

20 April 2010

Mr Gareth Daniel
Chief Executive
London Borough of Brent
Brent Town Hall
Forty Lane
Wembley
Middlesex
HA9 9HD

Direct line 0844 798 5784
Email a-white@audit-commission.gov.uk

Dear Gareth

Annual audit fee 2010/11

Further to our discussions, I am writing to confirm the audit work that we propose to undertake for the 2010/11 financial year at London Borough of Brent. 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 Audit Commission Comprehensive Area Assessment Lead will be writing to you separately on inspection fees.

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.

The total indicative fee for the audit for 2010/11 is for £488,000, which compares to the planned fee of £470,000 for 2009/10. A summary of this is shown in the table below.

Audit fee

Audit area	Planned fee 2010/11 £	Actual fee 2009/10* £
Financial statements	315,500	293,000
Use of Resources/VFM Conclusion [including risk based work]	159,000	164,000
WGA	13,500	13,000
Total audit fee	488,000	470,000
Certification of claims and returns	95,000	95,000

* = The actual fee for 2009/10 is based on the 2009/10 planned fee including subsequent changes

The Audit Commission has published its work programme and scales of fees 2010/11. The scale fee for London Borough of Brent is £451,600. The fee proposed for 2010/11 is 8 per cent above the scale fee and is within the normal level of variation specified by the Commission. The variation to scale fee is largely due to the Council's highly devolved financial systems.

The increase in fee for the financial statements element of the audit reflects the costs of additional audit work arising from the introduction of International Financial Reporting Standards. Changes in international auditing standards will increase the audit procedures I need to carry out, however the Audit Commission will absorb the cost of the additional requirements within the fee.

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 opinion 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. 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 Director of Finance and then prepare a report outlining the reasons why the fee needs to change for discussion with the 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, I have identified a number of significant risks in relation to my value for money conclusion. For each risk, I consider the arrangements put in place by the Council to mitigate the risk, and plan my work accordingly.

My initial risk assessment is shown in the table below:

Risk	Planned work	Timing of work
<p>Improvement and Efficiency Programme</p> <p>The Council will be in year 2 of delivering individual projects, which constitute the Efficiency programme. This is pivotal to the Council's success in dealing with pressures on public sector finance while delivering a good service to its local population.</p>	<p>We will review the arrangements in place to ensure delivery and governance of the Efficiency programme. This will include a review of the progress made by the new programme management office.</p>	<p>April 2010 – March 2011</p>
<p>Building Schools for the Future (BSF)</p> <p>The Council aims to obtain significant funding (up to £85 million for the first tranche) from the Building Schools for the Future programme. This funding is critical to the long term achievement of the Council's vision for education.</p>	<p>We will review the arrangements in place to ensure the delivery, governance and value for money to be achieved through the BSF scheme.</p>	<p>Sept 2010 – March 2011</p>
<p>Economic downturn</p> <p>The economic downturn presents a risk to all local authorities. The impact is likely to include reductions in capital receipts, reductions in income from fees, and increased costs for some services such as housing benefits. Alongside reduced government funding, there is a risk to financial standing.</p>	<p>We will monitor the impact of the economic downturn on Council finances and take account of the Council's responses to the economic downturn in reaching our conclusions on use of resources.</p>	<p>January 2011 – July 2011</p>

<p>International Financial Reporting Standards</p> <p>The move to International Financial Reporting Standards presents risks to financial reporting, both in terms of managing the transition and the potential impact on budgets and capital financing.</p>	<p>We will continue with regular liaison with the finance team to support the Council with this change, and perform early testing where agreed.</p>	<p>April 2010 – September 2011</p>
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I will issue separate project specifications for the reviews before beginning the work.

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

The above fee excludes any work 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:

Senior Audit Manager – Paul Viljoen 0844 798 2688

Audit Manager – Gary Mcleod 0844 798 5773

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 London Region Head of Operations, Les Kidner at l-kidner@audit-commission.gov.uk.

Yours sincerely

Andrea White
District Auditor

cc Duncan McLeod - Director of Finance
 Councillor Cummins - Chair of the Audit Committee

Appendix 1: Planned outputs

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

Table 1

Planned output	Indicative date
Opinion Audit plan	March 2010
Interim audit memorandum	May 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	October 2011
Final accounts memorandum (to the Director of Finance)	October 2011
Annual audit letter	November 2011
Grants report	January 2012
Project reports	
Efficiency Programme	March 2012 - report
Building schools for the future	March 2012 - report