

Our reference GW/HA009/12A/05

14 April 2011

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Dear John

Annual audit fee 2011/12

I am writing to outline the audit work that we propose to undertake for the 2011/12 financial year at Hampshire Fire and Rescue Authority. 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 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 scale fee reflects a proposed 10% decrease in the total audit fee, as follows:

- no inflationary increase in 2011/12 for audit and inspection scales of fees and the hourly rates for certifying claims and returns;
- a cut in scale fees of 7% resulting from our new approach to local VFM audit work; and
- a cut in scale fees of 3% reflecting lower continuing audit costs after implementing IFRS.

The scale fee for Hampshire Fire and Rescue Authority is £80,500. The scale fee is based on the planned 2010/11 fee, adjusted for the proposals summarised above. Variations from the scale fee may be required where my assessments of audit risk and complexity are significantly different from those identified and reflected in the 2010/11 fee.

My estimate of the audit fees are summarised below.

	Fee estimate 2011/12	Fee estimate 2010/11
Statutory audit fee	£80,500	£87,500

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 Treasurer and Director of Corporate Services. I will then prepare a report outlining the reasons the fee needs to change for discussion with the Governance Committee.

To support my VFM Conclusion I propose to review your Medium Term Financial Strategy and your approach to developing and monitoring local indicators and benchmarking data to replace the use of national indicators and demonstrate continuous improvement.

The fee excludes any assurance or advisory work which you may invite me to perform under the Commissions advice and assistance powers. Such work is discretionary and therefore I will negotiate each assignment separately and agree a detailed project specification.

Audit team

Your external 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 2011/12 are:

Name	Contact details	Responsibilities
Kate Handy Engagement Lead	k-handy@audit-commission.gov.uk 0844 798 1740	Kate is responsible for the overall delivery of the audit including the quality of outputs, liaison with the Chief Officer and Chair of the Governance

Name	Contact details	Responsibilities
		Committee as those charged with governance as well as issuing the auditor's report.
Graham West Engagement Manager	g-west@audit-commission.gov.uk 0844 798 1738 07970 064363	Graham manages and coordinates the different elements of the audit work. Key point of contact for the Treasurer and Director of Corporate Services. He also manages the audits of two other fire authorities.
Steve High Team Leader	s-high@audit-commission.gov.uk 0844 798 4621 07779 576294	Steve has experience of auditing the financial statements of both fire and local authorities. He 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 of Professional Practice, Audit Practice, Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ (c-westwood@audit-commission.gov.uk)

Yours sincerely

Kate Handy
Appointed Auditor

CC:
David Howells (Director of Corporate services);
Carolyn Williamson (Treasurer);
Cllr R.McIntosh (Chair of the Governance Committee)