

April 2009

Mr D Smith
 Chief Executive
 Sunderland City Council
 Civic Centre
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 Sunderland
 SR2 7DN

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Dear Mr Smith

Audit fees 2009/10 and 2008/9

I am writing to confirm the audit work that we propose to undertake for the 2009/10 financial year at Sunderland 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 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. Fees will be reviewed and updated as necessary.

The total indicative fee for the audit for 2009/10 is for £313,700 (exclusive of VAT) which compares to the planned fee of £304,100 for 2008/09. A summary of this is shown in the table below.

Audit fee

Audit area	Planned fee 2009/10	Planned fee 2008/09
Financial statements	209,506	205,530
Use of Resources/VFM Conclusion [including risk based work]	101,944	96,320
WGA	2,250	2,250
Total audit fee	£313,700	£304,100
Certification of claims and returns	40,250	38,000

The Audit Commission has published its work programme and scales of fees 2009/10. The scale fee for Sunderland City Council is £330,240. The fee proposed for 2009/10 is 5 per cent below this 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. A separate plan for the audit of the financial statements will be produced in due course and 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 City Treasurer 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. For each key line of enquiry (KLOE) I identify the significant audit risks, consider the arrangements put in place by the Council to mitigate this risk, and then plan my work accordingly.

The key risk identified at this stage relates to KLOE 3.3, workforce management. This is a new assessment area for 2009/10, not previously subject to audit. Therefore in advance of making my final judgements I will review the Council's arrangements for strategic workforce planning and HR management, including links between staff management and performance management processes.

I will issue a number of reports relating to my work over the course of the audit. These are listed at Appendix 1. I will also issue a separate project specification for the workforce planning review before beginning the work

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.

Audit fee 2008/9

Audit fees previously agreed for 2008/09 are set out above. These have been reconsidered in the light of the expanded methodology for Use of Resources, and new and emerging risks identified both locally and nationally.

At this stage we are satisfied that fees previously agreed remain appropriate. However as previously discussed with you, audit resources within the total fee have been reallocated to undertake a review of asset management in the light of issues identified last year.

Audit team

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

Lynn Hunt – Audit Manager 0191 561 1919

Ian Rutter - Team Leader 0191 561 1918

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 Regional Head of Operations, (d-allsopp@audit-commission.gov.uk).

Yours sincerely

Steve Nicklin, District Auditor

cc K Beardmore, City Treasurer

cc Mr J Cooke, 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.

Table 1

Planned output	Indicative date
Audit plan	March 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	October 2010
Final accounts memorandum (if required)	October 2010
Annual audit letter	November 2010
Workforce planning review	February 2010