the recent changes to the Accounts and Audit Regulations (the Regulations), I am writing to consult you on the appointment of an auditor to Central Durham Crematorium Joint Committee.

Under section 3 of the Audit Commission Act 1998 (the Act), the Audit Commission appoints external auditors to audit the accounts of all local government authorities. The Act requires the Commission to consult with the body before appointing its external auditor.

Smaller relevant bodies (as defined by the Regulations), whose gross income or expenditure is less than £6.5 million, are audited under the Commission's limited assurance audit approach. A change of appointed auditor is required for Central Durham Crematorium Joint Committee as the Commission appoints auditors experienced in, and contracted to, provide limited assurance audit to smaller relevant bodies.

The Regulations require smaller relevant bodies to prepare an annual return. The audit of the annual return is conducted by correspondence only. Appendix 1 gives further information about limited assurance audit.

Bodies with annual income or expenditure between £200,000 and £6.5 million may elect to prepare accounts as if they were a larger relevant body. Different audit arrangements apply in that case and you must let me know immediately if your body is eligible and has made such an election.

The appointed auditor of all smaller relevant bodies in Cleveland & Durham is BDO LLP. The Commission therefore proposes to appoint BDO LLP to audit the accounts of Central Durham Crematorium Joint Committee for a two-year period, commencing with the accounts for the year ending 31 March 2011. This will ensure the appointment for Central Durham Crematorium Joint Committee is in line with all the other smaller relevant bodies in Cleveland & Durham.

Should you need to contact your proposed auditor, the contact details are:

BDO LLP
Attention: Emma Prince
Arcadia House
Maritime Walk
Ocean Village
Southampton, SO15 0AP

Tel: 023 8088 1700
Email: emma.prince@bdo.co.uk

The Commission also proposes to appoint a panel of its own officers that can be the external auditor to Central Durham Crematorium Joint Committee in the event that BDO LLP is unable to continue with the appointment, or to assist with, or to act solely on, additional work where necessary. Appendix 2 gives details of the panel.

You may also be aware that the Secretary of State has announced the government's intention to disband the Audit Commission. We understand the last annual returns to be audited by auditors appointed by the Commission to be those for 2011/12. However, the details of any transition arrangements have yet to be agreed. If, as a result of these arrangements, the Commission is required to make appointments beyond 2011/12, we will contact you.

If you have any comments on this proposal please let me know by 20 May 2011.

Yours sincerely

A handwritten signature in black ink that reads "A - Shah". The signature is written in a cursive style with a period at the end.

Akhlaq Shah
Senior Manager, Audit Regulation

cc Malcolm Thixton/Emma Prince, BDO LLP
Cameron Waddell, Audit Commission

Overview of the limited assurance audit approach and fees

The limited assurance external audit approach applies to all 'small bodies', including parish and town councils and internal drainage boards, with annual income or annual expenditure (whichever is the higher) under £6.5 million. The audit report issued by the auditor provides a limited level of assurance to the body in line with the work done and proportionate to the relatively small amounts of public money involved.

The approach is co-operative, recognising bodies are responsible for good governance. Members provide positive assurances publicly about their governance arrangements. Those arrangements include maintaining adequate internal controls including internal audit and those for the prevention and detection of fraud and corruption.

Small bodies with annual income or annual expenditure not exceeding **£200,000** are subject to '**basic audit**' where the auditor carries out a standard 'desk based' review.

Having received a fully completed annual return, the auditor tests the compliance of the annual return. This includes checking the internal consistency of the figures in the accounts, the council's year-end bank reconciliation and any variance from what might have been expected. In a very few cases this may require additional information or even a visit to you in order to review original documents.

Provided that everything is in order with the annual return, the auditor may issue an opinion and audit certificate. Each year, 5% of bodies are subject to a 'spot check' using the 'intermediate audit' approach (see below).

Small bodies with annual income or annual expenditure **over £200,000 but less than £6.5 million** are subject to an '**intermediate audit**' where the auditor probes further into the annual governance statement in a 'show me' approach to the assertions made by the members.

Where you complete the annual return fully and accurately and provide the necessary supporting information and any explanations requested, you will be charged the fixed audit fee as outlined overleaf. In the event that the annual return is not completed appropriately, additional fees will be charged in accordance with the guideline hourly rates for carrying out this work agreed by the Commission.

Further advice on proper accounting practices and the completion of annual returns is available from the Practitioners' Guides published jointly National Association of Local Councils and the Society of Local Council Clerks, or for Internal Drainage Boards, the Association of Drainage Authorities.

The scale of fees for limited assurance audit 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
750,001–1,000,000	Intermediate	2,500
1,000,001 – 2,000,000	Intermediate	3,000
2,000,001 – 3,000,000	Intermediate	3,500
3,000,001 – 4,000,000	Intermediate	4,000
4,000,001 – 5,000,000	Intermediate	4,500
5,000,001 – 6,500,000	Intermediate	5,000

The panel of Audit Commission officers referred to in the letter comprises:

Alun Williams	Karen Murray
Cameron Waddell	Kate Handy
Clive Portman	Liz Cave
Darren Wells	Mike Thomas
Debbie Hanson	Mike Thomas
Fiona Blatcher	Neil Bellamy
Helen Thompson	Paul Lundy
Ian Sadd	Sue Exton
Jackie Bellard	Tim Watkinson
John Gregory	Wayne Rickard