

Appendix 1

April 2009

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

— Dear John

**Annual audit fee 2009/10**

Further to our discussions, I am writing to confirm the audit work that we propose to undertake for the 2009/10 financial year at Dudley MBC. 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 2009/10.

As I have not yet completed my audit for 2008/09 the audit planning process for 2009/10, 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 2009/10 is for £300,969 which compares to the planned fee of £289,848 for 2008/09. A summary of this is shown in the table below.

**Audit fee**

<b>Audit area</b>	<b>Planned fee 2009/10</b>	<b>Planned fee 2008/09</b>
Financial statements	£204,057	£196,795
VFM Conclusion [including risk based work]	£94,507	£90,740
WGA	£2,405	£2,313
<b>Total audit fee</b>	<b>£300,969</b>	<b>£289,848</b>
Certification of claims and returns	TBC	£150,000

The Audit Commission has published its work programme and scales of fees 2009/10. The scale fee for Dudley MBC is £335,838. The fee proposed for 2009/10 is 10 per cent below the scale fee.

In setting the fee at this level, 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 2008/09. A separate plan for the audit of the financial statements will be issued in December 2009. 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 Director of Finance and then prepare a report outlining the reasons why the fee needs to change for discussion with the Audit Committee.

My value for money conclusion 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 2009/10. I have identified significant risks in relation to my value for money conclusion for which I will consider the arrangements put in place by Dudley MBC to mitigate the risk, and plan my work accordingly. My initial risk assessment is shown in the table below:

Risk	Planned work	Timing of work
Business transformation	We will review the Council's arrangements for improving the range of cross directorate single coordinated services	September 2009 – December 2009
Tackling alcohol and drug abuse	We will review how the Council is working in partnership with the PCT to tackle alcohol and drug abuse	September 2009 – December 2009

I will issue a separate project specification for this review before beginning 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 2009/10 are:

Audit Manager – Simon Turner 07815 880259

Team Leader – Stuart Parsons 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](mailto:w-midlands@audit-commission.gov.uk)).

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Yours sincerely

Tony Corcoran  
District Auditor

cc Interim Director of Finance

cc 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.

**Table 1**

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<b>Planned output</b>	<b>Indicative date</b>
Audit plan	December 2009
Annual governance report	September 2010
Auditor's report giving the opinion on the financial statements and value for money conclusion	September 2010
Annual audit letter	November 2010
Review of the Council's arrangements for improving the range of cross directorate single coordinated services	September 2009 - specification December 2009 - report
Review of how the Council is working in partnership with the PCT to tackle alcohol and drug abuse	September 2009 - specification December 2009 - report