

**Our reference** HT/BHCC/1011fee1

March 2010

John Barradell  
 Chief Executive  
 Brighton & Hove City Council  
 King's House  
 Grand Avenue  
 Hove  
 BN3 6BT

**Direct line** 0844 798 1790  
**Email** helen-  
 thompson@audit-  
 commission.gov.uk

Dear John

### Annual Audit Fee 2010/11

Following to our meeting with management on March 2, I am writing to confirm the audit work that we propose to undertake for the 2010/11 financial year at Brighton & Hove City Council. Sandra Prail the Comprehensive Area Assessment (CAA) Lead for Sussex has set out inspection fees in a separate letter. .

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, 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.

A summary of the indicative fee is shown in the table below.

<b>Audit area</b>	Planned fee 2010/11 £	Planned fee 2009/10 £
Financial statements	284,300	242,275
Use of Resources/VFM Conclusion Including data quality.	102,500	121,950
Whole Government Accounts	2,700	3,670
<b>Total audit fee</b>	<b>389,500</b>	<b>367,895</b>
Certification of claims and returns (estimate)	60,000	60,000

The Audit Commission has published its work programme and scales of fees 2010/11. The planned audit fee for 2010/11 is set 5.8 per cent below the Audit Commission scale fee for the year. This represents a 5.9 per cent increase from the 2009/10 fee.

The increase in fee for the financial statements element of the audit reflects the costs of additional work arising from the introduction of international financial reporting standards in 2010/11. The Audit Commission Chief Executive wrote to all councils in February 2009 to announce measures to rebate part of the cost of the increase. A schedule of rebates is due to be published in June 2010. Changes in international auditing standards will increase the audit procedures I need to carry out. However, the Audit Commission has agreed to absorb the cost of additional requirements within the fee.

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 in 2009/10. A separate opinion plan for the audit of the financial statements will be issued by June 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 the audit, 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.

The quoted fee for grant certification work is an estimate only and will be charged at published daily rates.

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. 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:

<b>Risk</b>	<b>Planned work</b>	<b>Timing of work</b>
The Council has worked in partnership with iMPower local government financial consultants to develop a longer-term, more cross-cutting corporate transformation programme, which will seek to identify more significant efficiency opportunities.	We will conduct a review of the Council's work to implement the measures necessary to secure the savings targets set out by the iMPower review.  This work will inform our assessment of use of resources key line of enquiry 1.1. (financial planning to	To be completed by 30 June 2010.

<p>The successful implementation of this programme and identification of efficiencies is key to the Council's future plans in an increasingly challenging financial environment.</p>	<p>deliver strategic priorities and secure sound financial health ) and 1.2 (understanding costs and performance and achievement of efficiency).</p>	
<p>We undertook a review of the Council's governance arrangements as part of our 2008/09 programme of work. We found that governance arrangements within the Council were generally sound. We did, however, identify a number of areas for improvement against which the Council believed progress had been made subsequent to the detailed fieldwork being undertaken. The Council has a unique political balance with four political groups having a significant influence on decisions taken. The need to take effective and expedient decisions within this balanced political environment will be key to the Council's effective future function.</p>	<p>We follow up progress made against key recommendations for improvement agreed as part of our 2008/09 Good Governance review. We will also consider the Council's detailed arrangements and processes to ensure they support effective and expedient decision making. This work will inform our assessment of use of resources key line of enquiry 2.3 (promotion and demonstration of the values of good governance).</p>	<p>To be completed by 30 June 2010.</p>
<p>The Council plans to achieve Decent Homes Standard for all of its housing stock by 2013. There are two main mechanisms through which the Council plans to deliver this within available budget:</p> <ul style="list-style-type: none"> <li>• a partnering agreement has been entered in to with an external contractor, Mears, to deliver capital works and repairs and maintenance to the Council's housing</li> </ul>	<p>We will maintain a watching brief on key issues arising from our programmed 2009/10 review of the housing repairs and maintenance and capital works contract. We will also maintain a watching brief as the housing LDV develops.</p>	<p>No specific reporting output. We will monitor developments during 2010/11</p> <p>We will ensure that our evidence feeds the review of the red flag in the city's area assessment.</p>

<p>stock. The partnering agreement is expected to secure significant savings.</p> <ul style="list-style-type: none"> <li>• The creation of a housing Local Delivery Vehicle (LDV) to bring in additional investment to meet strategic housing and corporate priorities, and refurbish and improve council homes. The financial impact of the LDV is less significant.</li> </ul>		
--	--	--

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 – Simon Mathers	0844 798 1776
Co-Team Leader – Jeremy Jacobs	0844 798 6121
Co-Team Leader – Jessica Grange	0844 798 6116
Local Performance Lead – Alex Orme	0844 798 3112

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 South East Head of Operations, Neil Childs (n-childs@audit-commission.gov.uk).

Yours sincerely

Helen Thompson  
*District Auditor*

**cc** Catherine Vaughan, Director of Finance & Resources.  
Alex Bailey, Director of Strategy & Governance  
Councillor Les Hamilton, 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 Committee and published

---

**Table 1**

<b>Planned output</b>	<b>Indicative date</b>
Opinion Audit plan	by June 2011
Review of corporate transformation and efficiencies	by June 2011
Follow-up review of governance arrangements	by June 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	November 2011
Organisational assessment (incorporating the managing performance assessment and the use of resources assessment)	TBC

