

**Our reference** HD/NO23310A

22 April 2009

Laura McGillivray  
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— Dear Laura

## **Annual audit fee 2009/10**

I am writing to confirm the audit work that we propose to undertake for the 2009/10 financial year at Norwich City 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 Audit Commission for 2009/10; and
- reflects only the audit element of our work, excluding any inspection and assessment fees. Your Comprehensive Area Assessment Lead has written separately to the Council on inspection fees.

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 £174,863 (exclusive of VAT) which compares to the planned fee of £155,375 for 2008/09. I will shortly, however, reconsider my planned fee for 2007/08 in light of the experience of our 2007/08 audit and some fee increase is likely. A summary of this is shown in the table below.

## Audit fee

Audit area	Planned fee 2009/10	Planned fee 2008/09
Financial statements	£127,474	£121,028
Use of Resources/VFM Conclusion (including risk based work)	£42,525	£32,119
WGA	£4,864	£2,228
<b>Total audit fee</b>	<b>£174,863</b>	<b>£155,375</b>
Certification of claims and returns	£55,500	£54,000

The Audit Commission has published its work programme and scales of fees 2009/10. The scale fee for Norwich City Council is £167,180. The fee proposed for 2009/10 is 4.6 per cent above 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 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 qualified opinions in previous years, and moves towards an unqualified audit opinion without the need for substantial amendments to the financial statements. At this stage it does not reflect some substantial changes presently being proposed to the 2009 Statement of Recommended Practice (SORP), or that the Council will be in the transition period for moving towards International Financial Reporting Standards (IFRS) more on which is detailed below, other than recognition of a need for an initial technical consideration of the PFI arrangements in place at the Council. 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. The quoted fee for grant certification work is an estimate only and will be charged at published daily rates. If I need to make any significant amendments to the audit fee during the course of the audit, I will first discuss this with you and then prepare a report outlining the reasons why the fee needs to change for discussion with the Audit Committee.

In the medium term there are significant changes to financial reporting requirements for the Council with the introduction of IFRS in 2010/11. The impact of this on audit fees will be reflected in the 2010/11 audit plan, in the meantime the Council will need to produce 2009/10 comparators for IFRS compliant accounts and therefore the transition period effectively commenced on 1 April 2009. It is important that the Council is actively planning for this change and ensuring that systems are in place to capture all the necessary information to produce these comparators.

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 2009/10.

Whilst some initial work has commenced on a review of the Council's use of resources for 2008/09 this will be significantly progressed in the period May through August. The results of the audit will further inform my planning for 2009/10. At this stage, I have identified the following risks in relation to the value for money conclusion in the table below:

Risk	Planned work	Timing of work
The 2007/08 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 2007/08 review in the context of the new Use of Resources framework.  As part of this work we will carry out the Changing Organisational Cultures tool, which has been deferred from the 2007/08 plan.	April 2009 – July 2009
Dependent upon the final outcome of Local Government Re-organisation 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 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.	April 2009 – September 2010
There is a risk that the economic downturn may 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 2009 – September 2010

I will issue a separate project specifications for the Changing Organisational Cultures work before beginning the work. The output from this work will inform our 2009/10 Use of Resources Assessment.

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 any work requested by you that 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 – 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 Central Regional Director, Karen McConnell ([k-mcconnell@audit-commission.gov.uk](mailto:k-mcconnell@audit-commission.gov.uk)).

Yours sincerely

Andy Perrin  
*District Auditor*

**cc** Barry Marshall, Head of Finance

Cllr Steve Little, Chair of Audit Committee

Helen Devlin, Audit Manager

## 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 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
Use of resources report	September 2010
Final accounts memorandum (to the Director of Finance)	October 2010
Annual audit letter	November 2010