

19th March 2010

Mr Chris Bull
Chief Executive
Herefordshire Council
Brockington
Hafod Road
Hereford

Dear Chris

Annual audit fee 2010/11

I am writing to confirm the audit work that we propose to undertake for the 2010/11 financial year at Herefordshire 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 2010/11.

As I have not yet completed my audit for 2009/10, audit planning for 2010/11, including the risk assessment will continue as the year progresses and I will review and update the fees as necessary.

The Audit Commission has published its work programme and scales of fees 2010/11. The fee proposed for 2010/11 (excluding vat) is £305,191 and will be billed in monthly instalments.

This fee has increased by 6% from £287,916 last year. This is a result of changes in international auditing standards which increase the audit procedures I need to carry out in local government audits in 2010/11. However in recognition of the financial pressures facing public bodies now, the Commission has decided to refund to the Council in April 6% of the scale fee which is £14,861 of this proposed fee increase. The Commission's reason for refunding part of the actual fee paid by the Council is that it wants the fee scales to still reflect the real cost involved.

In setting the fee at this level, I have assumed the other general risks level for the audit of the financial statements are not significantly different from that identified in 2009/10.

I will issue a separate plan for the audit of the financial statements in Spring 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 audit I will discuss this with you. I will then prepare a report, outlining the reasons the fee needs to change, for discussion with the Audit and Governance Committee.

My Use of Resources assessments will be based on 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. However I have identified some significant risks in relation to my financial audit and 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 early risk assessment for the audit work is shown in the table below:

Risk	Planned work	Timing
Edgar Street Grid	We will review the Council's arrangements for managing the Edgar Street Grid Project and in particular the governance arrangements.	July 2010
Support Services Review: in partnership with the PCT and Hospital Trust, the PCT is proposing to transfer its support services to an alternative provider.	In conjunction with the PCT auditor, we will consider the progress the partnership are making with this project	Autumn 2010
Planning Services	We will review the progress the Council has made to address the recommendations in our report on Planning Services last year.	Autumn 2010

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 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. We are not currently planning to undertake such work this year.

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

Audit Manager – Terry Tobin 0844 798 7562

Team Leader – Martin Bell 0844 798 7566

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, W.Midlands (wmidlands@audit-commission.gov.uk).

Yours sincerely

Elizabeth Cave
District Auditor
cc Director of Resources.

Appendix 1: Planned outputs

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

Table 2

Planned output	Indicative dates
Audit Plan	April 2010
Edgar Street Grid	July 2010
Planning Review Follow Up	December 2010
Support Services Review	January 2011
Audit Opinion 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
Annual Audit Letter	December 2011