



LATE REPORTS, URGENT BUSINESS and SUPPLEMENTARY INFORMATION

Audit Committee

Tuesday, 30 June 2009

The following will be treated as an item of urgent business authorised by the Chairman.

Agenda Item Number	Page	Title	Reason for Late Report	Officer Responsible For Late Report
4	1 - 5	ITEMS OF URGENT BUSINESS AUTHORISED BY THE CHAIRMAN External Audit Plan and Fees 2009/10 (Report of KPMG LLP, External Auditors).	Urgency of presenting the Audit Plan to Audit Committee at this meeting.	Corporate Director (Finance and Performance).

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Nadine Muschamp
 Chief Finance Officer
 Lancaster City Council
 Town Hall
 Dalton Square
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Our ref **jb/16/let-932**

30 April 2009

Dear Nadine

Annual audit fee 2009/10

I am writing to confirm the audit work and fee that we propose for the 2009/10 financial year at Lancaster City Council. The Audit Commission now requires that we produce this letter style audit strategy, in place of the more detailed audit and inspection plans that have been produced in previous years. Our proposals:

- are 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
- reflect only the audit element of our work, and exclude any inspection and assessment fees which will be charged separately by the Audit Commission. Your Comprehensive Area Assessment Lead will be writing to you separately on these fees on behalf of the other inspectorates.

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. We will naturally keep you informed.

The proposed indicative fee for the audit for 2009/10 is £120,000 (plus VAT). This compares to the planned fee of £124,000 for 2008/09, a summary of this is shown in the table below.

Audit area	Planned fee 2009/10	Planned fee 2008/09
Financial statements	68,500	64,500
Use of Resources/VFM Conclusion [including risk based work]	49,000	57,000
Whole of Government Accounts	2,500	2,500
Total audit fee	120,000	124,000



I have not included an estimated fee for the certification of grant claims and returns at this stage. I will write to you separately and provide an estimate of the fee when I have a better understanding of the likely scale of this work.

The indicative fee is based on a number of assumptions, which I have summarised in Appendix 1 to this letter. The Audit Commission has published its work programme and scales of fees 2009/10 and the scale fee for Lancaster City Council is £130,333. The fee proposed for 2009/10 is 7.9% below the scale fee; this is within the tolerances set by the Audit Commission.

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. 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. 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 for the Audit Committee, outlining the reasons why the fee needs to change.

Our 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. Our work on use of resources informs our 2009/10 value for money conclusion. At this stage I have not identified any significant risks in relation to my value for money conclusion. However, through our liaison meetings we will keep a watchful eye on the developments at the Council. Should anything arise which presents a risk to the value for money conclusion we will discuss this with you and agree the scope of the work and the subsequent additional cost.

I expect to issue a number of reports relating to my work over the course of the audit. These are listed at Appendix 2.

The above fee excludes any additional work we may agree to undertake at the request of the Lancaster City Council. Any such piece of work will be separately discussed and a detailed project specification agreed with you.



KPMG LLP
 Annual audit fee 2009/10
 30 April 2009

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

Name	Role	Contact details
Kevin Wharton	Engagement lead	kevin.wharton@kpmg.co.uk 0161 246 4758
Jillian Burrows	Senior Manager	jillian.burrows@kpmg.co.uk 0161 246 4705
Heather Garrett	Assistant Manager	heather.garrett@kpmg.co.uk 0161 246 4314

We are 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 KPMG's national contact partner for Audit Commission work, Trevor Rees (trevor.rees@kpmg.co.uk).

If we are unable to satisfy your concerns, you have the right to make a formal complaint to the Audit Commission. The complaints procedure is set out in the leaflet '*Something to Complain About*', which is available from the Commission's website (www.audit-commission.gov.uk) or on request.

Yours sincerely

Kevin Wharton
 Engagement Lead

cc: Roger Muckle, Corporate Director (Finance and Performance)
 Derek Whiteway, Internal Audit Manager



Appendix 1 – Audit fee assumptions

In setting the fee, I have assumed that:

- the level of risk in relation to the audit of the financial statements is not significantly different from that identified for 2008/09;
- you will inform us of significant developments impacting on our audit;
- internal audit meets the appropriate professional standards;
- internal audit undertakes appropriate work on all systems that provide material figures in the financial statements sufficient that we can place reliance for the purposes of our audit;
- you will identify and implement any changes required under the CIPFA SORP within your 2009/10 financial statements;
- your financial statements will be made available for audit in line with the timetable we agree with you;
- good quality working papers and records will be provided to support the financial statements by the date we agree with you;
- requested information will be provided within agreed timescales;
- prompt responses will be provided to draft reports; and
- additional work will not be required to address questions or objections raised by local government electors.

Where these assumptions are not met, we will be required to undertake additional work which is likely to result in an increased audit fee. The fee for the audit of the financial statements will be re-visited when we issue the opinion audit plan.

Changes to the plan will be agreed with you. These may be required if:

- new residual audit risks emerge;
- additional work is required by the Audit Commission, KPMG or other regulators; or
- additional work is required as a result of changes in legislation, professional standards or as a result of changes in financial reporting.



Appendix 2: Planned outputs

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

Planned output	Indicative date
Audit plan	May 2009
Interim audit report	May 2010
Report to those charged with governance (ISA260 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
Annual audit letter	December 2010