

26 April 2010

Gavin Jones
Chief Executive
Swindon Borough Council

Dear Gavin

Annual audit and inspection fee 2010/11

I am writing to confirm the audit and inspection work and fees proposed for the 2010/11 financial year at Swindon Borough Council. The fee for audit work is based on the risk-based approach to audit planning set out in the Code of Audit Practice and work mandated by the Commission for 2010/11. For inspection, it is based on the Comprehensive Area Assessment (CAA) framework and associated guidance. This is the responsibility of Melanie Watson, the CAA Lead, and I have consulted with Melanie on this element of the proposal.

As I have not yet completed my audit for 2009/10, my risk assessment will continue as the year progresses and fees will be reviewed and updated as necessary. The inspection plan will also be reviewed and updated as necessary by Melanie Watson in discussion with you.

The total indicative fee for 2010/11 is £315,000, which compares to the planned fee of £315,000 for 2009/10. A summary of this is shown in the table below.

Work	Planned fee 2010/11	Planned fee 2009/10
Financial statements (including WGA)	£162,000	£152,050
Use of Resources/VFM Conclusion	£153,000	£162,950
Total audit fee	£315,000	£315,000
Certification of claims and returns	£54,362 (est)	£66,350
Inspection work (provided by CAAL)		
Managing performance assessment	£16,630	£16,630

The Audit Commission has published its work programme and scales of fees 2010/11. A copy of this document can be found on the Audit Commission's website. My proposed fee is £13,100 (4.34%) above the scale fee for this Council and is within the normal level of variation specified by the Commission.

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 £20,563 in April 2010.

In terms of this significant change to your accounting framework, I would like to take this opportunity to remind you that those charged with governance within the Council (that is, the Audit Committee) are responsible for ensuring you are prepared for the introduction of IFRSs. Although I do not have direct audit responsibilities in respect of balances at the transition date, these do form the opening balances for the comparative period. I will therefore consider your risk assessment process and gap analysis to inform my ongoing risk assessment.

A separate opinion plan for the audit for the 2010/11 financial statements will be issued to you once my ongoing work is sufficiently advanced. This will detail any risks identified, planned audit procedures and any changes in fee. In considering the scope and nature of my audit, I wish to draw your attention to the following documents, which are available via the Audit Commission's website (www.audit-commission.gov.uk):

- Statement of responsibilities of auditors and audited bodies;
- Code of audit practice.

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 Director of Finance and then prepare a report outlining the reasons why the fee needs to change for discussion with the Audit Committee.

For the purposes of setting this fee, I have assumed that my use of resources assessments will continue to be based on the key lines of enquiry as set out in the Audit Commission's work programme and scales of fees 2010/11. These are:

- Managing Finances;
- Governing the business; and,
- Managing Resources.

You will be aware that the Audit Commission is currently undertaking a review of the Use of Resources framework and my work and associated fee may need to be reassessed when the outcomes of this review are published.

I have identified a number of specific risks in relation to my audit opinion and 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 the financial statements and value for money audit work is shown in the table below:

Risk	Planned work	Timing of work
The transition to IFRS and ALMO for SCS will cause material errors in the financial statements.	The changes in format of the accounts will be examined as part of our audit of the financial statements.	June 2011 – September 2011
The Council continue to face significant financial pressures which may result in a material mis-statement in the financial statements	We will examine the response to these pressures as part of our work on the financial statements and work in connection with Use of Resources	January 2011 – July 2011
The implementation of the Council's connecting people and place initiative may put pressure on capacity and delivery and risk a worsening of value for money.	To continue our assessment of the impact of connecting people on governance and capacity of the Council, now arrangements are embedded.	November 2010 – March 2011

The managing performance assessment will contribute to the Council's overall Organisational Assessment score under the CAA regime and as such, it is the responsibility of the CAA Lead. As CAA Lead for Gloucestershire, Melanie Watson will write to you if any significant amendments are needed to the inspection plan or assessment fee during the course of the year. She will first discuss this with you.

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 audit are:

District Auditor/Engagement Lead – Martin Robinson 07799478389 (Mobile)

Audit Manager – Peter Smith 07780956715 (Mobile)

Team Leader – Paul Benfield 07779335749 (Mobile)

Performance specialist – Derek Maxwell 07780956726 (Mobile)

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 West Head of Operations, Bill Sanderson (b-sanderson@audit-commission.gov.uk).

Yours sincerely

Martin Robinson
District Auditor

cc Mr S McKellar, Director of Finance

Cllr Dickinson, 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 Committee.

Table 1

Planned output	Indicative date
Opinion Audit plan	November 2010
Interim audit memorandum	April 2011 (if appropriate)
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	July/September 2011 (if appropriate)
Annual audit letter	November 2011
Project specifications and reports	
Connecting People and Places	November 2011 – specification March 2011 – report
Audit Committee progress reports	Ongoing
Organisational assessment (incorporating the managing performance assessment and the use of resources assessment)	October 2011