



Accountants &
business advisers

Hastings Borough Council

Audit fee letter 2009/10

March 2009

Introduction

- 1.1 This fee letter provides details about the work we propose to undertake and the indicative fee for our audit of the Council for the 2009/10 financial year. 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
 - includes only audit work to be undertaken by PKF (UK) LLP and excludes any inspection and assessment work undertaken by other regulators.
- 1.2 As we have not yet completed our audit for the 2008/09 year, the audit planning process for 2009/10, including the risk assessment will continue as the year progresses. Our fees will be reviewed and updated as necessary.
- 1.3 The Audit Commission's scale of fees for the 2009/10 financial year highlights the fees payable by District Councils such as Hastings. Using the Commission's fee calculator, a Council with Hastings' expenditure plans and risk profile should expect a fee of £122,000.
- 1.4 The fee we are proposing amounts to **£96,400** which compares to the (planned) fee of £92,609 for 2008/09. The proposed fee is:
- £3,791 more than the 2008/09 level (an increase of 4 per cent)
 - £25,600 (21 per cent) below the scale fee. In 2008/09 the planned fee is also 21 per cent below the scale fee.
- 1.5 In setting the fee at this level, we have assumed the general level of risk in relation to the audit of the financial statements is not significantly different from that identified in 2008/09. We have also considered the Council's performance in previous years as reported under our use of resources judgements and our reports to those charged with governance. In particular, we have considered the improvement evident in the Council's arrangements for preparing and publishing its annual accounts and the overall strength of its use of resources. The Council recognises its risk management arrangements need to embed and action is in hand with external consultants to address this. We will review the Council's progress in undertaking our 2009 use of resources assessment.
- 1.6 A summary of the fee is shown at Table 1 overleaf.

Table 1: Proposed Audit Fee

Audit area	Planned fee	
	2009/10 £	2008/09 £
Statutory Audit work and Mandated reviews		
Financial statements	61,400	59,032
Use of Resources Assessment	31,500 ⁽²⁾	26,577 ⁽¹⁾
VFM Conclusion		
Risk Based Use of Resources work ⁽³⁾	3,500	7,000
Total audit fee	96,400	92,609

(1) The 2008/09 fee for the Use of Resources Assessment includes the judgements reported to the Council in January 2009. The 2008/09 fee also includes work on data quality and the review of best value performance indicators which is now considered as part of the new assessment to be reported in September 2009. The fees are therefore not directly comparable.

(2) The Fee relates to the new use of resources regime. We will update the Audit Committee on our audit approach in June 2009.

(3) A small amount of time is included to follow up recommendations made to the Council in previous years in its use of resources.

1.7 A plan for the audit of the financial statements will be issued in December 2009. This will detail the risks we have identified, planned audit procedures and any changes proposed to the fee. The plan will be discussed with the Audit Committee.

1.8 Our use of resources assessments will be based upon the evidence from three themes:

- Managing finances;
- Governing the business; and
- Managing resources.

1.9 The key lines of enquiry specified for the assessment are set out in the Audit Commission's work programme and scale of fees letter. When the Audit Commission finalises its guidance to auditors and audited bodies, we will update the Audit Committee on the detailed approach we will be taking.

1.10 We have identified some risks based on the work we have completed at the Council throughout 2008. For each risk we consider the arrangements put in place by the Council to mitigate the risk, and plan our work accordingly. Our initial risk assessment for value for money audit work is shown in at Table 2 overleaf

Table 2: Risk Based Use of Resources work

Risk	Planned work	Timing of work
<p>The Council is facing a difficult financial outlook. There are financial risks across the Council's demand-led services and income streams.</p> <p>The Council will also need to deal with emerging risks about the financial performance of its significant contractors and private sector partners in the light of the economic downturn.</p>	<p>Recognising the Council has a stable financial position, we will comment on the Council's arrangements for managing the challenging financial environment.</p>	<p>Ongoing. Outcome to be reported to management and the Audit Committee as appropriate.</p>
<p>The Council's risk management arrangements need to embed.</p>	<p>We will review the Council's progress in undertaking our use of resources assessment.</p>	<p>June 2009</p>

- 1.11 We are currently reviewing statistical data relating to health inequalities in East Sussex. Should this indicate any significant risk in relation to East Sussex Councils' use of resources in addressing health inequalities, we will produce a project specification for a cross-cutting review, together with any fee implications, for discussion with you.

Reporting

- 1.12 We will issue a number of reports relating to our work over the course of the audit. These are listed at Appendix 1.
- 1.13 The key members of the audit team for the 2009/10 audit are:
- Robert Grant Partner 0207 065 0207
 - Colin Owen Manager 0207 065 0432
- 1.14 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 Robert Grant in the first instance. Alternatively you may wish to contact the Martin Goodchild, Managing Partner, (martin.goodchild@uk.pkf.com).

Appendix 1: 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	September 2009
Annual governance report	30 September 2010
Auditor's report giving the opinion on the financial statements and value for money conclusion	30 June 2010
Use of resources report	30 September 2009
Final accounts memorandum (should this be required)	31 October 2010
Annual audit letter	TBA by Audit Commission
Risk based value for money reviews	TBA