

27 April 2009

Bill Dodd
Operational Director Financial Services
Halton Borough Council
Municipal Building
Kingsway
Widnes
Cheshire WA8 7QF

Dear Bill

Audit fee letter 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 Halton Borough Council. The audit work and 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. Peter Forrester, your Comprehensive Area Assessment Lead, has written to you separately with the proposed inspection fees.

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 Audit Commission has published its work programme and scales of fees 2009/10. The scale fee for Halton BC is £256,860. I am proposing a total indicative fee for the 2009/10 audit of £239,408 (exclusive of VAT) which is 6.8 per cent below the scale fee. This also compares to the planned fee of £222,554 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	174,767	147,146
Use of Resources/VFM Conclusion	62,247	72,579
WGA	2,394	2,829

Total audit fee	239,408	222,554
Certification of claims and returns	78,000	70,000

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 slightly higher than that identified in 2008/09, mainly as a result of:

- continued pressure to achieve financial balance
- changes to the SORP and the need to comply with these
- issues around the categorisation of expenditure between capital and revenue
- new funding and accountability arrangements for the Adults with Learning Disabilities pooled budget
- planning for the implementation of IFRS and the potential impact on this on capacity within the finance team.

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. The quoted fee for grant certification work is an estimate only and will be charged at published daily rates. 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 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 Council will need to continue to progress some challenging and high cost projects, including the Mersey Gateway (MG) and Building Schools for the Future (BSF), during the current economic climate.	PFI specialist to review progress on the MG and BSF schemes, particularly affordability and vfm.	Jan- March 2010

The Council will need to deliver significant planned efficiency savings in 2009/10 whilst at the same time dealing with the impact of the economic downturn.	Carry out a review of the Council's progress against its efficiency targets as part of the 09/10 Use of Resources assessment.	December 2009 – March 2010
The workforce element of the Use of Resources review will be applied for the first time in 2009/10	Carry out a review of workforce arrangements as part of the 09/10 Use of Resources assessment.	December 2009 – March 2010
Our 2007/08 use of resources work identified weaknesses in the Council's asset management arrangements	Review progress in strengthening asset management arrangements as part of the 09/10 Use of Resources assessment.	December 2009 – March 2010

The proposed fee for the certification of grant claims and returns has increased slightly for 2009/10. This is because of the unexpected increase in ERDF grant claims requiring audit in 2007/08. The proposed fee will be revisited once the 2008/09 audit of grant claims and returns is complete.

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

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 – 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 Northern Region Head of Operations, Terry Carter at t-carter@audit-commission.gov.uk.

Yours sincerely

Mike Thomas
District Auditor

cc David Parr, Chief Executive
Ian Leivesley, Strategic Director Corporate and Policy
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.

Table 1

Planned output	Indicative date
Audit plan	17 December 2009
Auditor's report giving the opinion on the financial statements and value for money conclusion	14 September 2010
Use of resources report	14 September 2010
Final accounts memorandum (to the Operational Director Financial Services)	10 October 2010
Annual audit letter	November 2010