

23 April 2010

Mr Kieran Preston
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Email

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— Dear Kieran

West Yorkshire Integrated Transport Authority: Audit Fees letter 2010/11

Further to our discussions, I am writing to confirm the audit work that we propose to undertake for the 2010/11 financial year at West Yorkshire Integrated Transport Authority. 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.

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 total indicative fee for the audit for 2010/11 is for £46,071 (exclusive of VAT) which compares to the planned fee of £43,464 for 2009/10. A summary of this is shown in the table below.

Table 1 Audit fee

Audit area	Planned fee 2010/11	Planned fee 2009/10
Financial statements	34,906	32,374
Use of Resources/VFM Conclusion [including risk based work]	10,125	10,125
WGA	1,040	965
Total audit fee	46,071	43,464

The Audit Commission has published its work programme and scales of fees 2010/11. The Audit Commission scale fee for WYITA is £58,032. The fee proposed for 2010/11 is 21 per cent below the scale fee and is within the normal level of variation specified by the Commission.

The published fee scale for 2010/11 included a 6% increase to cover the costs of additional audit work arising from the introduction of International Financial Reporting Standards. In July 2009, in recognition of the financial pressures that public bodies are facing in the current economic climate, the Commission confirmed that it would 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 from 2010/11. You will therefore receive a refund from the Audit Commission of £3,298 in April 2010. The fee in table one does not reflect this refund.

Changes in international auditing standards will increase the audit procedures I need to carry out. However, the Audit Commission will absorb the cost of the additional requirements within the 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 in 2009/10. A separate plan for the audit of the financial statements will be issued in March 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 the audit, I 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 and Governance Committee.

At this stage we are aware of the following risks that are likely to impact on our audit of the financial statements:

- Introduction of International Financial Reporting Standards 2010/11.

My value for money conclusion 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. I have identified a number of risks in relation to my value for money conclusion. For each risk, I consider the arrangements put in place by WYITA 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:

Table 2 VFM Conclusion risks

Risk	Planned work	Timing of work
How is the ITA responding to the opportunities arising from the Local Transport Act 2008? There are new governance arrangements at the ITA in 2010.	We will monitor the effects of the changes on the ITA's overall governance arrangements.	Ongoing throughout the year.
How is the ITA responding to financial pressures and the current economic climate?	We will review the ITA's plans for addressing the financial pressures it faces and monitor progress throughout the year, as part of our work on the VFM Conclusion.	Ongoing throughout the year.
Does the ITA have effective mechanisms in place to manage and monitor large capital programmes? NGT (New Generation Transport) has just received 'programme entry' approval.	We are undertaking work on project management arrangements and capital programme monitoring as part of our 2009/10 audit.	2009/10 audit.

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 2010/11 are:

Audit Manager – Julie Talbot 0844 798 6696

Team Leader – Howard Miller 0844 798 7192

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 North East, Yorkshire and Humberside Head of Operations (d-allso@audit-commission.gov.uk).

Yours sincerely

Simon Dennis
Engagement Lead

cc Angela Hirst - Chief Financial Officer
Councillor A Pinnock - Chair Audit and Governance Committee

Appendix 1: Planned outputs

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

Table 3

Planned output	Indicative date
Audit plan	April 2010
Opinion Audit Plan	March 2011
VFM Conclusion memorandum	July 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	October 2011
Annual audit letter	November 2011