

29 March 2010

Ms K England  
 Chief Executive  
 York City Council  
 The Guildhall  
 York  
 YO1 0EG

Dear Ms England,

## 2010/11 Audit Fees

I am writing to confirm the audit work that we propose to undertake for the 2010/11 financial year at York City Council. This 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. It 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 £248,900. Fees will also be payable in respect of certification of claims and returns, and the Audit Commission's National Fraud Initiative. A summary of this information, with 2009/10 comparatives, is shown below:

**Table 1 2010/11 audit fee**

<b>Audit Area</b>	<b>Planned fee 2010/11</b>	<b>Planned fee 2009/10</b>
Financial statements	£158,556	£150,848
Use of Resources/VFM conclusion	£87,694	£94,920
Whole of Government Accounts	£2,650	£2,632
<b>Total Audit Fee</b>	<b>£248,900</b>	<b>£248,400</b>
Certification of claims and returns	£42,700	£43,520
National Fraud Initiative	£3,650	0

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The Audit Commission has published its work programme and fee scales for 2010/11. The Audit Commission scale fee for York City Council is £249,260. The fee proposed for 2010/11 is 0.15% below this scale fee and within the normal level of variation specified by the Commission.

The increase in fees for the financial statements element of the audit reflects the costs of additional audit work arising from the introduction of International Financial Reporting Standards. Changes in international auditing standards will also increase the audit procedures I need to carry out, however the Audit Commission will absorb the cost of these additional requirements within the fee.

In setting the fee, I have assumed that the quality of the financial statements and supporting working papers submitted for audit will have improved compared to that we have received in previous years. A separate opinion plan for the audit of the financial statements will be issued in 2011 and will detail the risks we have 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 our work I will first discuss this with the Director of Resources and then prepare a report outlining the reasons why the fee needs to change, for discussion with those charged with governance.

My use of resources assessment will be based on the evidence from three themes, as follows:

- 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 scale of fees for 2010/11. The reduction in fees for this component of the audit reflects a more proportionate approach which:

- builds on the findings from previous years' work,
- has regard to the work done by other regulators and assessors; and
- focuses more clearly on value for money and cost savings delivery in view of the economic climate generally, and proposed changes at York City Council specifically.

Work on use of resources informs my 2010/11 value for money conclusion. As part of this work I will also consider any significant local risks we have identified, the arrangements put in place by the Council to mitigate these risks, and then plan my work accordingly.

My initial risk assessment for value for money audit work is shown in the table below. Outcomes from this local risk based audit work will be reported through use of resources judgements and the annual audit letter to members. In addition, we will continue to follow up and report on progress made by the Council in respect of action plans agreed in previous years.

**Table 2 Value for money**

<b>Risk identified</b>	<b>Planned work</b>	<b>Timing of work</b>
<p>The Council has embarked on an ambitious transformation programme, based on delivery of:</p> <ul style="list-style-type: none"> <li>• More 4 York efficiency programme</li> <li>• management restructure</li> <li>• office relocation</li> </ul> <p>These initiatives will challenge staff capacity and there is also a risk to the Council's financial position if anticipated savings are not delivered.</p>	<p>We will track progress on these initiatives and assess how well the risks relating to them are being identified, managed and reported.</p>	<p>Ongoing throughout 2010 and 2011.</p>
<p>Delivery of the new Waste PFI scheme has been identified as a key business risk in the Council's most recent risk register update (Q3 2009/10)</p>	<p>We will track progress on this initiative in terms of its legal, financial and accounting implications as well as the expected service delivery benefits and impact on local people.</p>	<p>Ongoing throughout 2010 and 2011.</p>
<p>The recent CAA report highlights that tackling health inequalities is an important priority for local people, but an area where many organisations experience difficulty in setting clear objectives, identifying outcomes and demonstrating value for money.</p>	<p>We will assess progress made by the Council and its partners in this important area.</p>	<p>Ongoing throughout 2010 and 2011.</p>

I will issue a number of reports relating to my work over the course of the audit, these are listed below:

**Table 3 Planned outputs**

<b>Planned output</b>	<b>Indicative date</b>
<b>Opinion audit plan</b>	January – March 2011
<b>Annual governance report</b> <b>Audit opinion and value for money conclusion</b>	September 2011
<b>WGA opinion</b>	October 2011
<b>Use of resources report</b>	November 2011
<b>Annual audit letter</b>	December 2011

The above fee excludes work the Commission may agree to undertake using its advice and assistance powers. Any such pieces of work will be separately negotiated and a detailed project specification agreed with you.

The key members of the audit team for 2010/11 are:

- Lynn Hunt – Audit Manager
- Allan Humphreys – Performance specialist
- Keith Illingworth – Team Leader

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 Northern Region Head of Operations ([d-allsopp@audit-commission.gov.uk](mailto:d-allsopp@audit-commission.gov.uk)).

Yours sincerely

Steve Nicklin  
*Engagement Lead*

Cc Ian Floyd, Director of Resources (at Library Square)