

Our reference LC/ZT/WFDC FeeL10/11

15 June 2010

Mr I Miller
Chief Executive
Wyre Forest District Council
Civic Centre
Stourport-on-Severn
Worcs
DY11 5NF

Direct line 0844 798 7552

— Dear Ian

Annual audit fee 2010/11 (updated)

Further to our discussions I am writing to confirm the audit work that we propose to undertake for the 2010/11 financial year at Wyre Forest 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.

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.

As per the Audit Commission letter of 28th May, Audit Commission work this year will no longer include CAA and therefore there will no longer be an organisational assessment at the council. We have currently planned a housing inspection this year, and our current expectation is that this will continue. The fee for this will be agreed by the Audit Commission CAA Lead, Mary-Ann Bruce in discussion with you.

The letter states that our Use of Resources work will also cease and that the Commission is reviewing our approach to the value for money conclusion. We will discuss with you these changes and any impact on the fee, when the position is clarified.

The total indicative audit fee for 2010/11 is for £132,890, which compares to the planned fee of £134,820 for 2009/10. A summary of this is shown in the table below.

Work	Planned fee 2010/11	Planned fee 2009/10
Code of Audit Practice Work on Financial statements VFM Conclusion and Whole of Government Accounts	£112,890	£106,500
Managing performance		£8,320*
Certification of claims and returns	£20,000	£20,000
Total fee	£132,890	£134,820

*no further billing for this element

The 2010/11 proposed audit fee is 6 per cent above the total currently estimated fee for 2009-10. 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 (IFRS). The work programme and scale of fees for 2009/10 and indicative fee scales for 2010/11 and 2011/12 provided for an increase in audit fees in all sectors to reflect the costs of the additional audit work arising from the transition to IFRS of an average 6 per cent increase in the year of transition and a net ongoing 3 per cent in subsequent years.

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 £6,453 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 not significantly different from that identified to 2009/10. 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.

The Audit Commission scale audit fee for Wyre Forest District Council is £109,750. The fee proposed for 2010/11 is +2.86 per cent compared to the scale fee. The difference from the scale fee reflects the need for additional audit work to address a number of specific and significant risks in relation to my audit opinion and value for money conclusion and is within the normal level of variation specified by the Commission. The Audit Commission document 'work programme and scale of fees 2010/11', (table 1) outlines how the scale fees are calculated.

A separate opinion plan for the audit for the financial statements will be issued in January 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 Director of Resources and then prepare a report outlining the reasons why the fee needs to change for discussion with the audit committee.

I am required to issue a value for money conclusion. I have identified risks in relation to this 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
Medium term funding.	We will review the Council's medium term financial plan and monitor progress throughout the year.	April 2010 – March 2011
Single site: The council is planning to make a significant capital commitment to a new single site for the council	We will review the Councils plans and developments in the year	April 2010 – March 2011

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 the Commission may agree to undertake using its advice and assistance powers. No such work is currently planned.

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

Audit Manager	-	Zoe Thomas	0844 798 7557
Team Leader	-	Kathryn Lewis	0844 798 3957
Performance specialist	-	Jane Matheson	0844 798 7570

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 West Midlands Head of Operations (wmidlands@audit-commission.gov.uk).

Yours sincerely

Elizabeth Cave
District Auditor

cc David Buckland - Director of Finance
Mr J Holden - Chair of the Audit Committee

Appendix 1: Planned outputs

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

Table 1

<u>PLANNED OUTPUT</u>	<u>INDICATIVE DATE</u>
opinion audit plan	December 2010
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 2011
Final accounts memorandum	October 2011
Annual audit letter	November 2011
Housing inspection	TBA
Organisational assessment	TBA