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Mr R Partington
Managing Director
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Our ref TWC/1213/FeeLetter

14 September 2012

Dear Richard

Annual audit fee 2012/13

I am writing to confirm the audit work and fee that we propose for the 2012/13 financial year at Telford & Wrekin Council. Our proposals are 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.

As we have not yet completed our audit for 2011/12 the audit planning process for 2012/13, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary. We will naturally keep you informed.

The proposed indicative fee for the audit for 2012/13 is £155,088 (plus VAT). This compares to the planned fee of £258,480 for 2011/12.

The proposed audit fee represents a 40% reduction compared to the previous audit year and is in line with the scale fee recommended by the Audit Commission.

The indicative fee is based on a number of assumptions, including that you will provide us with complete and materially accurate financial statements, with good quality supporting working papers, within agreed timeframes. It is imperative that you achieve this. If this is not the case and we have to complete more work than was envisaged, we will need to charge additional fees for this work. My assumptions are set out in more detail in Appendix 1 to this letter.

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 2011/12.

We will issue a separate plan for the audit of the 2012/13 financial statements later this year. This will detail the risks identified, planned audit procedures and (if required) 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 Ken Clarke - the Assistant Director: Finance, Audit & Information

Governance and then prepare a report for the Audit Committee, outlining the reasons why the fee needs to change.

Due to historic timing differences, the 2011/12 audit fee funded our VFM audit work for 2010/11. To eliminate this anomaly and align the charging principles for the VFM conclusion with those for the financial statements audit, I am including an additional one-off amount in this year's fee letter for the work to support the 2011/12 VFM conclusion. This additional fee is £25,800.

From 2012/13, the Audit Commission is replacing the previous schedule of hourly fee rates with a composite indicative fee for certification work for each body. The Commission has calculated an indicative fee which is based on actual certification fees for 2010/11, adjusted to reflect the fact that a number of schemes will no longer require auditor certification, and incorporating the general reduction to its fee scales. However, the number of claims and returns requiring certification at Telford & Wrekin Council remains unchanged from 2011/12 and therefore the we also consider that the time it will take us to complete our certification work will also remain unchanged.

As a result of this, I estimate that the fee for the certification of 2012/13 grants and returns will need to be confirmed in due course and following further discussions with the Authority. Our fee will be based on the expected cost of completing our grant certification work for 2011/12 and the Council continuing to require the following schemes to be certified: housing and council tax benefits scheme; national non-domestic rates return; and teachers' pension return.

The indicative certification fee is further based on the expectation that you are able to provide us with complete and materially accurate claims and returns, with supporting working papers, within agreed timeframes.

In summary, the indicative fees set out in this letter are:

Audit area	Planned fee 2012/13	Planned fee 2011/12
Audit fee	£155,088	£258,480
Certification fee	TBC	£35,000
Total	TBC	£293,480

Due to the delay in confirming auditor appointments by the Audit Commission, the first payment will be due in September 2012 for the first half of the year and we will issue our invoice shortly. This excludes the additional one-off fee of £25,800 to re-align the fee for our VFM work, which we will bill separately.

The proposed fee excludes any additional work we may agree to undertake at the request of Telford & Wrekin Council. Any such piece of work will be separately discussed and a detailed project specification agreed with you.

I expect to issue a number of reports relating to my work over the course of the audit. These are listed at Appendix 2.

In addition to myself, the key members of our audit team for the 2012/13 audit are:

Name	Role	Contact details
Andrew Cardoza	Senior Manager	andrew.cardoza@kpmg.co.uk +44 (0) 121 232 3869 +44 (0) 771 186 9957
Heather Garrett	Manager	heather.garrett@kpmg.co.uk +44 (0) 161 246 4294 +44 (0) 777 191 2816
Adam Bunting	Assistant Manager	adam.bunting@kpmg.co.uk +44 (0) 121 232 3253 +44 (0) 784 713 7589
Sophie Whelan	Senior Auditor	sophie.whelan@kpmg.co.uk +44 (0) 121 232 3694 +44 (0) 791 789 4110

We are 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 KPMG's national contact partner for Audit Commission work, Trevor Rees (trevor.rees@kpmg.co.uk).

If we are unable to satisfy your concerns, you have the right to make a formal complaint to the Audit Commission. The complaints procedure is set out in the leaflet '*Something to Complain About*', which is available from the Commission's website (www.audit-commission.gov.uk) or on request.

Yours sincerely

Michael McDonagh
Partner, KPMG LLP

cc: Ken Clarke (Assistant Director: Finance, Audit & Information Governance)
Paul Clifford (Corporate Director)

Appendix 1 – Audit fee assumptions

In setting the fee, I have assumed that:

- the level of risk in relation to the audit of the financial statements is not significantly different from that identified for 2011/12;
- you will inform us of significant developments impacting on our audit;
- internal audit meets the appropriate professional standards;
- internal audit undertakes appropriate work on all systems that provide material figures in the financial statements sufficient that we can place reliance for the purposes of our audit;
- you will identify and implement any changes required under the CIPFA IFRS-based Code of Practice on local Authority Accounting within your 2012/13 financial statements;
- your financial statements will be made available for audit in line with the timetable we agree with you;
- good quality working papers and records will be provided to support the financial statements in line with our *prepared by client* request and by the date we agree with you;
- requested information will be provided within agreed timescales;
- prompt responses will be provided to draft reports;
- complete and materially accurate claims and returns are provided for certification, with supporting working papers, within agreed timeframes;
- the grant claims and returns requiring certification are as listed above; and
- additional work will not be required to address questions or objections raised by local government electors or for special investigations such as those arising from disclosures under the Public Interest Disclosure Act 1998.

Improvements to the above factors may allow reductions to the audit fee in future years. Where these assumptions are not met, we will be required to undertake additional work which is likely to result in an increased audit fee. The fee for the audit of the financial statements will be revisited when we issue the financial statements audit plan.

Any changes to our audit plan and fee will be agreed with you. Changes may be required if:

- new residual audit risks emerge;
- additional work is required by the Audit Commission, KPMG or other regulators; or
- additional work is required as a result of changes in legislation, professional standards or as a result of changes in financial reporting.



Appendix 2: Planned outputs

Our reports will be discussed and agreed with the appropriate officers before being issued to the Audit Committee.

Planned output	Indicative date
Financial Statements audit plan	December 2012
Interim audit report	June 2013
Report to those charged with governance (ISA260 report)	September 2013
Auditor's report giving the opinion on the financial statements, value for money conclusion and audit certificate	September 2013
Opinion on Whole of Government Accounts return	September 2013
Annual audit letter	December 2013
Certification of grant claims and returns	April 2014