



15 April 2011

Phil Halsall
Chief Executive
Lancashire County Council
County Hall
PO Box 78
Preston
PR1 8XJ

Direct line 0844 798 7038

— Dear Phil

Annual Audit Fee 2011/12 - Lancashire County Council

I am writing to confirm the audit work that we propose to undertake for the 2011/12 financial year at Lancashire County Council. The fee reflects the risk-based approach to audit planning set out in the Code of Audit Practice and work mandated by the Commission for 2011/12. The audit fee covers the:

- The audit of financial statements
- Value for money conclusion
- Whole of Government accounts.

As I have not yet completed my audit for 2010/11 the audit planning process for 2011/12, including the risk assessment, will continue as the year progresses.

Audit fee

The Audit Commission has set the scale fee for each audited body for 2011/12, rather than providing a scale fee with fixed and variable elements. The scale fee reflects proposed decreases in the total audit fee, as follows:

- no inflationary increase in 2011/12 for audit scales of fees or the hourly rates for certifying claims and returns;
- a cut in scale fees resulting from our new approach to local VFM audit work; and
- a cut in scale audit fees of 3 per cent for local authorities, police and fire and rescue authorities, reflecting lower continuing audit costs after implementing IFRS.

The scale fee for Lancashire County Council is £251,100. The scale fee is based on the planned 2010/11 fee, adjusted for the proposals summarised above, shown in the table below. Variations from the scale fee will only occur where my assessments of audit risk and complexity are significantly different from those identified and reflected in the 2010/11 fee.

Audit Area	2011/12	2010/11
Scale Fee	£251,100	£338,150
Planned Audit Fee	£251,100	£279,000
Less Rebates	See Note Below	(£32,331)
Net Cost	£251,100 (See Note Below)	£246,669
Certification of Claims and Returns (Estimated)	£20,000	£20,000

Note: The Audit Commission has agreed, subject to affordability, to make additional rebates of up to 8% of the scale fee in 2011/12. The Commission will notify audited bodies of the amount due to them in Summer 2011.

I will issue a separate audit plan in December 2011. This will detail the risks identified to both the financial statements audit and the vfm conclusion. The audit plan will set out the audit procedures I plan to undertake and any changes in fee. If I need to make any significant amendments to the audit fee, I will first discuss this with the County Treasurer. I will then prepare a report outlining the reasons the fee needs to change for discussion with the audit committee.

My approach to work to support the vfm conclusion in 2011/12 will be risk-based, in accordance with criteria identified by the Audit Commission and will be determined following the conclusion of 2010/11 vfm conclusion work.

I will issue several reports over the course of the audit. I have listed these at Appendix 1.

The fee excludes work the Commission may agree to undertake using its advice and assistance powers. We will negotiate each piece of work separately and agree a detailed project specification.

I will charge fees for considering objections, from the point at which I accept an objection as valid, or any special investigations, such as those arising from disclosures made under the Public Interest Disclosure Act, as a variation from the scale fee.

Audit team

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

Name	Contact details	Responsibilities
Clive Portman District Auditor	c-portman@audit-commission.gov.uk 0844 798 7038	Clive is responsible for the overall delivery of the audit including the quality of outputs, liaison with the Chief Executive, County Treasurer and Chair of the Audit Committee and issuing the auditor's report.
Fiona Blatcher Engagement Manager	f-blatcher@audit-commission.gov.uk 0844 798 7056	Fiona manages and coordinates the different elements of the audit work. Key point of contact for the County Treasurer.
Colin Smith Team Leader	c-smith@audit-commission.gov.uk 0844 798 1977	Colin has significant experience of auditing the financial statements of local authorities. He will lead the on-site team in delivering the audit.

Your audit team will:

- be readily accessible and responsive to your needs, but independent and challenging to deliver a rigorous audit;
- understand national developments and have a good knowledge of local circumstances; and
- communicate relevant information to you in a prompt, clear and concise manner.

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. Alternatively you may wish to contact Chris Westwood, Director of Professional Practice, Audit Practice, Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ (c-westwood@audit-commission.gov.uk)

Yours sincerely

Clive Portman
District Auditor

Cc: Gill Kilpatrick - County Treasurer

Appendix 1- Planned outputs

We will discuss and agree our reports with officers before issuing them to the audit committee.

Table 1

Planned output	Indicative date
Audit plan	December 2011
Annual governance report	September 2012
Auditor's report giving the opinion on the financial statements and value for money conclusion	September 2012
Final accounts memorandum (to the County Treasurer	October 2012
Annual audit letter	November 2012
Annual claims and returns report	February 2013