

Corporate Director Finance  
Myfanwy Barrett

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Annette Furley  
Relationship Manager  
Audit Commission  
1st Floor, Millbank Tower  
Millbank  
London SW1P 4HQ

12<sup>th</sup> April 2010

Dear Annette

The Audit Fee Letter for 2010-11 was considered by the Governance, Audit and Risk Management Committee on 8 April 2010.

The Committee welcomed the opportunity to discuss the work plan and fees with the External Auditor at this early stage, and, importantly, before the fees had been submitted to the Audit Commission.

However, the Committee asked me to write to you to raise some concerns as follows:

- i] Whilst welcoming the proposed reduction in fees for 2010-11, the Committee members were concerned that the fee is still 10% above the fee scale published by the Audit Commission, particularly given the current economic climate, and asked Paul Schofield, the audit partner, to reconsider.
- ii] The committee asked the External Auditor to provide a more detailed breakdown of the time allocated to the Council's audit and the charge out rates for different members of the audit team. This request was to aid transparency.
- iii] The Committee requested some guidance from the Audit Commission as to what is required to achieve the scale fee, or even get below the scale fee? The report to the Committee did include the following paragraph:

"The Audit Commission has defined the scale audit fee as the fee required by auditors to carry out the work necessary to meet their statutory responsibilities under the Audit Commission Act, in accordance with the Code. It represents the Commission's best estimate of the fee required to complete an audit where the audited body has no significant audit risks and it has in place a sound control environment that ensures the auditor is provided with complete and materially accurate financial statements with supporting working papers within agreed timeframes."

However, the Committee should like to know whether it is realistic to set the scale fee at the point where there are "no significant audit risks" and whether there are London boroughs that meet this condition?

iv] Furthermore, the Committee should like to know whether any other London boroughs have fees which are below the published scale fee and, if so, what has enabled them to achieve this?

I know that Paul Schofield is dealing with the first two points. I should be grateful if you would respond to me on the third and fourth points. I will then circulate the responses to the committee members.

I look forward to hearing from you.

Yours sincerely

A handwritten signature in cursive script that reads "Myfanwy Barrett".

Myfanwy Barrett

cc: Paul Schofield, Matthew Hall, Michael Lockwood, Jennifer Hydari.