

28 April 2010

Mrs H Lockwood  
Chief Executive  
Rossendale Borough Council  
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OL13 0BB

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Dear Mrs Lockwood

### **Annual Audit and Inspection Fee 2010/11**

I am writing to confirm the audit work that we propose to undertake for the 2010/11 financial year at Rossendale Borough 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; and for inspection, the Comprehensive Area Assessment (CAA) framework and associated guidance.

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 £105,545, which compares to the planned fee of £99,500 for 2009/10. A summary of this is shown in the table below.

<b>Audit area</b>	<b>Planned fee 2010/11</b>	<b>Planned fee 2009/10</b>
Financial statements	50,945	44,900
Use of Resources/VFM Conclusion [including risk based work]	52,300	52,300
Whole of Government Accounts	2,300	2,300
<b>Total audit fee</b>	<b>105,545</b>	<b>99,500</b>
Certification of claims and returns - estimate	20,000	25,000
Managing Performance	8,320	8,320

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Tom Keena has written separately to you to explain our programme of work in respect of Managing Performance.

The Audit Commission has published its work programme and scales of fees 2010/11. The Audit Commission scale fee for Rossendale Borough Council is £100,750. The fee proposed for 2010/11 is +4.76 per cent compared to the scale fee and is within the normal level of variation specified by the Commission. The element of fee above scale fee mainly reflects the additional time required to undertake the audit of group accounts in the Council's financial statements.

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 £6,024 in April 2010.

In setting the fee, I have assumed that the general level of risk in relation to the audit of the 2010/11 financial statements, excluding the move to International Financial Reporting Standards, is not significantly different from that identified to 2009/10. A separate opinion plan for the audit for the financial statements will be issued in December 2010. 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 Head of Finance 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 value for money conclusion. However, I have identified a number of 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
<p><b>Financial pressures</b> The Council will continue to face increased financial pressures linked to the economic downturn.</p>	<p>We will continue to review the Council's plans for monitoring and managing the financial position as part of our work on use of resources.</p>	<p>During 2010/11</p>
<p><b>International Financial Reporting Standards</b> 2010/2011 will see the implementation of international financial reporting standards to local government accounts. This will require forward planning to ensure that the required information is available to enable an efficient transition to the new financial reporting requirements.</p>	<p>We will liaise with finance staff on the key changes required and the plans in place to address them. We will share any good practice or other sources of advice as they become available.</p>	<p>During 2010/11</p>
<p><b>Leisure Review</b> The Council in 2010/11 will implement its new sustainable leisure provision throughout the borough which will reconfigure its leisure facilities and involve considerable capital investment.</p>	<p>We will liaise with staff and monitor the Council's progress in successfully reconfiguring its leisure facilities.</p>	<p>Ongoing</p>

Yours sincerely

Clive Portman  
*District Auditor*

Cc Phil Seddon, Head of Finance

## 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>
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 (to the Treasurer)	October 2011
Annual audit letter	November 2011