

**Our reference** Ltm10/11A.5

15 April 2010

Stephen Maddox  
Chief Executive  
Wirral Council  
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commission.gov.uk

Dear Stephen

### **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 Wirral Council. The fee

- is based on the risk-based approach to audit planning as set out in the new Code of Audit Practice and work mandated by the Audit Commission for 2010/11
- reflects only the audit element of our work, excluding any inspection and assessment fees. Your Audit Commission Comprehensive Area Assessment Lead will be writing to you separately on these fees
- does not include the fees for the audit of Merseyside Pension Fund. I will be writing to you separately on these fees.

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 total indicative fee for the audit for 2010/11 is for £392,000 (excluding VAT), a 0.5% increase on the planned fee of £390,000 for 2009/10. This is less than the Audit Commission's anticipated 6% increase for 2010/11 for the first year of International Financial Reporting Standards (IFRS) and is in line with our commitment to reduce the 2010/11 fee as noted at meetings with officers and members. A summary of this is shown in the table below.

## Audit fee

Audit area	Planned fee 2010/11	Planned fee 2009/10
Financial statements	£257,612	£256,298
Use of Resources/ VFM Conclusion	£126,922	£126,274
Whole of government accounts	£7,466	£7,428
<b>Total audit fee</b>	<b>£392,000</b>	<b>£390,000</b>
<b>Grant claims and returns</b>	<b>£128,000</b>	<b>£125,000</b>

The Audit Commission has published its work programme and scales of fees 2010/11. The Audit Commission scale fee for Wirral Council is £363,000. The audit fee proposed for 2010/11 is +8 per cent compared to the scale fee (+13 per cent in 2009/10) 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 Financial 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 £21,904 in April 2010.

In setting the fee at this level, I have assumed that, apart from the introduction of IFRS, the general level of risk in relation to the audit of the financial statements is not significantly different from that identified to 2009/10 and internal control, working papers and quality assurance processes continue to improve. As we have not yet completed the 2009/10 audit, a separate plan for the audit of the financial statements will be issued in December 2010. This plan 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 the audit, I will first discuss this with the Director of Finance and then prepare a report outlining the reasons why the fee needs to change for discussion with the Audit and Risk Management Committee.

My use of resources assessments will inform my value for money conclusion and 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. I have not identified any significant risks in relation to my value for money conclusion for 2010/11 and am currently progressing our 2009/10 assessment. The Audit Commission is also during 2010 committed to fundamentally reviewing its current approach to value for money audit work, including use of resources, with a view to making changes during 2010/11. This fee letter assumes the continuation of the current approach until the review is complete. A separate plan for the use of resources assessment and value for money conclusion will be issued in December 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 any work requested by you that the Commission may agree to undertake using its advice and assistance powers. If any such work is identified then 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 2010/11 are:

Audit Manager – Liz Temple-Murray      0151 666 3483

Team Leader – Rob Metcalf                0151 666 3484

Performance Manager – David Wilson    0774 893 0598

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

Yours sincerely

Michael Thomas  
*District Auditor*

**cc** Ian Coleman, Director of Finance  
Paula Southwood, Chair of Audit & Risk Management Committee  
Liz Temple-Murray, Audit Manager

## Appendix 1: Planned outputs

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

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**Table 1**

<b>Planned output</b>	<b>Indicative date</b>
Opinion plan	December 2010
Use of resources plan	December 2010
Interim audit memorandum (if required)	April 2011
Annual governance report	September 2011
Auditor's report giving the opinion on the financial statements and value for money conclusion	September 2011
Whole of government accounts	October 2011
Opinion report (if required)	October 2011
Use of Resources report	October 2011
Annual audit letter	November 2011
Grant claims and returns certification, Director of Finance letters and any qualification letters	As individual deadlines
Grants report	February 2010