

29th April 2009

Mrs Jean Hunter  
Chief Executive  
South Ribble Borough Council  
Civic Centre  
West Paddock  
Leyland  
PR25 1DH

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Dear Jean

### **Annual audit fee 2009/10**

I am writing to confirm the audit work that we propose to undertake for the 2009/10 financial year at South Ribble 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 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 inspection fees.

As auditors we are also governed by the Audit Commission's Statement of Responsibilities of Auditors and of Audited Bodies which sets out the respective responsibilities of the auditor and the Council. The Audit Commission has issued a copy of the Statement to every audited body, however links to this and the Code of Audit Practice can be found in Appendix 1.

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 for £94,996 (exclusive of VAT) which compares to the planned fee of £91,840 for 2008/09. A summary of this is shown in the table below.

### Audit fee for 2009/10

Audit area	Planned fee 2009/10 £	Planned fee 2008/09 £
Financial statements	54,878	50,631
Use of Resources/VFM Conclusion [including risk based work]	38,324	39,779
WGA	1,764	1,430
<b>Total audit fee</b>	<b>94,966</b>	<b>91,840</b>
Certification of claims and returns	18,000	18,000

The Audit Commission has published its work programme and scales of fees 2009/10. The scale fee for South Ribble Borough Council is £97,714. The fee proposed for 2009/10 is 2.8% below the scale fee.

In setting the fee at this level, 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 2008/09. A separate plan for the audit of the financial statements will be issued in March 2010. This will detail the risks identified, planned audit procedures and any changes in fee. The quoted fee for grant certification work is an estimate only and will be charged at published daily rates. If we need to make any significant amendments to the audit fee during the course of the audit, we will first discuss this with the Corporate Director (Resources) and then prepare a report outlining the reasons why the fee needs to change for discussion with the relevant scrutiny committee.

The 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. Our work on use of resources informs my 2009/10 value for money conclusion. Below we have identified the key risk in relation to our value for money conclusion and how we plan to address this.

Risk	Planned work	Timing of work
<p><b>Shared Services Arrangement</b></p> <p>The Council is in the early stages of its shared financial services arrangement with Chorley Borough Council. The arrangement potentially offers some economies of scale but service performance, business continuity and contractual risks will need managing.</p>	<p>We will review monitor the Council's progress in managing the associated risks as part of our work on Use of Resources.</p>	<p>April 2009 – March 2010</p>
<p><b>Financial pressures</b></p> <p>The Council will continue to face increased financial pressures linked to the economic downturn.</p>	<p>We will continue to review the Council's plans for monitoring and managing the financial position as part of our work on Use of Resources.</p>	<p>April 2009 – March 2010</p>
<p><b>International Financial Reporting Standards</b></p> <p>2010/2011 will see the implementation of international financial reporting standards to local government accounts. This will require forward planning to ensure that the required information is available to enable an efficient transition to the new financial reporting requirements.</p>	<p>We will liaise with key finance staff on the key changes required and the plans in place to address them. We will share any 'good' practice or other sources of advice as they become available.</p>	<p>January 2010 onward</p>

We will issue a number of reports relating to my work over the course of the audit. These are listed at Appendix 2.

The above fee excludes any work requested by you that 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 – Gareth Winstanley      0844 798 7005

Team Leader – Peter Buckley      0844 798

Fiona Blatcher will be returning from maternity leave on the 1<sup>st</sup> May and will continue as the District Auditor upon her return.

We are 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 Terry Carter, Head of Operations, Northern Region ([t-carter @audit-commission.gov.uk](mailto:t-carter@audit-commission.gov.uk) ).

Yours sincerely

Tim Watkinson

District Auditor

cc Corporate Director of Resources

## Appendix 1: Links to useful documents

The Code of Audit Practice can be found at <http://www.audit-commission.gov.uk/reports/NATIONAL-REPORT.asp?CategoryID=&ProdID=0070AC93-EE4E-4A42-8C78-3DB722EF5A79>

The Audit Commission's Statement of Responsibilities of Auditors and of Audited Bodies can be found at <http://www.audit-commission.gov.uk/reports/NATIONAL-REPORT.asp?CategoryID=&ProdID=A9F9AD95-AE7D-4755-935B-94700E020A9E>

## Appendix 2: Planned outputs

Our reports will be discussed and agreed with the appropriate officers before being issued to the relevant committee that is charged with governance.

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**Table 1**

<b>Planned output</b>	<b>Indicative date</b>
Audit plan	April 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 Director of Finance)	November 2010
Annual audit letter	November 2010