

23 April 2009

Mr Alex Bailey  
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— Dear Alex

### Annual audit fee 2009/10

Further to our discussions and those that Grahame Brown had with Richard Szadziwski, I am writing to confirm the audit work that we propose to undertake for the 2009/10 financial year at the 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. Sandra Prail as the Council's Comprehensive Area Assessment Lead will write to you separately on inspection fees.

I do need to make you aware that the audit planning process for 2009/10 will be subject to review and updated as necessary as I have not yet completed my audit for 2008/09.

The total indicative fee for the audit for 2009/10 is for £367,895 (exclusive of VAT) which compares to the planned fee of £323,468 for 2008/09. A summary of the different elements of the fee and a comparison to 2008/09 is shown below.

<b>Audit area</b>	<b>Planned fee 2009/10</b>	<b>Planned fee 2008/09</b>
Financial statements	196,585	187,925
Use of Resources/VFM Conclusion (including risk based work)	167,640	132,040
WGA	3,670	3,503
<b>Total audit fee</b>	<b>367,895</b>	<b>323,468</b>
Claims and returns certification (estimate)	60,000	80,000

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The Commission has published its work programme and scales of fees 2009/10. Based on this the Council's scale fee is £367,895 and this is the fee proposed for 2009/10.

In setting the fee at this time I have assumed that the general level of risk in relation to our work on the financial statements is not significantly different from that expected in 2008/09. A specific plan for this will be sent to the Council in December 2009 which will detail the financial statements risks identified, our planned audit procedures and any changes in fee for this element of our audit.

The fee for grant certification work is an estimate and will be charged at the rates published by the Commission.

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 & Resources and then prepare a report explaining the reasons for discussion with the Audit Committee.

One key element of my use of resources work will be undertaken using the Commission's key lines of enquiry for the three themes below:

- managing finances;
- governing the business; and
- managing resources.

Further details can be found in the Commission's work programme and scales of fees 2009/10.

My work on use of resources informs my 2009/10 value for money conclusion. My planning for the 2009/10 audit has also identified a small number of significant risks relating to the value for money conclusion.

For each of these risks, I have considered the Council's arrangements to mitigate the risk and set out the work planned and timings below.

Risk	Planned work	Timing of work
<p>The Council is to let a long-term contract for capital works and the repairs and maintenance of its housing stock in early 2009/10. Significant savings are expected through this approach. In order to achieve these, the contract must be soundly based and contract management arrangements effective.</p> <p>Key contact :Joy Hollister</p>	<p>We will review the contract arrangements to establish the reasonableness of the savings proposed, how the savings expected are reflected in the longer-term financial plans for the housing revenue account and the effectiveness of the proposed management of the contracts.</p>	<p>November 2009 – January 2010</p>

Risk	Planned work	Timing of work
<p>The Council's proposed participation in a company that will manage about 500 of its housing units as a means of improving their condition is innovative. However, it requires appropriate arrangements to be established to safeguard the Council's assets and to ensure the company achieves the improvements required.</p> <p>Key contacts :Joy Hollister and Richard Szadziewski/Catherine Vaughan</p>	<p>We will review the Council's arrangements at key stages and comment as necessary.</p>	<p>June 2009 to March 2010</p>
<p>The economic climate has impacted on the finances of local authorities including increased demand for some services, reduction in income from charges (such as car parking) raised and increased levels of debtors. This places the Council's financial health at risk.</p> <p>Key contact: Richard Szadziewski / Catherine Vaughan</p>	<p>We will monitor the Council's financial performance to see how well it is managing the impact of the current economic climate and assess the impact on its overall financial health.</p>	<p>June 2009 to March 2010</p>
<p>The waste management PFI (in partnership with a neighbouring local authority) is a high profile arrangement and the operation of effective management of the contract with the service provider is essential. Failure to operate effective contract management could be costly to the Council.</p> <p>Key contact: Jenny Rowlands</p>	<p>We will undertake a high level overview of the Council's approach in order to ensure the arrangements in place ensure that the Council achieves value for money. This builds on our work at previous audits.</p>	<p>June 2009 to March 2010</p>

Risk	Planned work	Timing of work
<p>Participation in the Building Schools for the Future programme is technically demanding and requires effective project management at all stages from the application phase to completion. The Council will invest a significant amount of money in reaching the application phase and there is a risk that application might not be accepted.</p> <p>Key contact: Di Smith and Richard Szadziewski / Catherine Vaughan</p>	<p>We will undertake a high level overview of the Council's approach in order to ensure the arrangements in place ensure that the Council achieves value for money.</p>	<p>June 2009 to March 2010</p>

Project specifications for each piece of work will be issued for discussion with officers before work is started.

I will issue a number of reports relating to my work over the course of the audit. These are listed at Appendix 1. Where we are undertaking monitoring reviews, updates will be given as part of our progress reports to the Audit Committee in year.

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.

The key members of the audit team for the 2009/10 are:

Audit Manager – Simon Mathers 0844 798 1776

Team Leader – Jeremy Jacobs 0844 798 6121

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 Neil Childs, Head of Operations, Southern Region who can be contacted at the following e-mail address [n-childs@audit-commission.gov.uk](mailto:n-childs@audit-commission.gov.uk).

Yours sincerely

Helen Thompson  
District Auditor

cc Richard Szadziewski, Acting Director of Finance & Resources  
cc Councillor Les Hamilton, 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. We will also provide regular progress reports to the Audit Committee.

<b>Planned output</b>	<b>Indicative date</b>
Housing repairs and maintenance long-term contract review	February 2010
Annual governance report (to include updates on those work areas which are not reported separately)	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
Final accounts report	October 2010
Annual audit letter	November 2010

