

Our Ref PW/JC/S05450257/AJ

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Dear Peter

### **Annual audit fee 2009/10**

Further to our discussions, we are writing to confirm the audit work that we propose to undertake for the 2009/10 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 2009/10; 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 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.

The total indicative fee for the audit for 2009/10 is for £136,400 (exclusive of VAT) which compares to the planned fee of £134,700 for 2008/09. A summary of this is shown in the table below.

### **Audit fee**

<b>Audit area</b>	<b>Planned fee 2009/10</b>	<b>Planned fee 2008/09</b>
Financial statements / Value for money conclusion	93,850	92,900
Use of Resources judgements	40,000	39,300
Whole of Government Accounts	2,550	2,500
<b>Total audit fee</b>	<b>136,400</b>	<b>134,700</b>
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 2009/10. The scale fee for Stevenage Borough Council is £135,421. The fee proposed for 2009/10 is 1 per cent above the scale fee.

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 2008/09. A separate plan for the audit of the financial statements will be issued in March 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.

The fee will be billed in equal quarterly instalments starting in June 2009.

The fee for grant certification work is based on actual time input and will be charged at published hourly rates.

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 2009/10. Our work on use of resources informs our 2009/10 value for money conclusion. However, we have identified a number of significant risks in relation to my value for money conclusion. 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 the table below:

<b>Risk</b>	<b>Planned work</b>	<b>Timing of work</b>
<p>The change in the economic climate brings a financial risk to the medium term finances of the Council in a number of ways.</p> <p>Reduction in capital receipts could lead to a deferral in the capital programme, leading to an increased risk of the Council not meeting key objectives.</p> <p>Reductions in investment income has meant that more efficiency savings need to be found to balance the General Fund budget.</p>	<p>All of these factors are to be considered in the Use of Resources scored judgements.</p>	<p>November 2009 to May 2010.</p>

<b>Risk</b>	<b>Planned work</b>	<b>Timing of work</b>
<p>Increased risk of customer defaults in an economic downturn could have cash flow implications for the Council.</p> <p>The valuation of the Pension Fund liability may be affected by the economic downturn which will increase the risk of future employer contributions to the scheme increasing.</p>	All of these factors are to be considered in the Use of Resources scored judgements.	November 2009 to May 2010.
Housing services are being re-inspected in February 2009. There is an audit risk that additional funding to improve the housing stock is not obtained and therefore improvements in the housing service are not made.	The results of the Audit Commission re-inspection are to be considered within our Use of Resources audit work.	November 2009 to May 2010.
Change in benefits system is expected in 2009/10. There is an audit risk that there is disruption to the benefits service whilst the system is being changed which could impact on service delivery and quality of data generated from the benefits system.	We would look to rely on any work completed by internal audit on the change over process. The outcomes of this are to be considered in our Use of Resources audit work and data quality spot check work.	November 2009 to May 2010.  September 2010 for spot check work.
The Council are in the middle of regenerating the town centre. The audit risk is that the project is not managed effectively leading to poor value for money being achieved.	We are following up recommendations arising from the Audit Commission review of the regeneration project as part of our 2008/09 audit. We will keep this under review.	Ongoing.

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 2009/10 are:

Engagement Lead - Paul Winrow  
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Audit Manager – Justin Collings  
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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, Richard Tremeer on richard.tremeer@gtuk.com.

Yours sincerely

Grant Thornton UK LLP

cc Director of Finance

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**

<b>Planned output</b>	<b>Indicative date</b>
Audit plan	March 2010
Audit strategy document	June 2010
Annual governance 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	November 2010