



Grant Thornton

Our Ref BM/JM - Exeter City Council

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2nd March 2009

Dear Glyn

ANNUAL AUDIT FEE 2009-10

Further to our discussions, I am writing to confirm the audit work that we propose to undertake for the 2009-10 financial year at Exeter City Council. 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 2009-10; and
- reflects only the audit element of work, excluding any inspection and assessment fees. Your Comprehensive Area Assessment Lead will be writing to you separately on inspection fees.

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 clarified their expectations with regard to the statutory basis of the audit fee setting process. If everything else is equal, the fee payable is the scale fee, and any variation to the scale fee needs to be justified on the ground of more or less work being undertaken than is envisaged within the scale fee.

The Audit Commission has published its work programme and scales of fees 2009-10. The scale fee for Exeter City Council is £123,844. We propose a total indicative fee of £117,652 (exclusive of VAT). This represents a discount of 5% against the scale fee which reflects the Council's strong performance in recent years with regard to your use of resources arrangements. This compares to the planned fee of £103,505 for 2008-09. A summary of this is shown in the table below.

Chartered Accountants

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Audit fee

Audit area	Planned fee 2009-10	Planned fee 2008-09
Financial statements	69,500	64,600
Use of Resources/VFM Conclusion [including risk based work]	48,152	38,905
Total audit fee	117,652	103,505
Certification of claims and returns	20,000	20,000

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 to 2008-09. A separate plan for the audit of the financial statements will be issued in December 2009, once the outcomes of the 2008-09 audit are known. This will detail the risks identified, planned audit procedures and any changes in fee. The quoted fee for grant certification work is an estimate only and will be charged at published daily rates. 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 Resources Scrutiny Committee.

My use of resources assessments 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 2009-10. My work on use of resources informs my 2009-10 value for money conclusion. However, I have identified a number of potential significant risks in relation to my value for money conclusion. For each risk, I consider the arrangements put in place by the Council 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:

Risk	Planned work	Timing of work
The decision on the future of the unitary structure in Devon has been delayed until July 2009, whilst further work is undertaken by the Boundary Committee to assess the impact of the proposals across the whole county . This has caused much uncertainty across the Council and there is a risk that this will have an adverse impact on staff and the ongoing delivery of services.	We will continue to review the progress and proposals of the Boundary Committee for England and discuss specific audit work with the Council depending on the nature of these proposals.	June - November 2009

Risk	Planned work	Timing of work
<p>The introduction of the concessionary fares scheme has created £1.5m of additional cost pressures for the Council in 2009-10. This will present significant challenges to the Council in the delivery of its revenue budget.</p>	<p>We will continue to monitor the Council's financial position throughout the year and its progress in its appeal to Government for recompense for the elements of the concessionary fares scheme that are unfunded. We will also, as part of our Use of Resources assessment under the 'Managing Finances' theme, assess the adequacy of the Council's arrangements to respond to these financial pressures and how they intend to deliver efficiencies to manage this position.</p>	<p>April 2009 - March 2010</p>
<p>The current economic climate is adding increased pressure on the Council's financial plans. Low increases in the financial settlement, reduced government funding, lower income from areas such as car parking, planning fees and investment income, and the overall economic uncertainty, and likely increases in demand for services requires very robust financial management. There is a risk that arrangements do not identify key deviations in a timely way to enable remedial action to be taken.</p>	<p>We will review, as part of the 'Managing Finances' theme how the Council manages its finances over the medium term to ensure that its spending remains in line with its available resources.</p>	<p>March 2010</p>
<p>The Council has postponed the delivery of £5m of projects within its capital programme, whilst they await a decision on any financial reimbursement from their investments previously held in Icelandic Banks. There is a risk that the delay of these capital schemes will have an impact on the delivery of community and service priorities.</p>	<p>We will assess the impact of the decisions made in relation to the Icelandic bank investments and how the value of these investments should be reflected in the Council's accounts. We will also review the Council's delivery of its capital programme and the impact of this on stakeholders as part of our 'Managing Resources' theme.</p>	<p>June - Sept 2009</p>
<p>The Council has incurred additional costs and delays in the development of the Royal Albert Memorial Museum, due to the technical complexities of the project. There is a risk that extra cost pressures are identified and that there maybe further delays in the development and final delivery.</p>	<p>We will review the Council's project management and risk management arrangements as part of our use of resources assessment. We will continue to monitor the delivery of this project through review of the quarterly progress reports to the Resources Scrutiny Committee.</p>	<p>March 2010</p>

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 we may 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 Audit Manager supporting me in the delivery of the Council's audit is Julie Masci, who can be contacted on 0117 305 7696.

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 Head of Government Audit, Richard Tremeer at richard.tremeer@gtuk.com.

Yours sincerely

A handwritten signature in black ink that reads "Barrie Morris". The signature is written in a cursive, flowing style.

BARRIE MORRIS

DIRECTOR AND ENGAGEMENT LEAD

c.c. Andy Stark, Head of Treasury

c.c. Councillor Jeff Coates, Chair of the Resources Scrutiny Committee

Appendix 1: Planned outputs

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

Table 1

Planned output	Indicative date
Audit plan	December 2009
Interim Audit Report	April 2010
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
Annual audit letter	November 2010
Grants certification report	December 2010