

12 March 2010

Mr Michael Lockwood
Chief Executive
Harrow Council
Civic Centre
PO Box 57
Station Road
Harrow
HA1 2XF

Dear Michael,

Annual audit fee 2010/11

Further to our discussions, we are writing to confirm the audit work that we propose to undertake for the 2010/11 financial year at Harrow 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 2010/11; and
- reflects only the audit element of our work, excluding any inspection and assessment fees. Your Comprehensive Area Assessment Lead will be writing to you separately on inspection fees.

As we have not yet completed our 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 fee for the audit for 2010/11 is for £367,342 (exclusive of VAT) which compares to the planned fee of £374,520 for 2009/10. A summary of this is shown in the table below.

Audit fee

Audit area	Planned fee 2010/11	Planned fee 2009/10
Financial statements	282,472	259,000
Use of Resources/VFM Conclusion	80,000	110,970
WGA	4,870	4,550
Total audit fee	367,342	374,520
Certification of claims and returns	TBA	TBA
Audit of Local Government Pension Scheme	TBA*	38,500

The Audit Commission has published its work programme and scales of fees 2010/11. The scale fee for Harrow Council is £333,570. The fee proposed for 2010/11 is 10 per cent above the scale fee (2009/10: 21 per cent). This variance to the scale fee reflects our assessment of the level of audit risk. The increase in the Financial Statements fee on prior year is in line with the Audit Commission guidance in respect of inflation and the additional audit requirements in respect of the first year adoption of International Financial Reporting Standards (IFRS).

In setting the fee at this level, we 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 2009/10. A separate plan for the audit of the financial statements will be issued in March 2011. 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 we need to make any significant amendments to the audit fee during the course of the audit, we 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 Governance, Audit and Risk Management Committee.

* The pension scale fee for 2010-11 has not yet been published by the Audit Commission we will update you when the data becomes available which is anticipated to be 29 April 2010.

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 2010/11. Our work on use of resources informs our 2010/11 value for money conclusion. However, we have identified a number of significant risks in relation to our value for money conclusion. For each risk, we consider the arrangements put in place by the Council to mitigate the risk, and plan my work accordingly. Our initial risk assessment for value for money audit work is shown in the table below:

Risk	Planned work	Timing of work
Annual accounts are not prepared in accordance with relevant standards and timetables and supported by comprehensive working papers, particularly with consideration of the new IFRS accounting requirements.	We will receive and consider reports provided by the Council to address key audit risk areas; and we will meet with the Council to monitor progress against the planned timetable.	March 2011 to September 2011
Capacity issues and the need to absorb organisational and senior manager changes, may compromise the delivery of demonstrable improvements to value for money.	We will review Council's data and other publicly available information to assess whether there has been demonstrable improvement as part of use of resources work.	April 2010 to March 2011
Reserves outside policy range.	We will receive and consider reports on risk assessments around the budget and financial monitoring reports during the year. We will discuss major concerns arising from this on an exception basis with the Director of Finance as they arise.	April 2010 to March 2011

We will issue a number of reports relating to our 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 2010/11 are:

Audit Partner – Paul Schofield

Audit Director – Matthew Hall

Audit Senior Manager – Jonathan Gooding

Use of Resources Manager – Mark Wood

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 Paul Schofield in the first instance.

Yours sincerely

Deloitte LLP

cc Director of Finance

cc Chair of the Governance, Audit and Risk Management Committee

Appendix 1: Planned outputs

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

Table 1

Planned output	Indicative date
Fee letter	March 2010
Accounts opinion audit plan	March 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 memorandum	November 2011
Annual audit letter	March 2012