

19 March 2010

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Dear Vij

Annual audit and inspection fee 2010/11

I am writing to confirm the audit and inspection work that we propose to undertake for the 2010/11 financial year at West Midlands Fire and Rescue Authority (WMFRA). 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 Commission for 2010/11; and for inspection, the Comprehensive Area Assessment (CAA) framework and associated guidance.

As I have not yet completed my audit for 2009/10, the audit planning process for 2010/11, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary. The inspection plan will also be reviewed and updated as necessary by the Audit Commission CAA Lead in discussion with you.

The total indicative fee 2010/11 is for £93,326 which compares to the planned fee of £87,850 for 2009/10. A summary of the fee breakdown is shown in the table below.

Audit area	Planned fee 2010/11	Planned fee 2009/10
Financial statements	£66,984	£54,950
Use of Resources/VFM Conclusion	£21,465	£28,023
WGA	£4,877	£ 4,877
Total audit fee	£93,326	£87,850

The above excludes the fee for the Managing Performance work of £12,500 which will be fully funded by CLG grant. The CAA lead, Gary Stevens, will liaise with you regarding the timing of this work.

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The Audit Commission has published its work programme and scales of fees 2010/11. The Audit Commission scale audit fee for WMFRA is £94,250. The fee proposed for 2010/11 is 1 per cent below the scale fee and is within the normal level of variation specified by the Commission.

The increase in fee for the financial statements element of the audit reflects the costs of additional audit work arising from the introduction of International Financial Reporting Standards. However, in recognition of the financial pressures that public bodies are facing in the current economic climate, the Commission has confirmed that it will subsidise the 'one-off' element of the cost of transition to International Financial Reporting Standards (IFRS) for local authorities and police and fire and rescue authorities in 2010/11. It will be refunding 6 per cent of the scale fee to individual bodies directly. This means that the net cost to you of the audit in 2010/11 will not increase compared with 2009/10.

In setting the fee 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 for 2009/10. A separate opinion plan for the audit of the financial statements will be issued by May 2011. This will detail the risks identified, planned audit procedures and any changes in fee. If I need to make any significant amendments to the audit fee during the course of this plan, 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 2010/11. My work on use of resources informs my 2010/11 value for money conclusion. I have not, at this stage, identified any significant risks in relation to my value for money conclusion.

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 work the Commission may agree to undertake using its advice and assistance powers. Each piece of work would be separately negotiated and a detailed project specification agreed with you.

The key members of the audit team for the 2010/11 are:

Audit Manager - Pragati Raithatha 0844 798 3959

Team leader - Lorraine Noak 0844 798 3971

I am committed to providing you with a high quality service. If you are 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 Phil Jones, West Midlands Head of Operations (p-jones@audit-commission.gov.uk).

Yours sincerely

John Gregory
District Auditor

cc Mike Griffiths

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
Opinion Audit Plan	May 2011
Annual Governance Report	September 2011
Auditor's report giving the opinion on the financial statements and Value for money conclusion	September 2011
Final accounts memorandum (to Director of Finance) – if required	October 2011
Annual Audit letter	December 2011