

1 May 2009

Mr M Seymour,
 Strategic Director (Resources),
 Follaton House
 Plymouth Road
 Totnes
 Devon TQ9 5NE

— Dear Mark

Annual Audit fee 2009/10

I am writing to outline the audit work that we propose to undertake for the 2009/10 financial year at South Hams District Council.

The proposed work plan:

- 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 - as shown in the table below:

Area of work	South Hams
Audit and Inspection: Planning, Liaison and reporting	✓
Audit: Accounts and Systems	✓
Audit: Value for Money Conclusion	✓
Audit: Use of resources assessment	✓
Audit: Risk based performance work	None identified
Other: Certification of grants claims and returns	As required

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 Audit Commission has recently clarified the interpretation of its published fee scales. In law it is the Commission that sets the audit fees for all bodies within its regime through the annual scales of fees and, if everything is equal, the fee payable by any audited body is the scale fee. The publication of scales of fees fixes the fee for all bodies covered by them.

However the Commission has the power to determine the fee above or below the scale fee where it considers that substantially more or less work was required than envisaged by the scale fee to reflect the actual work that auditors need to do to meet their statutory responsibilities. It will do this on the basis of auditor's assessment of risk and the scale and complexity of the audit at the particular body.

Historically the Council's audit fee has been below the Audit Commission recommended scale fee (5% below in 2008/09). I have planned to keep the fee at this level for 2009/10.

The total fee for the audit for 2009/10 is £94,034 (exclusive of VAT), and is 5% below the scale fee of £98,983. This compares to the planned fee of £92,071 for 2008/09. A summary of this is shown in the table below.

Audit area	Planned fee 2009/10	Planned fee 2008/09
Financial statements including WGA	£66,434	£65,344
Use of Resources/VFM Conclusion	£27,600	£26,727
Total audit fee	£94,034	£92,071
Certification of claims and returns (estimated - actual is based upon audit time required)	£20,000	£23,000

In setting the fee 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 2008/09. A separate plan for the audit of the financial statements will be issued later in the audit year. 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 you and then prepare a report outlining the reasons why the fee needs to change, for discussion with the Audit Committee.

My value for money conclusion will be based upon a review of these 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 2009/10. My work on use of resources informs my 2009/10 value for money conclusion.

I have not at this stage identified use of resources risks for the 2009/10 audit, other than those issues identified in 2007/08 and reported in the annual audit and inspection letter. However, as I have not yet completed the 2008/09 use of resources assessment, I will revisit these risks when the results of this work are available.

I will issue a number of reports relating to my work over the course of the audit. These are listed at Appendix 1.

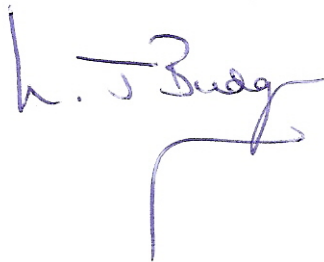
The above fee excludes any work requested by you that the Commission may agree to undertake using its advice and assistance powers. Each piece of work will be separately negotiated and a detailed project specification agreed with you.

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

- Audit Manager - Steve Brown 07769 672920
- Team Leader - John Sedgwick 07980 267695
- Performance Lead - Susan Pepper

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 Bill Sanderson the Head of Operations Southern Region, (<mailto:b-sanderson@audit-commission.gov.uk>).

Yours sincerely

A handwritten signature in blue ink that reads "Lee Budge". The signature is written in a cursive style with a long horizontal line extending to the right and a vertical line extending downwards from the end of the signature.

Lee Budge
District Auditor

cc Chair of the Audit committee

cc John Foxworthy, Head of Financial Services

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
Fee letter	April 2009
Interim audit report (if required)	Feb to June 2010
Opinion audit plan	Prior to the opinion audit
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 management)	October 2010
Annual audit letter	November 2010