

Our reference Central/NO006/2010-11

28 April 2010

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Dear David

Northampton Borough Council Annual Audit Fee 2010-11

Following our meeting on 23rd March I am writing to confirm the audit work we propose to undertake for the 2010/11 financial year at Northampton Borough Council. The fee:

- is based on the risk-based approach to audit planning as set out in the new Code of Audit Practice 2010 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 total indicative audit fee for the audit for 2010/11 is for £204,500 which compares to the planned fee of £231,000 for 2009/10. A summary of this is shown in the table overleaf.

Audit fee

Work	Planned fee 2010/11	Planned fee 2009/10
Financial statements	£148,300	£147,332
Use of Resources/VFM Conclusion	£52,500	£80,000
WGA	£3,700	£3,668
Total audit fee	£204,500	£231,000
Inspection work	8,320	8,320
Managing performance assessment		
Housing landlord services inspection		
Total audit & inspection fee	£212,820	£239,320
Certification of claims and returns (Estimate)	£41,000	£40,500

The Audit Commission has published its work programme and scales of fees for 2010/11. The scale fee for the audit of Northampton Borough Council is £194,750. The published fee scale for 2010/11 includes a 6% increase to cover the costs of additional audit work arising from the introduction of International Financial Reporting Standards (IFRS). The fee proposed for Corby Borough Council for 2010/11 is 5 per cent above the scale fee and is within the normal level of variance specified by the Commission.

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 give a "one-off" subsidy to cover the additional cost of transition to IFRS for local authorities in 2010/11 only. You will therefore receive a refund from the Audit Commission against the above fees of **£9,455** in April 2010.

In addition to the introduction of 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 the additional requirements, with no increase in the fee proposed.

In setting the fees 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 in 2009/10 - with the exception of the inherent risk from the introduction of IFRS and the proposed housing PFI project. A separate plan for the audit of the financial statements will be issued later in the year. This will detail the risks 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 the audit, I will first discuss this with the Head of Financial Services and then prepare a report outlining the reasons why the fee needs to change for discussion with the audit and governance committee.

The fee for certification of claims and returns is an estimate only and will be charged at published daily rates.

The inspection fee is based on the risk-based approach to inspection planning as set out in the Comprehensive Area Assessment (CAA) framework and associated guidance. Nigel Toms, your Audit Commission CAA Lead will write to you if any significant amendments are needed to the inspection plan and fee during the course of the year. He will first discuss this with you. The Managing Performance Assessment will be published as part of the Council's Organisational Assessment in October 2010.

My use of resources assessments will once again 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 2010/11. My work on use of resources, which is already underway, informs my value for money conclusion. However, I have identified risks in relation to my value for money conclusion. For these, I have considered the arrangements put in place by the Council to mitigate the risk, and will 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
In common with all local authorities and the wider public sector, the Council will need to respond to the impact of the recession and potential changes in funding levels following the general election.	We will review the Council's financial position and financial plans during the year as part of our overall work on our value for money conclusion.	Ongoing.
Proposals for a £100m housing PFI project involve significant inherent operational and financial risks and potentially complex accounting arrangements.	We will undertake a brief risk assessment in 2010 to help inform future audit plans.	TBA

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 Audit Commission's new *Codes of Audit Practice* for local government and NHS bodies were approved by Parliament on 9 March 2010, and apply to the 2010/11 audits onwards. Copies of both the new Code and the accompanying *Statements of Responsibilities of Auditors and of Audited Bodies* are available on the Commission's website.

The key members of the audit team for the 2010/11 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, Alison Rigg (a-rigg@audit-commission.gov.uk).

Yours sincerely

A handwritten signature in black ink, appearing to read 'Neil Bellamy', with a long horizontal line extending to the right and a vertical line extending downwards from the end of that line.

Neil Bellamy
District Auditor

cc Isabell Procter, Director of Finance & Support
Gavin Chamber, Head of Finance & Assets
Cllr Anthony Woods, 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
Certification of claims and returns 2009/10	February 2011
Financial Statements Audit Plan (Supplementary fees letter)	April/May 2011
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	September 2011
Final accounts report	October 2011
Annual audit letter	December 2011