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Mr R Partington  
Managing Director  
Telford & Wrekin Council  
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Our ref TWC/1213/FeeLetter

15 January 2013

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.

This letter replaces the previous document which we issued on 14 September 2012 and presented to the Audit Committee on 25 September 2012.

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 Richard Partington – Managing Director, and 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.



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. Based on these changes, I estimate that the fee for the certification of 2012/13 grants and returns will be £16,850 (plus VAT). This is based on 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 | £16,850             | £35,000             |
| <b>Total</b>      | <b>£171,938</b>     | <b>£293,480</b>     |

Due to the delay in confirming auditor appointments by the Audit Commission, the first payment was due in September 2012 for the first half of the year. This was invoiced in September and we confirm that payment has been received.

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  |
|-----------------|-------------------|--|
| Heather Garrett | Senior Manager    | heather.garrett@kpmg.co.uk<br>+44 (0) 161 246 4294<br>+44 (0) 777 191 2816 |
| Adam Bunting    | Assistant Manager | adam.bunting@kpmg.co.uk<br>+44 (0) 121 232 3253<br>+44 (0) 784 713 7589    |
| Sophie Whelan   | Assistant Manager | sophie.whelan@kpmg.co.uk<br>+44 (0) 121 232 3694<br>+44 (0) 791 789 4110   |



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Annual audit fee 2012/13  
15 January 2013

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](http://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.

| <b>Planned output</b>   | <b>Indicative date</b> |
|---|------------------------|
| Financial Statements audit plan   | March 2013             |
| 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             |

