

8 June 2009

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Dear David

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 Northampton Borough 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 – notified to you separately by your Comprehensive Area Assessment Lead

As this is our first year as your appointed auditor 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 £231,000 (exclusive of VAT) which compares to the planned fee of £225,600 for 2008/09. A summary of this is shown in the table below.

Audit fee

Audit area	Planned fee 2009/10	Planned fee 2008/09 (KPMG)
Financial statements	147,332	132,500
Use of Resources/VFM Conclusion *	80,000	90,000
WGA	3,668	3,100
Total audit fee	231,000	225,600
Certification of claims and returns	40,500	40,000

* Note: The 2009/10 Use of Resources fee relates to the 2008/9 assessment and will therefore be undertaken by KPMG and billed to you separately

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The Audit Commission has published its work programme and scale of fees for 2009/10. The scale fee for Northampton Borough Council is £148,500. The fee proposed for 2009/10 is 55 per cent above the scale fee reflecting the size, complexity and risk profile of the Council.

A separate plan for the audit of the financial statements will be issued in March 2010. 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 the Director of Finance and then prepare a report outlining the reasons why the fee needs to change for discussion with the audit committee.

KPMG's 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. However, I have identified a number of significant risks in relation to the overall 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 value for money audit work is shown in the table below:

Risk	Planned work	Timing of work
Maintaining the improvement in the 2008 Use of Resources scores as noted in the recent annual audit and inspection letter	KPMG will consider the impact of progress being made by the Council as part of their Use of Resources work. Following this we will maintain liaison discuss progress and challenges with the Council.	April 2009 – March 2010
The impact of the current economic downturn on the Council financial plans in the medium term	We will review the Council's response to this and monitor progress throughout the year, as part of our continuous audit planning	April 2009 – March 2010
The successful implementation of IFRS from 2009/10 onwards may present a challenge	Following the audit of the 2008/09 accounts by KPMG we will discuss developments regularly with the Council with a	October 2009 – September 2010

	view to ensuring any issues arising from IFRS are resolved as soon as possible	
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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.

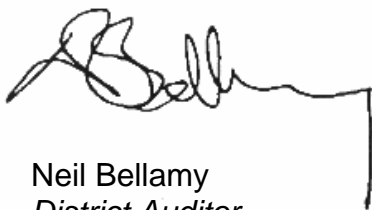
The key members of the audit team for the 2009/10 audit are:

Audit Manager – Trevor Croote 0844 798 4064

Team Leader – Alastair Ambrose 0844 798 4094

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 East Midlands Head of Operations, (e-midlands@audit-commission.gov.uk).

Yours sincerely



Neil Bellamy
District Auditor

cc Isabell Procter, Director of Finance & Support

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
KPMG Use of Resources Assessment	September 2009
Audit plan	March 2010
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 report	October 2010
Annual audit letter	November 2010