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21 April 2011

Mr Paul Raymond  
Chief Fire Officer  
Shropshire & Wrekin Fire and Rescue Authority  
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Dear Paul

## Annual audit fee 2011/12

I am writing to confirm the audit work that we propose to undertake for the 2011/12 financial year at Shropshire and Wrekin Fire and Rescue Authority. The fee is based on 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.

## Audit fee

The Audit Commission proposes to set the scale fee for each audited body for 2011/12, rather than providing a scale fee with fixed and variable elements. The proposed scale fee for Shropshire & Wrekin Fire and Rescue Authority in 2011/12 is £63,480 (excluding VAT). This is based upon and compares with the fee in 2010/11 which was £69,000 (excluding VAT). This was practically in line with the 2010/11 scale fee.

The reductions in the scale fee reflect the proposed decreases the Audit Commission has tried to deliver as part of the three-year programme to deliver cost cuts of about £70 million to public sector bodies. This includes:

- no inflationary increase in 2011/12 for audit scales of fees;
- 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 the implementation of IFRS accounts in 2010/11.

If there is any change to our assessed level of risk from 2010/11 then we will discuss this with the Audit & Managing Performance Committee prior to agreeing a revised fee. 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. Variations from the 2011/12 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.

I have discussed this fee with the Chief Fire Officer and Treasurer and they have indicated that they understand the way the fee has been developed and that there is a decrease in the Indicative fee from 2010/11 which provides an 8% reduction. On this basis, they have agreed the fee in principle but have indicated that they wish to write to the Audit Commission to highlight that the savings proposed are not in line with the Government cuts and therefore are not sufficient.

<b>Audit fee</b>	<b>Scale fee 2011/12</b>	<b>Indicative fee for 2010/11</b>
Code of Audit Practice Work on Financial Statements, VFM Conclusion and Whole of Government Accounts	£63,480	£69,000

I have not identified any specific risks at this time for which we will need to undertake specific pieces of work in 2011/12 to inform my value for money conclusion. A separate audit strategy for the audit of the financial statements and value for money conclusion will be issued in January 2012. 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, I will first discuss this with the Treasurer and then prepare a report outlining the reasons the fee needs to change for discussion with the Audit & Managing Performance Committee.

The Audit Commission also requires its auditors to inform audited bodies of specific actions it could take to reduce its audit fees. As in previous years, I will work with your finance team to identify any specific actions that you could take and provide ongoing audit support. Initial discussions for 2010/11 have already taken place.

I will issue a separate audit plan in February 2012. 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 Chief Fire Officer and Treasurer. I will then prepare a report outlining the reasons the fee needs to change for discussion with the Audit & Managing Performance Committee.

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 will be separately negotiated and a detailed project specification agreed with you.

## Audit team

Your audit team must meet high specifications and must:

- understand you, your priorities and provide you with fresh, innovative and useful support;
- 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.

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

Name	Contact details	Responsibilities
Grant Patterson Engagement Lead	<a href="mailto:g-patterson@audit-commission.gov.uk">g-patterson@audit-commission.gov.uk</a> 0844 798 7816	Grant is responsible for the overall delivery of the audit including the quality of outputs, liaison with the Chief Fire Officer and issuing the auditor's report.
Emily Mayne Engagement Manager	<a href="mailto:e-mayne@audit-commission.gov.uk">e-mayne@audit-commission.gov.uk</a> 07976 315713	Emily manages and coordinates the different elements of the audit work. Key point of contact for the Treasurer.
Nigel Meredith Team Leader	<a href="mailto:n-meredith@audit-commission.gov.uk">n-meredith@audit-commission.gov.uk</a> 0844 798 4906	Nigel is an experienced Team Leader who will lead the on-site team in delivering the audit.

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, Standards and Technical, Audit Practice, Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ ([c-westwood@audit-commission.gov.uk](mailto:c-westwood@audit-commission.gov.uk) ).

Yours sincerely

Grant Patterson  
*District Auditor*

cc Keith Dixon – Treasurer

cc Dr J. Jones – Chair of Audit Committee

## Appendix 1- Planned outputs

Our reports will be discussed and agreed with the appropriate officers before being issued to the Audit Committee.

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**Table 1**

<b>Planned output</b>	<b>Indicative date</b>
Audit strategy	February 2012
Annual governance report	September 2012
Auditor's report giving the opinion on the financial statements and value for money conclusion	September 2012
Annual audit letter	November 2012