

21 April 2009

Mr P Sloman  
Chief Executive  
Oxford City Council  
Town Hall  
St Aldate's  
Oxford OX1 1BX

**Direct line** 0844 798 8952

Dear Peter

### Annual audit fee 2009/10

Further to our discussions with Penny Gardner and Sarah Fogden, I am writing to confirm the audit work that we propose to undertake for the 2009/10 financial year at Oxford City 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. Your Comprehensive Area Assessment Lead, Robert Hathaway, will be writing to you separately on inspection fees.

As I have not yet completed my audit for 2008/09 the audit planning process for 2009/10, 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 2009/10 is for £213,000 (exclusive of VAT) which compares to the planned fee of £221,487 for 2008/09. A summary of this is shown in the table below.

#### Audit fee

<b>Audit area</b>	<b>Planned fee 2009/10</b>	<b>Planned fee 2008/09</b>
Planning, reporting and co-ordination	72,600	71,120
Financial statements	77,800	76,097
Use of Resources/VFM Conclusion	59,100	71,331
Whole of Government Accounts (WGA)	3,500	2,939
<b>Total audit fee</b>	<b>213,000</b>	<b>221,487</b>
Certification of claims and returns	64,250	64,700

The Audit Commission has published its work programme and scales of fees 2009/10. The scale fee for Oxford City Council is £167,000. The fee proposed for 2009/10 is 27.6 per cent above the scale 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 2008/09. Our fee plan assumes that the recommended improvements to the accounts process and in particular the cash flow reconciliation are achieved in 2008/09 and that we will have a smooth process in 2009/10. A separate plan for the audit of the financial statements will be issued in December 2009. This will detail the risks identified, planned audit procedures and any changes in fee. The quoted fee for grant certification work is an estimate only and will be charged at published daily rates. 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 Heads of Finance and then prepare a report outlining the reasons why the fee needs to change for discussion with the audit and governance 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 2009/10. My work on use of resources informs my 2009/10 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:

<b>Risk</b>	<b>Planned work</b>	<b>Timing of work</b>
Council has a large asset base. There is likely to be a significant impact on values as a result of the economic downturn.	We will undertake a review of the Council's asset management including a follow-up of the recommendations in our 2007/08 report.	To be determined
The Council's costs remain high despite having reduced its costs in recent years by 25 per cent (£7.1 million) over 2 years, without detriment to services.	Our work on Use of Resources and Managing performance will enable us to continue to monitor the position.	November 2009
Recommendations from previous value for money studies and inspections are not fully implemented and benefits secured.	We will review progress in implementing previous value for money studies and inspections.	December 2009

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 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 – John Bull 0844 798 8954

Team Leader – Hannah Ormston 0844 798 8963

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 South East Head of Operations ([n-childs@audit-commission.gov.uk](mailto:n-childs@audit-commission.gov.uk)).

Yours sincerely

Maria Grindley  
District Auditor

cc Heads of Finance  
Chair of the Audit and Governance Committee

## Appendix 1: Planned outputs

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

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**Table 1**

<b>Planned output</b>	<b>Indicative date</b>
Audit plan	December 2009
Annual governance report	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 memorandum (to the Heads of Finance)	October 2010
Annual audit letter	November 2010
Asset mangement review	To be decided