

Our reference MB/SCC/09-10PLAN

24 April 2009

Mr B Roynon
Chief Executive
Southampton City Council
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Southampton
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Dear Brad

Annual audit fee 2009/10

Further to our discussions, I am writing to confirm the audit work that we propose to undertake for the 2009/10 financial year at the Council. The fee:

- is based on the risk-based approach to audit planning as set out in the Code of Audit Practice and on work mandated by the Audit Commission for 2009/10; and
- reflects only the audit element of our work, excluding any inspection and assessment fees. Your Comprehensive Area Assessment Lead will be writing to you separately on these fees on behalf of the other inspectorates.

As I have not yet completed my audit for 2008/09, the audit planning process for 2009/10 including the risk assessment will continue as the year progresses and fees will be reviewed and updated as necessary.

The total indicative fee for the audit for 2009/10 is £325,500 which compares to the planned fee of £314,700 for 2008/09. A summary of this is shown in the table below.

Audit fee

Audit area	Planned fee 2009/10	Planned fee 2008/09
Financial statements	£239,060	£214,300
Use of Resources/VFM Conclusion [including risk based work]	£ 84,640	£98,800
WGA	£ 1,800	£ 1,600
Total audit fee	£325,500	£314,700
Certification of claims and returns	£ 71,000	£ 65,000

The Audit Commission has published its work programme and scales of fees for 2009/10. The scale fee for the Council is £339,200. The fee proposed for 2009/10 is 4.0 per cent below the scale fee.

Within the overall audit fee the financial statements fee has increased in comparison to 2008/09 while the Use of Resources fee has reduced. The financial statements fee includes the cost of planning and managing the audit which has increased due to more stringent quality assurance arrangements and the links between the audit and CAA. We have also included time to liaise with officers on the preparations for the introduction of International Financial Reporting Standards (IFRS), and reviewed the skill mix of staff employed on the audit. The overall fee increase also reflects the Audit Commission's change in fee rates for 2009/10.

A separate plan for the audit of the financial statements will be issued in December 2009. 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 course of the audit, I will first discuss this with the Executive Director of Resources and then prepare a report outlining the reasons why the fee needs to change for discussion with the Standards & Governance Committee and Audit Committee.

My use of resources assessments 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 2009/10. My work on use of resources informs my 2009/10 value for money conclusion. However, I have identified a number of significant risks in relation to my value for money conclusion. For each risk, I consider the arrangements put in place by the Council to mitigate the risk, and plan my work accordingly. My initial risk assessment for value for money audit work is shown in the table below:

Risk	Planned work	Timing of work
The Audit Commission work programme requires Use of Resources KLOE 3.3, workforce planning, to be assessed for the first time in 2009/10.	We will assess KLOE 3.3 'workforce planning'. The Council completed its own focussed assessment of natural resources and asset management in 2008/09 and may also decide to assess workforce planning in 2009/10.	September 2009 – January 2010
The Council is making progress with its preparations for the	We will review the progress made with the BSF submission and the processes that are put	April 2009 – February 2010.

'Building Schools for the Future' programme.	in place during 2009/10.	
The preparations for the Highways Maintenance contract will enter a critical phase during 2009/10	We will consider the Council's proposals for the delivery of this major contract during the course of the audit.	April 2009 – March 2010.
The production of accurate performance data is key to achieving effective performance management.	We will carry out spot checks on a sample of performance indicators to ensure that reliance can be placed upon them.	July –October 2009
The 'Street Lighting' PFI procurement process will be completed during 2009/10.	We will assess how the legal, financial and operational risks are managed and mitigated to secure vfm and a sound accounting treatment.	April 2009 – March 2010

I will issue separate project specifications for the proposed reviews before beginning the work.

I will issue a number of reports relating to my work over the course of the audit. These are listed at Appendix 1.

We have included in our fees a small element to cover initial enquiries from local government electors. If any such enquiries exceed our expectations we will inform the Executive Director of Resources of the additional time and invoice for this separately.

The above fee 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 2009/10 are:

Audit Manager – Mike Bowers	07881518961
Team Leader – Steve High	0844 798 4621
Local Performance Lead – Jane Burns	0844 798 4606

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 the South East Head of Operations, Neil Childs (nchilds@audit-commission.gov.uk).

Yours sincerely

Kate Handy
District Auditor

cc Carolyn Williamson, Executive Director of Resources
cc Mark Heath, Solicitor to the Council
cc Joy Wilmot –Palmer, Head of Policy and Performance

Appendix 1: Planned outputs

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

Table 1

Planned output	Indicative date
Audit plan	April 2009
Interim audit memorandum (to the Executive Director of Resources)*	June 2010
Opinion audit plan	December 2009
Annual governance report	September 2010
Auditor's report giving the opinion on the financial statements and value for money conclusion	September 2010
Use of resources report	September 2010
Final accounts memorandum (to the Executive Director Resources)*	October 2010
Building Schools for the Future*	TBA
Highways maintenance*	TBA
Data quality –spot checks*	TBA
Annual audit letter	November 2010

* If necessary