

Our Ref PRW/NHT

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Dear Scott

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 Stevenage 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 2010/11; and
- reflects only the audit 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 £148,137 (exclusive of VAT) which compares to the planned fee of £136,400 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	105,587	93,850
Use of Resources/VFM Conclusion [including risk based work]	40,000	40,000
Whole of Government Accounts	2,550	2,550
Total audit fee	148,137	136,400
Certification of claims and returns	tbc	tbc

Chartered Accountants

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The Audit Commission has published its work programme and scales of fees 2010/11. The scale fee for Stevenage Borough Council is £148,137, the proposed fee for 2010/11.

From 2010/11, the Council is required to prepare its accounts in accordance with International Financial Reporting Standards (IFRS). The transition to IFRS will increase auditors' work, particularly in year one where a restatement of the previous year's accounts to the new basis will be required to provide prior year comparatives. The Audit Commission has increased the scale fees for local authorities by six per cent to reflect the costs of this additional work, this is reflected in the indicative fee state above.

Using our IFRS experts where appropriate, we will continue to help the Council to prepare for introduction of IFRS, through awareness raising sessions for officers and members and constructive challenge on the Council's plans and progress. The first such session is set for March 2010. This support is included within the financial statements audit fee. Specialist colleagues from Grant Thornton's Financial Reporting Advisory Group, can also be commissioned for more detailed technical support, should the Council require it.

A separate plan for the audit of the financial statements will be issued in December 2010. This will detail the risks identified, planned audit procedures and any changes in fee. 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 Strategic Director and then prepare a report outlining the reasons why the fee needs to change for discussion with the audit committee.

Grant certification work will be charged at published hourly rates based on the actual time input.

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

- Managing finances
- Governing the business
- 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. At the current time, we have not identified any significant risks in relation to the value for money conclusion for 2010/11. This will be reviewed on conclusion of the 2009/10 Use of Resources assessment. If we consider that there are significant issues which require additional work to be completed, we will discuss these with the Council at that time.

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 Audit 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:

Engagement Lead -Paul Winrow 0207 728 2269 paul.winrow@gtuk.com

Audit Manager – Nick Taylor

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Audit Executive – Natalie Sharp

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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 the engagement lead in the first instance. Alternatively you may wish to contact the Head of Government Audit at Grant Thornton UK LLP, Sarah Howard at sarah.howard@gtuk.com.

Yours sincerely



Paul Winrow

Engagement Lead

Grant Thornton UK LLP

cc Chair of the Audit Committee

A Planned Outputs

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

Table One

Planned output	Indicative date
Detailed Accounts Audit plan	December 2010
Audit strategy document	June 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
Annual audit letter	November 2011