

Our reference HA00511A

13 April 2010

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 Chief Executive
 London Borough of Hammersmith & Fulham
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— Dear Geoff

Annual audit fee 2010/11

Further to our ongoing discussions, I am writing to confirm the audit work that we propose to undertake for the 2010/11 financial year at the London Borough of Hammersmith & Fulham. 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 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 these 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 £400,000, which compares to the planned fee of £419,000 for 2009/10. A summary of this is shown in the table below.

Audit area	Planned fee 2010/11	Planned fee 2009/10
Financial statements	328,000	328,500
Use of resources / VFM conclusion	67,000	85,500
Whole of Government Accounts	5,000	5,000
Total audit fee	400,000	419,000

IFRS rebate	(24,223)	
Certification of claims and returns (estimate)	110,000	120,000

The Audit Commission has published its work programme and scales of fees 2010/11. The Audit Commission scale fee for London Borough of Hammersmith & Fulham is £362,400. The fee proposed for 2010/11 is +10 per cent compared to the scale fee.

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 £24,223 in April 2010.

Changes in international auditing standards will increase the audit procedures I need to carry out. However the Audit Commission will absorb the cost of these additional requirements within the fee.

In setting the fee, 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 for the financial statements will be issued in January 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 this plan, 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 for value for money audit work is shown in the table below:

Risk	Planned work	Timing of work
The move to International Financial Reporting Standards presents risks to	We will continue with regular liaison with the finance team to support the Council with	Ongoing throughout the year

financial reporting, both in terms of managing the transition and the potential impact on budgets and capital financing.	this change, and perform early testing where agreed.	
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.	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.	Ongoing throughout the year
The Council has sought to integrate with the PCT including joint senior management positions. Robust governance arrangements will be critical to making the arrangement a success.	We will consider the results of work being conducted as part of the 2009/10 audit plan, and consider whether follow up work is required.	To be determined
The Council aims to obtain significant funding (up to £175 million) from the Building Schools for the Future programme. This funding is critical to achievement of the Council's vision.	We will keep a watching brief on the programme, and consider any impact on our use of resources conclusions.	Ongoing throughout the year

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 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:

Audit Manager – Julian McGowan: 07813 850643

Team Leader – Grace Kua: 0208 753 2182

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 Head of Operations, Les Kidner (les.kidner@audit-commission.gov.uk).

Yours sincerely

Jon Hayes
District Auditor

cc Jane West, Director of Finance and Corporate Services

Appendix 1: Planned Outputs

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

Planned output	Indicative date
Opinion audit plan	January 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
Final accounts memorandum	October 2011
Annual audit letter	November 2011