

27 April 2009

Mr Martin Smith
Chief Executive
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Dear Martin

Tower Hamlets Pension Fund Annual audit fee 2009/10

Further to the discussions my staff have been having with yours, I am writing to confirm the audit work that we propose to undertake for the 2009/10 financial year on the Tower Hamlets 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 2009/10.

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 indicative fee for the Pension Fund audit for 2009/10 is for £38,500 (exclusive of VAT) which compares to the planned fee of £38,000 for 2008/09. The Audit Commission has published its work programme and scales of fees 2009/10. The scale fee for Tower Hamlets Pension Fund is £38,500.

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 Pension Fund will be issued by February 2010. This will detail the risks identified, planned audit procedures and any changes in fee. However, we are aware of the following risk at this stage:

Table 1 Opinion risks

Risk	Response
The current economic climate may place pressure on the financial health of the Pension Fund creating a risk that inappropriate valuation methods are employed.	We will review the appropriateness of estimation and valuation techniques employed by the Pension Fund to determine the value of its assets and liabilities.

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 of Resources 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 2009/10 are:

- Senior Audit Manager – Sharon Martin 020 7364 4783 or 07812 344672
- Audit Manager – Shona Milton 020 7364 4783 or 07812 157709

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 London Region Head of Operations, Les Kidner.

Yours sincerely

Jon Hayes
District Auditor

cc Chris Naylor, Director of Resources
Sharon Martin, Senior Audit Manager
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 2 **Planned outputs**

Planned output	Indicative date
Opinion audit plan	February 2010
Annual governance report	September 2010
Auditor's report giving the opinion on the financial statements	September 2010