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Mr Philip Bostock
Chief Executive
Exeter City Council
Civic Centre
Paris Street
Exeter
EX1 1JN

Grant Thornton UK LLP
Hartwell House
55-61 Victoria Street
Bristol BS1 6FT

T +44 (0)117 305 7600
F +44 (0)117 305 7784
DX 78112 Bristol
www.grant-thornton.co.uk

24 February 2011

Dear Philip

ANNUAL AUDIT FEE 2011-12

I am writing to confirm the audit work that we propose to undertake for the 2011-12 financial year at the Exeter City Council and the associated fee. This is based on the draft proposals published by the Audit Commission in December 2010 and is subject to final confirmation, which is planned for the end of February 2011.

As in previous years, the Audit Commission publishes its work programme and scale of fees on a national basis. However, for 2011-12, instead of providing a scale fee with fixed and variable elements, it has published the expected scale fee for each local government organisation. The published fees are based on the proposed 2010-11 fee adjusted to provide a reduction in scale fees of 5% for district councils to reflect:

- no inflationary increase in 2011-12 for audit and inspection scales of fees and the hourly rate for certifying claims and returns;
- a reduction in scale fees resulting from the new approach to local value for money audit work; and
- a reduction in scale audit fees of 3% for local authorities reflecting lower ongoing costs after implementing IFRS.

The indicative fee for Exeter City Councils' audit for 2011-12 has been determined as £127,139 (exclusive of VAT).

Audit fee

Audit area	Proposed fee 2011-12	Agreed fee 2010-11
Financial statements and value for money conclusion	£127,139	£133,830
Certification of claims and returns (estimate)	£20,000	£20,000

As we have not yet completed our audit for 2010-11, the audit planning process for 2011-12 will continue as the year progresses and fees will be reviewed and updated as necessary, with the approval of the Audit Commission. A separate plan for the audit of the financial statements will be issued in late 2011, once the outcomes of the 2010-11 audit are known.

Chartered Accountants

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

Our value for money work will be based upon two reporting criteria specified by the Audit Commission:

- whether the Council has proper arrangements in place for securing financial resilience; and
- whether the Council has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

This work will be underpinned by a robust risk assessment to ensure that we focus on those areas where we need specific assurance in order to give our value for money conclusion or where arrangements at the Council need to be strengthened.

The quoted fee for certification of grant claims and returns is an estimate based upon our previous experience and knowledge of forthcoming developments or changes in requirements. The fee charged is based on the prescribed rates set out in the Audit Commission proposed work programme and scales of fees 2011-12. These rates have not increased over the level prescribed for 2010-11. If we need to make any significant amendments to the audit fee during the course of the audit, we will first discuss this with you and then prepare a report outlining the reasons why the fee has changed for discussion with the Resources Scrutiny Committee.

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

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

The contact details for key members of the audit team for 2011-12 are:

Engagement Lead	Barrie Morris	0117 305 7708
Audit Manager	Perminder Sethi	0113 200 2547
In charge Auditor	Llinos Williams	0117 305 7754

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 me in the first instance. Alternatively, you may wish to contact the Head of Government Audit, Sarah Howard at sarah.howard@uk.gt.com.

Yours sincerely

BARRIE MORRIS
Director and Engagement Lead
For Grant Thornton UK LLP

T 0117 305 7708
F 0117 305 7784
E barrie.morris@uk.gt.com

cc Glyn Bellerby – Director of Corporate Services

Appendix 1: Planned outputs

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

Table 1

Planned output	Indicative date
Audit plan	December 2011
Audit approach memorandum	April 2011
ISA260 report to those charged with governance	September 2012
Auditor's report giving the opinion on the financial statements and value for money conclusion	September 2012
Value for money conclusion report	September 2012
Annual audit letter	November 2012
Certification work report	December 2012