

6 April 2010

Ms D Parham
 Head of Finance
 South Somerset District Council
 Brympton Way
 Yeovil
 Somerset BA20 2HT

Direct line 01823 273178

Dear Donna

Annual fee 2010/11

I am writing to confirm the audit and inspection work and fees proposed for the 2010/11 financial year at South Somerset District Council. The fee for audit work is based on the risk-based approach to audit planning set out in the Code of Audit Practice and work mandated by the Commission for 2010/11. For inspection, it is based on the Comprehensive Area Assessment (CAA) framework and associated guidance. This is the responsibility of Sophie Trim, the CAAL and I have consulted with Sophie on this element of the proposal.

As I have not yet completed my audit for 2009/10 my risk assessment will continue as the year progresses and fees will be reviewed and updated as necessary. The inspection plan will also be reviewed and updated as necessary by Sophie Trim in discussion with you.

The total indicative fee 2010/11 is £122,005, which compares to the planned fee of £115,570 for 2009/10. A summary of this is shown in the table below.

Audit area	Planned fee (£) 2010/11	Planned fee (£) 2009/10
Financial statements	80,305	73,252
Use of Resources/VFM Conclusion [including risk based work]	31,360	31,982
WGA	2,020	2,016
Total audit fee	113,685	107,250
Inspection work (provided by CAAL)		
Managing performance assessment	8,320	8,320
Total audit and inspection fee	122,005	115,570
Certification of claims and returns	33,250	34,000

The Audit Commission has published its work programme and scales of fees 2010/11. A copy of this document can be found on the Audit Commission's website. My proposed audit fee is 7% below scale.

The work programme published by the Commission signalled a 6% increase from the previous year to take account of additional audit work arising from the introduction of International Financial Reporting Standards and this is reflected in my proposal. This represents our best estimate of the additional costs associated with IFRS transition in 2010/11. The Audit Commission's Chief Executive set out the background to this in his letter of 5 February 2009. He has also confirmed that the Audit Commission will make a direct refund to you of part of this fee.

In terms of this significant change to your accounting framework, I would like to take this opportunity to remind you that those charged with governance within the Council are responsible for ensuring you are prepared for the introduction of IFRSs. Although I do not have direct audit responsibilities in respect of balances at the transition date these do form the opening balances for the comparative period, I will therefore consider your risk assessment process and gap analysis to inform my ongoing risk assessment.

Changes in International Auditing Standards will also increase the audit procedures I need to carry out. In line with the fee proposals for 2010-11, the Audit Commission will absorb the cost of these additional requirements within the above fee.

A separate opinion plan for the audit for the financial statements will be issued to you once my ongoing work is sufficiently advanced. This will detail any risks identified, planned audit procedures and any changes in fee. In considering the scope and nature of my audit, I wish to draw your attention to the following documents, which are available via the Audit Commission's website (www.audit-commission.gov.uk)

- Statement of responsibilities of auditors and audited bodies;
- Code of audit practice.

If I need to make any significant amendments to the audit fee during the course of this plan, I will first discuss this with the Assistant Director-Finance and Corporate Services and then prepare a report outlining the reasons why the fee needs to change for discussion with the Audit Committee.

For the purposes of setting this fee, I have assumed that my use of resources assessments will continue to be based on the key lines of enquiry as set out in the Audit Commission's work programme and scales of fees 2010/11. These are;

- Managing Finances;
- Governing the business; and,
- Managing Resources.

You will be aware that the Audit Commission is currently undertaking a review of the Use of Resources framework and my work and associated fee may need to be reassessed when the outcomes of this review are published.

The management performance assessment will contribute to the Council's overall Organisational Assessment score under the CPA regime. As such, it is the responsibility of the CAA Lead and the overall fee above is subject to a rebate from central Government of £6,085 to partially cover this element of your assessment.

As CAA Lead for Somerset, Sophie Trim will write to you if any significant amendments are needed to the inspection plan or assessment fee during the course of the year. She will first discuss this with you.

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 work 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 contact for the audit is the audit manager, Peter Lappin, who can be contacted on 0844 798 3705.

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 South West Head of Operations, Bill Sanderson (b-sanderson@audit-commission.gov.uk).

Yours sincerely

Brian Bethell
District Auditor

cc Mr M Williams, Chief Executive
cc Mr D Yeomans, Chair, Audit Committee

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
Opinion audit plan	December 2010
Annual governance report	September 2011
Auditor's report giving the opinion on the financial statements and value for money conclusion	September 2011
Use of resources report	September 2010
Final accounts memorandum (to the Assistant Director – Finance and Corporate Services)	October 2011
Annual audit letter	November 2011