

28 April 2010

Mike Nuttall  
 Deputy Chief Executive  
 South Ribble Borough Council  
 Civic Centre  
 West Paddock  
 Leyland  
 Lancashire  
 BB9 7LG

Dear Mike

**Annual Audit and Inspection Fee 2010/11**

Further to our discussions, I am writing to confirm the audit and inspection work that we propose to undertake for the 2010/11 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 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 inspection plan will also be reviewed and updated as necessary by the Audit Commission CAA lead, (Tom Keena), in discussion with you.

The total indicative fee for the audit for 2010/11 is for £101,164 which compares to the planned fee of £94,966 for 2009/10. A summary of this is shown in the table below.

	<b>Planned fee 2010/11</b>	<b>Planned fee 2009/10</b>
Financial Statements	£62,840	£56,642
Use of Resources and VFM conclusion	£38,324	£38,324
<b>Total audit fee</b>	<b>£101,164</b>	<b>£94,966</b>
Managing Performance	£8,320	£8,320
<b>Total audit and inspection fee</b>	<b>£109,484</b>	<b>£103,286</b>
Certification of claims and returns – estimate	£18,000	£18,000

The Audit Commission has published its work programme and scales of fees 2010/11. The Audit Commission scale fee for the audit of South Ribble Borough Council is £103,650. The fee proposed for 2010/11 is below the scale fee and is within the normal level of variation specified by the Commission.

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 £6,198 in April 2010.

In setting the fee, I have assumed that the general level of risk, (excluding IFRS), 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 the spring of 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 the Corporate Director of Resources 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 value for money conclusion and is based on a risk assessment. 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 Council will have to prepare accounts in line with international financial reporting standard for the first time in 2010/11.	Liaison with finance staff and review of the Council's preparedness during our use of resources assessment.	During 2010/11
Reductions in public sector funding will require strong financial planning and budget monitoring to ensure Council resources are effectively directed and service priorities and quality achieved.	Ongoing review of Council performance and medium term financial planning during our use of resources assessment.	During 2010/11

Tom Keena has written separately to Jean Hunter in early March to explain our programme of work in respect of Managing Performance. Should any significant amendments be needed to the inspection plan and fee, Tom will discuss this with you and confirm any changes in writing.

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.

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

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

Audit Manager – Gareth Winstanley 0844 798 7005

Team Leader – Peter Buckley 0844 798 1964

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

Yours sincerely

Fiona Blatcher  
*District Auditor*

CC: Jean Hunter Chief Executive

## Appendix 1: Planned outputs

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

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**Table 1**

<b>Planned output</b>	<b>Indicative date</b>
Audit fee letter	April 2010
Audit opinion plan	April 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
Final accounts memorandum	November 2011
Annual audit letter	November 2011
Annual grants and returns certification report	March 2012