

Our Ref PD/PH/CG

Gerald Almeroth  
Chief Financial Officer  
London Borough of Haringey  
5th Floor River Park House  
225 High Road  
London N22 8HQ

**Grant Thornton UK LLP**  
Grant Thornton House  
Melton Street  
London NW1 2EP  
T +44 (0)20 7383 5100  
F +44 (0)20 7383 4715  
DX 2100 EUSTON  
www.grant-thornton.co.uk

10 March 2010

Dear Gerald

### **London Borough of Haringey - Indicative audit fee 2010/11**

We are writing to summarise the audit work that we propose to undertake for the 2010/11 financial year at the Council and the associated indicative fee. 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 2010/11
- reflects only the audit element of our work, excluding any inspection and assessment fees. The Comprehensive Area Assessment Lead will be writing to you separately on inspection fees.

As we have not yet completed our 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 total indicative fee for the audit for 2010/11 is for £505,000 (exclusive of VAT) which represents a £10,000 reduction on the agreed fee for 2009/10. A summary of this is shown in the table below.

<b>Audit area</b>	<b>Indicative fee 2010/11</b>	<b>Agreed fee 2009/10</b>
Financial statements, including WGA	£360,000	£340,000
Use of Resources/VFM Conclusion (including local risk based work)	£145,000	£175,000
<b>Total audit fee</b>	<b>£505,000</b>	<b>£515,000</b>
Certification of claims and returns*	£90,000	£90,000

\* Certification fee is estimated. This is charged at published hourly rates and the actual cost of this work is set out in our annual certification report, issued in December .

**Chartered Accountants**

Member firm within Grant Thornton International Ltd  
Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No.OC307742. Registered office: Grant Thornton House, Melton Street, Euston Square, London NW1 2EP  
A list of members is available from our registered office.

Grant Thornton UK LLP is authorised and regulated by the Financial Services Authority for investment business.

The Audit Commission has published its work programme and scales of fees 2010/11 (see extract at Appendix A). From 2010/11, the Council is required to prepare its accounts in accordance with International Financial Reporting Standards (IFRS). The transition to IFRS will increase auditors' work, particularly in year one where a restatement of the previous year's accounts to the new basis will be required to provide prior year comparatives. The Audit Commission has increased the scale fees for local authorities by 6% to reflect the costs of this additional work, this is reflected in the indicative fee state above.

The scale fee for the London Borough of Haringey is £531,865. The £505,000 fee that we are proposing is 5% below the scale fee (16% above scale fee last year). This is reflective of the progress the Council is currently making with the transition to IFRS and our assessment that there is a reduced risk in relation to our Use of Resources element of our work.

Using our IFRS experts, we will continue to help the Council to prepare for introduction of IFRS, through awareness raising sessions for officers and members and constructive challenge on the Council's plans and progress. This is included within the financial statements audit fee. Specialist colleagues from Grant Thornton's Financial Reporting Advisory Group, can also be commissioned for more detailed technical support, should the Council require it.

Our Use of Resources assessment will be based upon the evidence from three themes:

- Managing finances
- Governing the business
- 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. Our work on Use of Resources informs our 2010/11 Value for Money conclusion. At the current time, we have identified two risk areas in relation to our value for money conclusion. For each risk, we consider the arrangements put in place by the Council to mitigate the risk, and plan our work accordingly.

<b>Risk</b>	<b>Planned work</b>	<b>Timing</b>
<p data-bbox="347 1404 660 1462"><b>Responding to Financial Challenges</b></p> <p data-bbox="347 1503 735 1825">The Council faces challenging savings targets going forwards in order to balance its budget. Much of these savings are planned to be delivered through the Haringey Forward Programme. Failure to deliver on the Programme's targets will lead to pressure on services if savings are not achieved.</p>	<p data-bbox="783 1404 1206 1491">A review of the Council's Haringey Forward programme is proposed for 2010/11.</p> <p data-bbox="783 1541 1257 1863">The review will focus on the progress that the Council has made in addressing budgetary pressures to date and its plans, including its medium term financial planning processes going forwards. It will also assess the Council's performance against a series of metrics currently being developed by the Audit Commission to assess the financial resilience of councils in the current economic conditions.</p>	<p data-bbox="1294 1404 1380 1525">Third quarter of 2010/11</p>

<b>Risk</b>	<b>Planned work</b>	<b>Timing</b>
<p><b>Adult Social Care - Personal Care Budgets</b></p> <p>Personal care budgets are at the core of the government's aim of personalising adult social care services around the needs of users. Through the Putting People First Initiative, councils will be expected to roll out a system of personal budgets for all users of adult social care.</p>	<p>The use of personal care budgets will have a significant impact on the way adult social care services are delivered and the Council will need to ensure that it has appropriate commissioning arrangements and adequate governance arrangements in place to ensure that it is delivering this efficiently and effectively.</p> <p>We will undertake a review of the progress the Council has made to deliver personalisation in adult social care.</p>	<p>Fourth quarter of 2010/11</p>

We will issue a number of reports relating to our work over the course of the audit. These are listed at Appendix B.

The above fee excludes any work requested by you that the Audit 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.

We reported in our full 2009/10 Audit Plan that we were experiencing an increase in the level of communications from local electors and other interested parties and were dealing with this from within the audit fee. The indicative fee for 2010/11 includes an assumption around a estimated level of audit work in relation to communicating with the public. We will keep this under review and communicate if any additional audit fees need to be charged as a result of further increases in our work in this area.

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

Engagement Lead - Paul Dossett	0207 728 3180	paul.dossett@gtuk.com
Audit Senior Manager – Paul Hughes	0207 728 2256	paul.hughes@gtuk.com
Audit Manager - Caroline Glitre	0207 728 2078	caroline.glitre@gtuk.com
Audit Executive – Helen Phillips	0207 728 2385	helen.phillips@gtuk.com

A full plan will be issued in December 2010. This will detail the risks identified, planned audit procedures and any changes in fee. If we need to make any significant amendments to the audit fee during the course of the audit, we will first discuss this with the Chief Financial Officer and then prepare a report outlining the reasons why the fee needs to change for discussion with the Audit Committee.

We are 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 the engagement lead in the first instance. Alternatively you may wish to contact the Head of Government Audit at Grant Thornton UK LLP, Sarah Howard at [sarah.howard@gtuk.com](mailto:sarah.howard@gtuk.com).

Yours sincerely

Paul Dossett

Engagement Lead

Grant Thornton UK LLP

## A Extract from the Audit Commission's work programme and scales of fees 2010/11

**1** The scales of audit fees in this document cover all the work that auditors need to carry out to meet their statutory responsibilities under the AC Act, in accordance with the statutory Code. Copies of the Code and the associated Statement of Responsibilities of Auditors and Audited Bodies may be found on the Commission's website at [www.audit-commission.gov.uk](http://www.audit-commission.gov.uk)

**2** The Commission has defined the scale audit fee as the fee required by auditors to carry out the work necessary to meet their statutory responsibilities under the AC Act in accordance with the Code. It represents the Commission's best estimate of the fee required to complete an audit where the audited body has no significant audit risks and it has in place a sound control environment that ensures the auditor is provided with complete and materially accurate financial statements with supporting working papers within agreed timeframes.

**3** Auditors will tailor their work to reflect local circumstances. In particular, they will carry out an assessment of the financial and operational risks facing the body and the arrangements it has put in place to manage those risks. In this assessment, auditors will consider the strength of the control environment; the quality of working papers produced to support the financial statements; and the extent of internal audit work and the reliance that can be placed on it. However, the core of the work undertaken will be common.

**4** Where audited bodies do not meet agreed timetables and/or provide poor documentation such that additional audit work is necessary, or the audit is delayed, the Commission will charge additional fees to cover the costs incurred.

**5** Under the Code, the Commission may specify additional audit work which supplements the local risk-based approach to planning the audit.

**6** For 2010/11, the Commission has specified work in the following areas.

- Auditors' input to Comprehensive Area Assessment (CAA) – the Commission will specify audit work at all local authorities, police authorities and fire and rescue authorities, leading to the delivery of use of resources (UoR) judgements. This will include work on data quality as specified in the UoR guidance. This work will also support the annual conclusion that the auditor is required to reach under the Code on an audited body's arrangements to secure value for money.
- Whole of Government Accounts (WGA) – the Commission has specified a proportionate approach to the audit of the consolidation packs for WGA at all local government bodies.

**7** The cost of the above work programme is reflected in the scales of fees set out in this document.

## B Planned Outputs

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

<b>Planned output</b>	<b>Indicative date</b>
Full Audit Plan 2010/11	December 2010
Financial management report (UoR)	January 2011
Adult Social Care Report (UoR)	March 2011
Audit Strategy Document (Accounts)	June 2011
Annual report to those charged with governance report (Accounts)	September 2011
Auditor's report giving the opinion on the financial statements and value for money conclusion	September 2011
Use of resources report	September 2011
Annual audit letter	November 2011
Certification Report	December 2011