

6 September 2010

Joanna Killian
Chief Executive
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Dear Joanna

Annual audit fee 2010/11

Further to my initial fee letter dated 9 June 2010 and subsequent to completion of our 2009/10 pension fund audit, I am writing to advise you of a reduction to our planned audit fee for the 2010/11 financial year at Essex Pension Fund. 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 2010/11; and
- reflects only the audit element of our work, excluding any inspection and assessment fees.

The total indicative fee for the audit for 2010/11 is £45,000 (exclusive of VAT). A summary of this is shown in the table below.

Audit fee

Audit area	Planned fee 2010/11	Actual 2009/10	Actual 2008/09
Financial statements	45,000	56,921	69,809
Total audit fee	45,000	56,921	69,809

The Audit Commission has published its work programme and scales of fees 2010/11. The scale fee for Essex Pension Fund is £50,267. The fee proposed for 2010/11 is 10.48 per cent below the scale fee and this is 20.94 per cent less than the actual 2009/10 fee.

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 2009/10. A separate plan for the audit of the financial statements will be issued in December 2010. 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 the Director for Finance and then prepare a report outlining the reasons why the fee needs to change for discussion with the Audit Committee.

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.

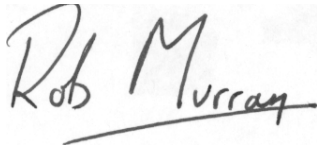
The key members of the audit team for the 2010/11 are:

Audit Manager – Natalie Thoms 07765 221759

Team Leader – to be confirmed

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 Central Region Head of Operations, Andy Perrin (a-perrin@audit-commission.gov.uk).

Yours sincerely

A handwritten signature in black ink that reads "Rob Murray". The signature is written in a cursive style with a horizontal line underneath the name.

Rob Murray
District Auditor

cc Margaret Lee, Director for Finance
 Councillor Michael Lager, Chair of the 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
Audit plan	December 2010
Annual governance report	September 2011
Auditor's report giving the opinion on the financial statements	September 2011
Final accounts memorandum (to Chief Financial Officer)	October 2011
Annual audit letter	November 2011