

5 February 2009

Mr Keith Dixon
Treasurer
Shropshire Fire and Rescue Service
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Dear Keith

Annual audit fee 2009/10

Further to our discussions, I am writing to confirm the audit work that we propose to undertake for the 2009/10 financial year at Shropshire and Wrekin Fire Authority (SWFA). 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 £65,300 (exclusive of VAT) which compares to the planned fee of £61,926 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, including WGA	45,610	43,231
Use of Resources/VFM Conclusion [Including the organisational assessment for fire.*]	19,690	18,695
Total audit fee	65,300	61,926

* Net of £12,197 for the managing performance theme which is funded by DCLG grant

The Audit Commission has published its work programme and scales of fees 2009/10. The scale fee for SWFA is £63,780. The fee proposed for 2009/10 is 1.9 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 Treasurer 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 organisational assessment of fire and rescue authorities will combine the use of resources and managing performance assessment, tailored for the fire sector, into a single assessment of organisational effectiveness. The managing performance theme will draw on evidence from the sector-led peer review process (currently called the operational assessment of service delivery). Use of resources assessments are funded through audit fees as they are part of the audit work programme. The managing performance assessment will be funded by CLG grant.

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

Risk	Planned work	Timing of work
The increased use of computers and online working can mean weakest link in an organisation's ICT security is often the people that use the organisation's information systems. To obtain information on this area to support our UoR	The updated 'Your Business at Risk Survey (2008)' tool has been designed as a high level probe which helps clients assess their exposure and raise awareness of the risks associated with using information technology.	December 2009 – March 2010

I will issue a separate project specifications for the shared services review before beginning the work.

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.

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

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Engagement Lead	Tony Corcoran	0844 798 4902
Engagement Manager	Ashley Wilson	0844 798 4768
Team Leader	Johanna Wong	0844 798 4909

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 Central Region Head of Operations, Phil Jones p-jones@audit-commission.gov.uk.

Yours sincerely

Tony Corcoran
Engagement Lead/
District Auditor

cc Director of Finance

cc 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 update	17 December 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)	October 2010
Annual audit letter	November 2010
Your Business at Risk Review	November 2009 - specification March 2010 - report