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Item 14.



27 April 2010

Mr Brian Dinsdale  
Interim Chief Executive  
Copeland Borough Council  
The Copeland Centre  
Catherine Street  
Whitehaven  
CA28 7SJ

Direct line 0844 798 47041

Dear Brian

## Audit and Inspection Fees for 2010/2011

### Audit fees

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

The total indicative fee for the audit for 2010/11 is £123,958, which is the same as the original planned fee of £123,958 for 2009/10. A summary of this is shown in the table below.

Audit area	Planned fee 2010/11 (£)	Planned fee 2009/10 (£)
Financial statements	87,908	86,958
Use of resources/ VFM conclusion	36,050	37,000
<b>Total audit fee</b>	<b>123,958</b>	<b>123,958</b>
Certification of claims and returns	39,095	44,583

The Audit Commission has published its work programme and scales of fees 2010/11. The Audit Commission scale fee for Copeland Borough Council is £103,650. The fee proposed for 2010/11 is +19.6% (+25.8% in 2009/10) compared to the scale fee and is within the normal level of variation specified by the Commission.

Audit Commission, 2nd Floor, Aspinall House, Aspinall Close, Middlebrook, Horwich,  
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The increase in the 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. Changes in international auditing standards will increase the audit procedures I need to carry out. However 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 £6,247 in April 2010.

In setting the fee, I have assumed that the introduction of International Financial Reporting Standards would have led to an increase in the fee but I have held the fee the same for 2010/11 to try and reflect the improvements seen in the 2008/09 accounts. I am also basing the 2010/11 fee on the expectation of seeing another marked improvement in the quality of the accounts in 2009/10, improvements in the quality of the operation of the Council's systems and the expectation of being able to do significantly more of a controls based approach rather than time consuming substantive testing. A separate opinion plan for the audit for the financial statements will be issued as and when required. 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 Section 151 Officer 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 2010/11 value for money conclusion. If any significant risks in relation to my 2010/11 value for money conclusion arise from the 2009/10 Use of resources assessment I will report these to you, together with any additional work that is considered necessary.

### **Inspection fees**

The total indicative fee for inspection work for 2010/11 is £8,320. The inspection fee has been set in accordance with the Audit Commission's work programme and scales of fees 2010/11. The fee covers the managing performance element of the organisational assessment. The CAA Lead has written to you recently on how we plan to carry out the managing performance element of the organisational assessment at each council, building on the work we undertook on this assessment last year.

At the time of writing, no risk-based inspections have been identified for the Council. If we need to make any significant amendments to the inspection plan during the course of the year, the CAA Lead will first discuss this with you and then confirm in writing outlining the reasons for the change, including the proposed scope for the work

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.

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

Audit Manager – Richard McGaon - 0844 798 4760

Team Leader – Helen Hamilton - 0844 798 4753

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 on 0844 798 7150.

Yours sincerely

Mrs K Murray  
*District Auditor*

cc Julie Crellin, Head of Finance & MIS  
Alison Clark, Accountancy Services Manager  
Michael Bonner, Chair of Audit Committee

## Appendix 1: Planned outputs

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

<b>Planned Output</b>	<b>Indicative date</b>
Opinion Audit Plan	TBA
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