

25 March 2010

John Polychronakis
Chief Executive
Dudley MBC
Council House
Priory Road
Dudley
DY1 1HF

— Dear John

Annual audit fee 2010/11

Further to our discussions, I am writing to confirm the audit work that we propose to undertake for the 2010/11 financial year at Dudley 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
- 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.

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 £329,957, which compares to the planned fee of £300,969 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	£231,107	£204,057
Use of Resources / VFM Conclusion (including risk based work)	£96,400	£94,507
WGA	£2,450	£2,405

Total audit fee	£329,957	£300,969
Certification of claims and returns	TBC	£155,000

The Audit Commission has published its work programme and scales of fees 2010/11. The Audit Commission scale fee for Dudley Council is £346,965. The fee proposed for 2010/11 is 4.9 per cent below the scale fee and is within the normal level of variation specified by the Commission.

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 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 Interim Director 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 2010/11 value for money conclusion. However, I have identified a number of significant 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
Cost savings and efficiencies	We will review the adequacy of processes that the Council has in place to deliver cost savings and service efficiencies, focusing in particular on planned savings from redesign of services for older people	September 2010 – December 2010
Business transformation	We will continue to review the Council's arrangements for improving the range of	September 2010 – December 2010

	cross directorate single coordinated services	
NFI arrangements	We will assess the adequacy of the Council's arrangements for dealing with NFI data matches	November 2010 – March 2011
Regeneration governance arrangements	We will review the governance arrangements in place in respect of regeneration projects	September 2010 – 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 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 Turner 01384 814049 / 07815 880259

Team Leader – Stuart Parsons 01384 814049 / 07966 789488

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@audit-commission.gov.uk).

Yours sincerely

Tony Corcoran
District Auditor

cc Bill Baker, Interim Director of Finance

Appendix 1: Planned outputs

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

Planned output	Indicative date
Opinion audit plan	February 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