

27 April 2010

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Dear Mike

Annual audit fee 2010/11

Further to our discussions and consultation with the Audit Commission CAA Lead, I am writing to confirm the audit and inspection work that we propose to undertake for the 2010/11 financial year at Warwick District 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 Commission for 2010/11; and for inspection, the Comprehensive Area Assessment (CAA) framework and associated guidance.

As I have not yet completed my audit for 2009/10 the audit planning process for 2010/11, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary. The total indicative fee for 2010/11 is set out below and shows the comparison with the planned fee for 2009/10.

Audit area	Planned fee 2010/11	Planned fee 2009/10
Total audit fee	£123,854	£116,843
Certification of claims and returns (estimate)	£35,000	£35,000
Inspection work Managing performance assessment	£8,320	£8,320

The Audit Commission has published its work programme and scales of fees 2010/11. The Audit Commission scale audit fee for Warwick District Council is £122,800. The fee proposed for 2010/11 is + 0.8 per cent compared to the scale fee and is within the normal level of variation specified by the Commission.

I have taken out the one-off impairment costs incurred in 2008/09 as a result of the economic downturn when calculating the Gross Revenue Expenditure for 2008/09. This is to avoid having an artificially high scale fee.

The increase in fee for the financial statements element of the audit reflects the costs of additional audit work arising from the introduction of International Financial Reporting Standards. Changes in international auditing standards will increase the audit procedures I need to carry out, however the Audit Commission will absorb the cost of the additional requirements within the fee and proposes to refund £7,368 to the Council in April 2010. This is equivalent to 6% of the scale fee.

In setting the fee I have assumed that the general level of risk in relation to the audit of the financial statements is not significantly different from that identified to 2009/10. A separate opinion plan for the audit for the financial statements will be issued in March 2011. 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 this plan, I will first discuss this with you and then prepare a report outlining the reasons why the fee needs to change for discussion with the 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 2010/11. My work on use of resources informs my 2010/11 value for money conclusion. I have not identified any significant risks in relation to my value for money conclusion to date.

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

The quoted fee for grant certification work is an estimate only and will be charged at published daily rates.

The CAA Framework includes organisational assessments for councils which combine the use of resources themes and a managing performance theme. The total indicative fee for inspection for 2010/11 is £8,320. The inspection fee has been set in accordance with the Audit Commission's work programme and scales of fees 2010/11 and comprises the managing performance theme of organisational assessment.

Your Audit Commission CAA Lead Gary Hammersley will write to you if any significant amendments are needed to the inspection plan and fee during the course of the year but will first discuss this with you.

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 2010/11 are:

District Auditor – Dave Rigg 0844 798 1105

Audit Manager – Neil Preece 0844 798 7577

Team Leader – Paul Jones 0844 798 3967

I am committed to providing you with a high quality service. If you are 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 West Midlands Head of Operations, Phil Jones (p-jones@audit-commission.gov.uk)

Yours sincerely

Dave Rigg
District Auditor

Appendix 1 - Planned outputs

We will discuss our reports with officers before issuing them to the Finance and Audit Committee.

Planned output	Indicative date
Opinion Audit Plan	March 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	June/July 2011
Annual Audit Letter	November 2011