



Andrew Blake-Herbert
London Borough of Havering
Town Hall
Main Road
Romford
RM1 3BB

19 April 2011

Dear Andrew

Annual Audit Fee 2011/12

We are writing to confirm the audit work that we propose to undertake for the 2011/12 financial year at the London Borough of Havering. 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 2011/12.

As we have not yet completed our audit for 2010/11, the audit planning process for 2011/12, 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 2011/12 is for £333,099 (excluding VAT) which compares to the planned fee of £370,110 for 2010/11. We propose to hold the fee for the Pension Fund at £35,000 - the scale fee - for the third successive year. A summary of this is shown in the table below.

Audit area	Planned fee 2011/12 £	Planned fee 2010/11 £
Financial statements, value for money conclusion and Whole of Government Accounts	333,099	370,110
Pension fund audit	35,000	35,000
Certification of claims and returns	78,000	78,000
Total audit fee	446,099	483,110

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The Audit Commission has published its work programme and scales of fees 2011/12¹. The Audit Commission scale fee for the London Borough of Havering is £333,009. The fee proposed for 2011/12 matches 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 for 2010/11. A separate plan for the audit of the financial statements will be issued in November 2011. 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 you and then prepare a report outlining the reasons why the fee needs to change for discussion with the audit committee.

It may be possible to reduce the audit fee further by addressing the issues we noted in the ISA260 report in the 2009/10 audit. We will also review the fee after the audit of the 2010/11 financial statements is completed.

We are required by the Code of Audit Practice to meet the requirements of the International Standards on auditing (UK and Ireland) revised, (clarity ISAs(UK&I)) as well undertake sufficient work to provide a conclusion on value for money. The audit fee is therefore based on the amount of work we are required to do to meet these standards. However, as indicated above, the audit fee is adjusted depending on the risk in relation to each specific audit. Whilst some risks are generic to all local authorities, others are specific to each audited body.

Failure to meet agreed timetables and/or the provision of poor documentation could mean that additional audit work is necessary, or our audit is delayed. In this case, we may charge additional fees to cover the costs incurred.

Value for money conclusion

Our value for money conclusion will be based on our assessment of the two criteria:

- The organisation has proper arrangements in place for securing financial resilience; and
- The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

Value for money work

We will apply a light touch approach to our Value for Money work at the authority. This will be based primarily on a review of the annual governance statement. We will conclude whether there are any matters arising from this work that we need to report, and will include these in the audit report at the end of the audit.

¹ <http://www.audit-commission.gov.uk/SiteCollectionDocuments/Downloads/wpsoflocalgovt201112.pdf>



Certification of claims and returns

The quoted fee for grant certification work is an estimate only and will be charged at published daily rates. In 2011/12, the de minimis threshold below which we are not required to certify individual claims and returns will be £125,000, and the intermediate threshold below which are required to undertake only a light touch review will be £500,000. Above this threshold, certification work will be risk-based, taking account of the authority's overall control environment. We are required to report annually to those charged with governance on the results of certification work.

Other matters

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

The key members of the audit team for the 2011/12 are:

Engagement Leader – Julian Rickett 01603 883321 julian.c.rickett@uk.pwc.com

Engagement Director – Ciaran McLaughlin 020 7213 5253, ciaran.t.mclaughlin@uk.pwc.com

Audit Manager – Chris Hughes 020 7804 3392, chris.hughes@uk.pwc.com

Team Leader – Jessica Fogarty 07894 443379, jessica.fogarty@uk.pwc.com

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 me in the first instance. Alternatively, you may prefer to discuss matters with Paul Woolston, our Audit Commission Lead Partner at our office at 89 Sandyford Road, Newcastle Upon Tyne, NE1 8HW, or Richard Sexton, UK Head of Assurance, at our office at 1 Embankment Place, London, WC2N 6NN. In this way we can ensure that your concerns are dealt with carefully and promptly. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. This will not affect your right to complain to the Institute of Chartered Accountants in England and Wales or to the Audit Commission.

Yours sincerely

Julian Rickett



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
Audit plan	November 2011
Annual certification report (relating to claims and returns certified in the previous year)	February 2012
Internal Control Issues and recommendations for improvement	May 2012
ISA (UK&I) 260 report to those charged with governance	September 2012
Auditor's report giving the opinion on the financial statements and value for money conclusion	September 2012
Annual Audit letter	November 2012