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Mr R Partington
Managing Director
Telford & Wrekin Council
Addenbrooke House
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Telford Centre
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Our ref TWC/1415/FeeLetter

28 April 2014

Dear Richard

Annual audit fee 2014/15

I am writing to confirm the audit work and fee that we propose for the 2014/15 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 2013/14, the audit planning process for 2014/15, (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 audit and certification fees for 2014/15 are shown below, along with a comparison with the prior year's audit. All fees are exclusive of VAT.

Audit area	Planned fee 2014/15	Planned fee 2013/14
Code of Audit Practice audit fee	155,088	155,088
Certification of grant claims & returns	9,540	12,319
Total	164,628	170,708

The main audit fee is unchanged from both 2013/14 and 2012/13 and is in line with the scale fee recommended by the Audit Commission.

The fee quoted above for the 2013/14 certification work differs from that originally quoted in our fee letter. This is due to the scale fee being revised by the Audit Commission and the scope of certification work being reduced. It also incorporates a reduction in the level of work required in relation to the housing benefit subsidy as a result of council tax benefits being replaced by localised schemes. We have set out a reconciliation of these changes below.

	Certification of grant claims & returns 2013/14
Indicative fee quoted in our letter dated 26 April 2013	13,586
Audit Commission revision of scale fee	3,714
Removal of Teacher's Pension Return (PEN05) from certification	(3,301)
Reduction to reflect localisation of council tax benefits	(1,680)
Total	12,319

DCLG and HM Treasury are working with grant-paying bodies to develop assurance arrangements for certifying claims and returns following the closure of the Commission. These new arrangements to apply with immediate effect and therefore the Teachers' Pensions return (PEN05) now falls outside the Commission's arrangements and as a result we will not be required to carry out any work in relation to this return. The certification of the National Non-Domestic Rates return (LA01) has also been removed from the Commission's 2013/14 certification process, with DWP currently considering how alternative assurance will be sourced.

The Department for Work and Pensions (DWP) has asked the Audit Commission to prepare auditor guidance for the certification of housing benefit subsidy for 2014/15. We will therefore continue to certify the housing benefit subsidy claim under the Audit Commission's arrangements.

As a result of the changes, the estimated indicative certification fee above therefore only covers work on Housing Benefit Subsidy and has been reduced accordingly when compared with the 2012/13 fee. It is expected that arrangements for 2015/16 onwards will be made on a similar basis by an independent private company to be set up by the Local Government Association, which will take on transitional responsibility for the management of the Audit Commission's audit contracts following its closure in March 2015.

The indicative fees are 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. Our 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 and certification work is not significantly different from that identified for the 2013/14 audit. A more detailed audit plan will be issued later this financial 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 you and Ken Clarke and then prepare a report for the Audit Committee, outlining the reasons why the fee needs to change.

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

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.

The key members of our audit team for the 2014/15 audit are:

Name	Role	Contact details
Adam Bunting	Manager	adam.bunting@kpmg.co.uk +44 (0) 7876 137589
Sophie Whelan	Assistant Manager	sophie.whelan@kpmg.co.uk +44 (0) 7825 125272

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

Ian Pennington
Director

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

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 2013/14;
- 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 2014/15 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 accurate claims and returns are provided for certification, with supporting working papers, within agreed timeframes; 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 and charge an increased audit fee. The fee for the audit of the financial statements will be re-visited when we issue the detailed 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
External audit plan	January 2015
Interim audit report (if required)	June 2015
Report to those charged with governance (ISA260 report)	September 2015
Auditor's report giving the opinion on the financial statements, value for money conclusion and audit certificate	September 2015
Opinion on Whole of Government Accounts return	September 2015
Annual audit letter	January 2016
Certification of grant claims and returns	January 2016