

20 April 2010

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Dear Kieran

Annual Audit and Inspection Fee 2010/11

I am writing to confirm the audit work that we propose to undertake for the 2010/11 financial year at the Merseyside Fire and Rescue Service. 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. It also includes details of inspection and assessment work to be carried out in the year.

As I have not yet completed my 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.

Audit fee

The total indicative fee for the audit for 2010/11 is for £78,320 (excluding VAT), which compares to the planned fee of £73,330 for 2009/10. A summary of the fee is shown in the table below.

Audit area	Planned fee 2010/11	Planned fee 2009/10
Financial statements	£48,818	£45,130
VFM Conclusion and Use of Resources	£26,940	£26,940
WGA	£2,562	£1,260
Total audit fee	£78,320	£73,330

The Audit Commission has published its work programme and scales of fees 2010/11. The Audit Commission scale fee for Merseyside Fire and Rescue Service is £80,450. The audit fee proposed for 2010/11 is 2.65 per cent below the scale fee (6.2 per cent below in 2009/10) and is within the normal level of variation specified by the Commission.

The published fee scale for 2010/11 included a 6% increase to cover the costs of additional audit work arising from the introduction of International Reporting Standards. In July 2009, in recognition of the financial pressures that public bodies are facing in the current economic climate, the Commission confirmed that it would subsidise the 'one-off' element of the cost of transition to International Financial Reporting Standards (IFRS) for local authorities and police and fire and rescue authorities from 2010/11. You will therefore receive a refund from the Audit Commission of 6% of the scale fee in Summer 2010.

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 2009/10. A separate plan for the audit of the financial statements will be issued in February 2011. 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 the Executive Director of Resources and then prepare a report outlining the reasons why the fee needs to change for discussion with the Performance and Audit Committee.

My 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. My work on use of resources informs my 2010/11 value for money conclusion. However, at this stage I have not identified any significant risks in relation to my value for money conclusion.

Audit outputs

I will issue a number of reports relating to my work over the course of the audit. These are listed at Appendix 1.

Advice and assistance work

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.

Assessment and Inspection

We will give an overall assessment of the organisation in October. The organisational assessment will comprise the managing performance assessment and the use of resources assessment. The managing performance theme of organisational assessment is fully grant funded from CLG

At the time of writing, no risk based inspections have been identified for this Fire and Rescue Authority. However, that position may change during the course of the year if significant risks are identified through the ongoing assessment process.

Audit and Assessment Team

The key members of the audit and inspection team for the 2010/11 are:

Engagement Lead	- Robin Baker	0844 798 3574
CAA Lead Merseyside	- Peter Forrester	0844 798 3567
Audit Manager	- Paul Basnett	0844 798 4813
Team Leader	- Tom Williamson	0844 798 4843

I am 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 the Northern Region Head of Operations, N Operations n-operations@audit-commission.gov.uk.

Yours sincerely

Robin Baker
Engagement Lead

Appendix 1 – Planned Outputs

We will discuss and agree our reports with officers before formally issuing them to the Authority

Table 1

Planned output	Indicative date
Opinion Audit plan	February 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