

**Our reference** Central/NO01411A/2010-11 plan

15 April 2010

Laura McGillivray  
Chief Executive  
Norwich City Council  
City Hall  
St Peter's Street  
Norwich, Norfolk  
NR2 1NH

— Dear Laura

## **Annual audit fee 2010/11**

I am writing to confirm the audit work that we propose to undertake for the 2010/11 financial year at Norwich City Council. The fee has been set on the basis of:

- for audit, 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; and
- for inspection, the Comprehensive Area Assessment (CAA) framework and associated guidance.

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 inspection plan will also be reviewed and updated as necessary by the Audit Commission's CAA Lead, Sue Jewkes, in discussion with you.

The total indicative fee for the audit for 2010/11 is £185,355 which compares to the planned fee of £174,863 for 2009/10. I will shortly, however, reconsider my planned fee for 2009/10 in light of the experience of our 2008/09 audit and some fee increase for 2009/10 is likely. A summary of the proposed fees, including inspection fees which are in addition to the amount above, is shown in the table below.

<b>Work</b>	<b>Planned fee 2010/11</b>	<b>Planned fee 2009/10</b>
Financial statements	£139,436	£127,474
Use of Resources/VFM Conclusion	£41,055	£42,525
WGA	£4,864	£4,864
<b>Total audit fee</b>	<b>£185,355</b>	<b>£174,863</b>
<b>Inspection work</b>		
Area assessment of local partnership	£nil (funded by CLG)	£nil (funded by CLG)
Managing Performance assessment	£8,320	£8,320
Cross cutting inspection of Strategic Housing Services (50% CLG funded)	£2,352	£Not applicable
Inspection of Landlord Services (100% TSA funded)	£0	£Not applicable
Cross cutting inspection of Greater Norfolk Development Partnership (50% CLG funded)	£Not applicable	£9,772
<b>Total inspection fee</b>	<b>£10,672</b>	<b>£18,092</b>
<b>Total audit and inspection fee</b>	<b>£196,027</b>	<b>£192,955</b>
<b>Certification of claims and returns</b>	<b>£67,585</b>	<b>£55,500</b>

The Audit Commission has published its work programme and scales of fees 2010/11. The scale fee for Norwich City Council is £168,500. The fee proposed for 2010/11 is ten per cent above the scale fee and is within the normal level of variation specified by the Commission. Impairments have been excluded when determining gross revenue expenditure, which is a determinant of the comparison with scale fee.

The increase in fee for the financial statements element of the audit partly reflects the costs of additional audit work arising from the introduction of International Financial Reporting Standards (IFRS). Changes in international auditing standards will 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 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 for 2009/10 as part of the original audit plan for that year. Both years' fees assume that the general level of risk

will reduce as the Council continues to resolve issues that led to material financial statements amendments in previous years. A separate opinion plan for the audit of the financial statements will be issued after December 2010 if necessary. This will detail the risks identified, planned audit procedures and any changes in fee.

The quoted fee for grant certification work is an estimate only and will be charged at published daily rates. Our experience of the claims certification work in 2008/09 indicates that the 2009/10 estimated fee may be insufficient although we have assumed that the quality of the data underlying the housing benefits claim will be improved. I have not sought to restate the 2009/10 estimate.

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.

My use of resources assessments will be based upon the evidence from three themes:

- Managing finances;
- Governing the business; and
- Managing resources.

I am currently undertaking a review of the Council's use of resources for 2009/10 which, in line with established charging arrangements, will be funded from the 2010/11 fee. The results of the audit will inform my planning for 2010/11. At this stage, I have identified the following risks in relation to the value for money conclusion shown in the table below:

Risk	Planned work	Timing of work
Given the recent Local Government Re-organisation decision in Norfolk, there is a risk in respect of the capacity of the Council to maintain its governance arrangements and maintain services in a period of potential significant change.	I will maintain a watching brief in respect of the impact of local government re-organisation throughout the year, as part of our work on Use of Resources.  As the unitary preparations gain momentum this may require additional work. I will discuss this with you if this is the case.	April 2010 - March 2011
The 2008/09 Use of Resources assessment indicated that the Council was not achieving minimum standards of performance in all areas.	I will consider how the Council has addressed the weaknesses identified in our 2008/09 review as part of our 2009/10 work on Use of Resources. If I consider that any additional work is required I will discuss this with you.	February 2010 – July 2010
There is a risk that the economic climate may further impact on the Council's revenues and create significant demands on service provision.	I will maintain a watching brief in respect of the impact of the economic downturn throughout the year, as part of our work on Use of Resources.	April 2010 - March 2011

The inspection work plan for 2010/11 includes the following:

- our managing performance assessment of Norwich City Council;
- a Norfolk-wide inspection of strategic housing which has been triggered by the findings of the 2009 area assessment; and
- an inspection of landlord services at the request of the Tenant Service Authority.

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 my audit team for the 2010/11 audit are:

Audit Manager – Helen Devlin 0844 798 3048

Team Leader – Tony Poynton 0844 798 3044

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 Head of Operations, Eastern sub-region, Andy Perrin ([a-perrin@audit-commission.gov.uk](mailto:a-perrin@audit-commission.gov.uk)).

Yours sincerely

Rob Murray  
*District Auditor*

**cc** Barry Marshall, Head of Finance – Norwich City Council  
Stephen Little, Chair of the Audit Committee – Norwich City Council

Sue Jewkes, CAA Lead – Audit Commission

Helen Devlin, Audit Manager – Audit Commission

## Appendix 1: Planned outputs

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

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**Table 1**

<b>Planned output</b>	<b>Indicative date</b>
Audit opinion plan	December 2010
Annual governance report	September 2011
Auditor's report giving the opinion on the financial statements and value for money conclusion	September 2011
Final accounts memorandum (to the Head of Finance) – if required	November 2011
Annual audit letter	December 2011
Organisational assessment (incorporating the managing performance assessment and the use of resources assessment)	October 2010
Cross Cutting Strategic Housing Services inspection	July 2010
TSA Landlord Service Inspection	January 2011