

29 April 2010

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Dear Brad

Annual audit fee 2010/11

Further to our discussions I am writing to confirm the audit work that we are proposing to undertake for the 2010/11 financial year. The fee:

- is based on the risk-based approach to audit planning, as set out in the Code of Audit Practice, and work mandated by the Commission for 2010/11; and
- reflects only our audit work, excluding any inspection and assessment fees. Your Audit Commission Comprehensive Area Assessment Lead is writing to you separately on these fees.

As I have not yet completed my audit for 2009/10, the audit planning process for 2010/11 will continue as the year progresses and I will review and update the fees as necessary.

The total indicative fee for the audit for 2010/11 is £350,400. The table below shows a summary with a comparison to the planned fee for 2009/10.

Audit fee

Audit area	Planned fee 2010/11	Planned fee 2009/10
Financial statements	£257,100	£239,060
Use of Resources (for the year ended 31 March 2010)/VFM Conclusion (at 31 March 2011) [including risk based work]	£ 91,600	£84,640
WGA	£ 1,700	£ 1,800
Total audit fee	£350,400	£325,500
Certification of claims and returns	£ 76,000	£ 71,000

The Audit Commission has published its work programme and scales of fees for 2010/11. The Audit Commission scale fee for this Council is £350,245. The fee proposed for 2010/11 is therefore 0.04% above scale fee, compared with 4 per cent below for the 2009/10 fee.

The published fee scale for 2010/11 included a 6% increase to cover the costs of additional audit work arising from the introduction of International Reporting Standards. In July 2009, in recognition of the financial pressures that public bodies are facing in the current economic climate, the Commission confirmed that it would subsidise the 'one-off' element of the cost of transition to International Financial Reporting Standards (IFRS) for local authorities and police and fire and rescue authorities from 2010/11. You will therefore receive a refund from the Audit Commission of £21,426 in April 2010.

I have agreed with officers to separately invoice the Council for the additional work that will be necessary in order to respond to initial correspondence with electors. I have not therefore included any time within the initial fee in this plan to cover this work. Should any electors subsequently raise a formal objection I will also provide you with a separate estimate of the charge for dealing with that objection.

There are also changes in international auditing standards, which will increase the audit procedures I need to carry out, but the Audit Commission will absorb the extra cost of these requirements. Those Charged with Governance within the Council are responsible for ensuring you are prepared for IFRSs. Although we do not have direct audit responsibilities relating to the restated balances at the transition date, these will form the opening balances for the following period. As part of our overall risk assessment and planning for 2010/11, we will consider your progress towards compliance with IFRSs and restatement of the 2009/10 balances. In setting the fee, apart from the introduction of IFRS, I have assumed that the level of risk for my audit of the financial statements is not significantly different from that identified for 2009/10.

I will issue a separate opinion plan for the audit of the financial statements in December 2010. This will detail the risks identified, planned audit procedures and any changes in fee. If I need to make any significant amendments to the audit fee during the period covered by this plan, I will first discuss them with the Section 151 officer. I will then prepare a report outlining the reasons the fee needs to change, for discussion with the Audit Committee.

My use of resources assessments, which will inform my 2010/11 value for money conclusion, will be based upon the evidence from three themes:

- Managing finances;
- Governing the business; and
- Managing resources.

The key lines of enquiry specified for the assessment are set out in the Audit Commission's work programme and scales of fees 2010/11. However, the Audit Commission is committed to carrying out a fundamental review of the current approach to local value for money audit work, including Use of Resources, with a view to making changes with effect from 2010/11. For purposes of my initial fee planning I have assumed continuation of the 2009/10 approach, but I will reconsider my plan once the changes are known and will write to inform you of any impact on the fee.

I have identified some significant initiatives that the Council is taking forward. I need to be satisfied that the Council is managing the potential risks of these initiatives as I consider issuing my value for money conclusion. I will therefore consider the arrangements put in place by the Council to manage these initiatives and to mitigate any risks and plan my work accordingly. I will issue separate project specifications for this work before beginning. The table below shows the potential risks attaching to these significant initiatives and the work I plan to undertake to assess the arrangements in place.

Potential Risk	Planned work	Timing of work
There is a risk that preparations for the Highways Maintenance PPP do not address all key risks within the contract and do not comply with expected guidance during the tendering phase, including the selection of the preferred bidder.	We will continue to review the Council's proposals during the tendering process for this major contract during the course of the audit.	April 2010– March 2011
There is a risk that insufficient planning and progress is made with the Building Schools for the Future project	We will consider the progress of the BSF scheme and the delivery of the programme from 2010/11.	TBA
There is a risk that inadequate governance and accountability arrangements are put in place within the proposed closer working with the Primary Care Trust in respect of health and adult social care	The governance and accountability arrangements that are put in place by the Council and PCT will be reviewed and any concerns raised with the partners.	TBA
There is a risk that there may be weaknesses in the selection of a delivery model for the implementation of the estates regeneration programme	We will monitor the evaluation of delivery models by the Council.	TBA

I will also issue reports relating on my work over the course of the audit, and these are listed in Appendix 1.

The initial 2010/11 fee that I have calculated includes the cost of the Use of Resources assessment that we are currently undertaking in relation to the financial year ended 31 March 2010. The assessment in respect of the year to 31 March 2011 will be included within the audit fee for the financial year 2011/12.

The fee quoted above excludes work the Commission may agree to undertake using its advice and assistance powers. Each piece of work will be separately negotiated and a detailed project specification agreed with you.

The key members of the audit team for the 2010/11 audit are:

- Audit Manager – Mike Bowers 07881518961
- Team Leader – Stephen High 07779576294
- Local Performance Lead – Nick Rogerson 07818075525

I am 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 me in the first instance. Alternatively you may wish to contact Neil Childs, the Head of Operations ([n-childs@ audit-commission.gov.uk](mailto:n-childs@audit-commission.gov.uk)).

Yours sincerely

Kate Handy
District Auditor

Appendix 1: Planned outputs

Our reports will be discussed and agreed with the appropriate officers before being issued to the Audit Committee.

Planned output	Indicative date
Audit opinion plan	December 2010
Interim audit memorandum (If necessary)	June 2011
Annual governance report	September 2011
Auditor's report giving the opinion on the financial statements and value for money conclusion	September 2011
Use of Resources report	September/October 2011
Annual audit letter	November 2011
Project specifications and reports	
Highways PPP	April 2010– March 2011