

REPORT TO: Business Efficiency Board
DATE: 30 June 2010
REPORTING OFFICER: Operational Director – Finance
SUBJECT: Audit Fee Letter 2010/11
WARDS: Borough-wide

1.0 PURPOSE OF THE REPORT

1.1 To consider the Audit Commission's Audit Fee Letter 2010/11 as shown in Appendix 1.

2.0 RECOMMENDED: That the Audit Commission's Audit Fee Letter 2010/11 in Appendix 1 be noted.

3.0 SUPPORTING INFORMATION

3.1 The Audit Commission will attend the meeting to present their Audit Fee Letter 2010/11 as shown in Appendix 1.

4.0 POLICY & OTHER IMPLICATIONS

4.1 There are no policy or other implications.

5.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

5.1 There are no implications for the Council's priorities.

6.0 RISK ANALYSIS

6.1 There are no risk implications.

7.0 EQUALITY AND DIVERSITY ISSUES

7.1 There are no equality or diversity issues associated with this report.

8.0 LIST OF BACKGROUND PAPERS UNDER SECTION 100D OF THE LOCAL GOVERNMENT ACT 1972

8.1 There are no background papers under the meaning of the Act.



Our reference

19 April 2010

David Parr
Chief Executive
Halton Borough Council
Municipal Building
Kingsway
Widnes

Direct line 0788 798 7043
Email m-thomas@audit-
commission.gov.uk

Dear David

Audit Fee Letter 2010/11

Further to our discussions, I am writing to confirm the audit work that we propose to undertake for the 2010/11 financial year at Halton Borough Council. 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 Audit Commission for 2010/11; and
- reflects only the audit element of our work, excluding any inspection and assessment fees. Peter Forrester, your Comprehensive Area Assessment Lead, will write to you separately with the proposed inspection fees.

I have not yet completed my audit for 2009/10 and the audit planning process for 2010/11, including the risk assessment, will continue as the year progresses and the fee will be reviewed and updated as necessary.

The Audit Commission has published a paper on its work programme and scales of fees for 2010/11. Using the methodology set out in this paper the scale fee for Halton BC is £270,380. I am proposing a total indicative fee for the 2010/11 audit of £258,005 (exclusive of VAT) which is 4.5% below the scale fee. This also compares to the planned fee of £239,408 for the 2009/10 audit. In addition we are forecasting a reduction in the fees for the certification of grant claims during 2010/11. A summary of our fees is shown in the table below.

Audit area	Proposed fee 2010/11	Planned fee 2009/10
Financial statements	194,445	174,767
Use of Resources/VFM Conclusion	60,256	62,247
WGA	3,304	2,394
Total audit fee	258,005	239,408
Certification of claims and returns	67,746	78,000

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 Financial Reporting Standards (IFRS). 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 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 £16,116 in April 2010.

In setting the fee, I have assumed that the general level of risk in relation to the audit of the financial statements is slightly higher than that identified in 2009/10, mainly as a result of:

- continued pressure to achieve financial balance;
- the potential impact of the recent organisational restructure and staff changes on the Council's internal control framework and the final accounts process;
- corporate and financial capacity particularly given the number of major capital projects the Council is aiming to deliver (for example Mersey Gateway and Building Schools for the Future);
- planning for the implementation of the IFRS by the required deadline;
- complex technical accounting issues, for example continued discussions on the accounting treatment for the Mersey Gateway project and review of the proposed accounting treatment for the joint venture at the Daresbury Science and Innovation Park.

A separate plan for the audit of the financial statements will be issued in December 2010 following the completion of the 2009/10 audit. This plan will detail the risks identified for 2010/11, the planned audit procedures and any changes in fee. The quoted 2010/11 fee for grant certification work is an estimate only and will be charged at published daily rates. The proposed fee for the certification of grant claims and returns has reduced for 2010/11 in line with the Council's reducing number of grant claims. The proposed fee will be revisited once the 2009/10 audit of grant claims and returns is complete to ensure it remains appropriate.

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 Operational Director Financial Services and then prepare a report outlining the reasons why the fee needs to change for discussion with the Business Efficiency Board (the Council's audit committee).

My use of resources assessment 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. My work on use of resources informs my 2010/11 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
<p>Achieving financial balance is a key risk. The Council is facing continuing financial pressures from many areas including the economic recession, major capital projects and its own efficiency review. Significant levels of savings will continue to be required from the efficiency programme service delivery.</p>	<p>Review of the Council's ongoing financial standing, including progress against its efficiency targets, and its medium and longer term financial strategy as part of the 2010/11 Use of Resources assessment.</p>	<p>April 2010- March 2011</p>
<p>The Council will be involved alongside the PCT and other partners in progressing the transforming community services agenda during 2010/11. Effective project management arrangements will be essential if the necessary changes to services are to be made in the required timescales.</p>	<p>Review how the Council works in partnership with others to deliver the required outcomes as part of the 2010/11 Use of Resources assessment.</p>	<p>April 2010 – March 2011</p>

<p>The Council has a significant capital programme, including several high cost complex capital projects. Value for money and accounting considerations relating to major on-going projects continues to be a potential risk area.</p>	<p>Ongoing review of the Council's arrangements for assessing value for money on major projects such as Building Schools for the Future and Mersey Gateway.</p>	<p>April 2010 – March 2011</p>
<p>The sustainability element of the Use of Resources assessment will be reviewed again in 2010/11. The 2008/09 review of sustainability identified a number of opportunities for improvement.</p>	<p>Carry out a review of sustainability arrangements as part of the 2010/11 Use of Resources assessment.</p>	<p>December 2010 – March 2011</p>

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

During 2010 the Audit Commission is committed to fundamentally reviewing its current approach to value for money audit work, including use of resources, with a view to making changes during 2010/11. This fee letter assumes the continuation of the current approach until the review is complete.

The above fee excludes any work requested by you that the Commission may agree to undertake using its advice and assistance powers. If any such work is identified then 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 are:

Audit Manager – Colette Williams 0844 798 3572

Team Leader – Judith Smith 0844 798 3596

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 North West Sub-regional Head of Operations, Terry Carter at t.carter@audit-commission.gov.uk.

Yours sincerely

Mike Thomas
District Auditor

cc Ian Leivesley, Strategic Director Corporate and Policy
Bill Dodd, Operational Director Financial Services
Councillor Leadbetter, Chair of the Business Efficiency Board

Appendix 1: Planned outputs

Our reports will be discussed and agreed with the appropriate officers before being issued to the Business Efficiency Board.

Planned output	Indicative date
Opinion audit plan	24 December 2010
Annual governance report	16 September 2011
Auditor's report giving the opinion on the financial statements and value for money conclusion	16 September 2011
Use of resources report	30 September 2011
Opinion report (to the Operational Director Financial Services)	30 October 2011
Annual audit letter	25 November 2011