

April 2009

Mr I Bathgate
Chief Fire Officer
Tyne and Wear FRA
Brigade Headquarters
Barmston Mere
Washington
Tyne and Wear

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— Dear Mr Bathgate

Annual audit fee 2009/10 and 2008/09

Further to our discussions, I am writing to confirm the audit work that we propose to undertake for the 2009/10 financial year at Tyne and Wear Fire and Rescue Authority (FRA). 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 and fees will be reviewed and updated as necessary.

The total indicative fee for the audit for 2009/10 is for £74,200 (exclusive of VAT) which compares to the planned fee of £74,200 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	36,500	36,500
Use of Resources/VFM Conclusion (including risk based work)	37,200	37,200
WGA	500	500
Total audit fee	74,200	74,200
Certification of claims and returns	0	0

The Audit Commission has published its work programme and scales of fees 2009/10. The scale fee for Tyne and Wear FRA is £73,164. The fee proposed for 2009/10 is 1.4 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. 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 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 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. The key risk identified relates to sustainability and energy management, where we will be required to form a judgement in this area for the first time in 2009/10. We will assess the Authority's approach to these areas, and discuss our assessment with senior officers in advance of forming final judgements

My initial risk assessment for value for money audit work is shown in the table below:

Risk	Planned work	Timing of work
Regional Control Centre – new governance arrangements, legality risks and financial implications	We will undertake a joint review across the 3 north east FRAS audited by us, to track the Council's progress in managing the associated risks, and comment as appropriate.	April 2009 – March 2010
Sustainability and energy management – we will be required to form a judgement in this area for the first time in 2009/10.	We will undertake a review in advance of making formal judgements	December 2009 - February 2010

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.

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;
- mandatory requirements for data quality work; and
- new and emerging risks identified both locally and nationally.

Key risk areas for 2008/9 have been identified as follows:

Risk	Planned work	Timing of work
Regional Control Centre – new governance arrangements, legality risks and financial implications	We will undertake a joint review across the 3 north east FRAS audited by us, to track their progress in managing the associated risks, and comment as appropriate.	April – June 2009
The recent Audit Commission report “Rising to the Challenge” poses a number of significant challenges for fire authorities	We will assess the FRAs response to this report, bearing in mind its current performance on costs and fire service PIs.	March - May 2009
Workforce planning – we will be required to make a judgement in this area for the first time in 2008/9	We will review workforce planning with particular reference to staff training and development, crewing levels and succession planning	March - May 2009

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

Chris Clancy – Team Leader 0191 561 1917

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 North East Head of Operations, (d-allisopp@audit-commission.gov.uk).

Yours sincerely

Steve Nicklin
District Auditor

cc Mr K Beardmore, Director of Finance

cc MR G Cooke, 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.

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	September 2010
Final accounts memorandum (to the Director of Finance – if required)	October 2010
Annual audit letter	December 2010