



Our Ref GP/EB/S09000039/Ltr1

Rachel Musson
Head of Finance and Commerce
Shropshire Council
Shirehall
Abbey Foregate
Shrewsbury
Shropshire SY2 6ND

Grant Thornton UK LLP
Colmore Plaza
20 Colmore Circus
Birmingham
B4 6AT

T +44 (0)121 232 4000

www.grant-thornton.co.uk

20 December 2012

Dear Rachel

Planned audit fee for 2012/13

We are delighted to have been appointed by the Audit Commission as auditors to the Council and look forward to providing you with a high quality external audit service for at least the next five years. We look forward to developing our relationship with you over the coming months, ensuring that you receive the quality of external audit you expect and have access to a broad range of specialist skills where you would like our support.

The Audit Commission has set its proposed work programme and scales of fees for 2012/13. In this letter we set out details of the audit fee for the Council along with the scope and timing of our work and details of our team.

Scale fee

The Audit Commission defines the scale audit fee as “the fee required by auditors to carry out the work necessary to meet their statutory responsibilities in accordance with the Code of Audit Practice. It represents the best estimate of the fee required to complete an audit where the audited body has no significant audit risks and it has in place a sound control environment that ensures the auditor is provided with complete and materially accurate financial statements with supporting working papers within agreed timeframes.”

For 2012/13, the Commission has independently set the scale fee for all bodies. The Council's scale fee for 2012/13 is £177,390. However, as part of our initial audit planning we have identified additional significant risks that impact upon our responsibilities in forming our Value For Money (VFM) conclusion:

- 1 to achieve its strategic outcomes and deliver its medium term financial plan the Council has determined that it must be able to provide services differently, to trade so as to gain new sources of funding, and to partner with others to reduce costs and increase effectiveness. The creation of a company, Inspiring Partnerships and Enterprise Ltd (ip&e), to act as a new delivery vehicle and the transfer of Council services to it with the associated changes in governance arrangements will be a significant programme with accompanying risks for the Council;
- 2 the Council is continuing to experience on-going financial pressures with relatively low levels of reserves. As part of our work we will need to assess whether there has been any impacts upon expected service delivery and performance during 2012/13 together with consideration of the impact on the medium term financial planning of the Council; and,

Chartered Accountants

Member firm within Grant Thornton International Ltd
Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No.OC307742. Registered office: Grant Thornton House, Melton Street, Euston Square, London NW1 2EP
A list of members is available from our registered office.

Grant Thornton UK LLP is authorised and regulated by the Financial Services Authority for investment business.

- 3 there will be significant changes to the Council's Leadership Team, its responsibilities and governance arrangements during the year which we will need to consider.

As a result of these additional risks we will need to undertake additional audit work and are proposing to increase the scale fee to £212,390. This compares to the audit fee of £295,650 for 2011/12 and still represents a reduction of 28%. Further details relating to this additional work are provided in the VFM section of this fee letter whilst details of the standard work programme and individual scale fees for all audited bodies are set out on the Audit Commission's website at: www.audit-commission.gov.uk/scaleoffees1213.

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 as our work progresses.

Scope of the audit fee

Our 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 2012/13. It covers:

- our audit of your financial statements
- our work to reach a conclusion on the economy, efficiency and effectiveness in your use of resources (the value for money conclusion)
- our work on your whole of government accounts return.

Value for money conclusion

Under the Audit Commission Act, we must be satisfied that the Council has adequate arrangements in place to secure economy, efficiency and effectiveness in its use of resources, focusing on the arrangements for:

- securing financial resilience; and
- prioritising resources within tighter budgets.

We undertake a risk assessment to identify any significant risks which we will need to address before reaching our value for money conclusion. We will assess the Council's financial resilience as part of our work on the VFM conclusion and a separate report of our findings will be provided.

Our planning has identified that the following additional work is required in order for us to reach our conclusions:

- an ongoing review of the governance and risk arrangements relating to the development of a new entity, the ip&e, which is a wholly owned public limited company being set up by the Council. The work will consider the effectiveness of the arrangements in place for project and risk management by the Council from business planning through to the proper transfer of resources and assets. This will be to ensure that the entity has a robust foundation upon which it can move forward and support the Council in achieving its' strategic outcomes and delivering services economically, efficiently and effectively; and,
- review of the on-going financial pressures faced by the Council and how they impact upon service delivery and performance through to 2013/14, together with consideration of the impact on the medium term financial planning of the Council.

Certification of grant claims and returns

The Audit Commission has replaced the previous schedule of hourly rates for certification work with a composite indicative fee. This composite fee, which is set by the Audit Commission, is based on actual 2010/11 fees adjusted to reflect a reduction in the number of schemes which require auditor certification and incorporating a 40% fee reduction. The composite indicative fee grant certification for the Council is £26,650.

Pension Fund audit

The Audit Commission has established a scale of fees for pension fund audits based on a fixed element with uplift based on the percentage of net assets. The scale fee for the audit of the pension fund is £23,425. Our work on the pension fund will be undertaken in June 2012 by our specialist pension fund audit team, led by Johanna Wong.

Billing schedule

Our fees are billed quarterly in advance. Given the timing of our appointment we will raise a bill for two quarters in December 2012 with normal quarterly billing thereafter. Our fees will be billed as follows:

Main Audit fee	£212,390
December 2012	£88,695
March 2013	£61,848
June 2013	£61,847
Grant Certification	£26,650
June 2013	26,650
Total	£239,040
<hr/>	
Pension Fund audit	£23,425
September 2013	23,425

Outline audit timetable

We will undertake our audit planning and interim audit procedures in January to February 2013. Upon completion of this phase of our work we will issue our detailed audit plan setting out our findings and details of our audit approach. Our final accounts audit and work on the VFM conclusion will be completed in July / August 2013 and work on the whole of government accounts return in September 2013.

Phase of work	Timing	Outputs	Comments
Audit planning and interim audit	January to February 2013	Audit plan	The plan summarises the findings of our audit planning and our approach to the audit of the Council's accounts and VFM.
Final accounts audit	July to Sept 2013	Report to those charged with governance	This report will set out the findings of our accounts audit and VFM work for the consideration of those charged with governance.
VFM conclusion	Jan to Sept 2013	Report to those charged with governance	As above.
Financial resilience	Jan to Sept 2013	Financial resilience report	Report summarising the outcome of our work.
Whole of government accounts	September 2013	Opinion on the WGA return	This work will be completed alongside the accounts audit.
Annual audit letter	October 2013	Annual audit letter to the Council	The letter will summarise the findings of all aspects of our work.
Grant certification	June to December 2013	Grant certification report	A report summarising the findings of our grant certification work

Our team

The key members of the audit team for 2012/13 remain unchanged:

	Name	Phone Number	E-mail
Engagement Lead	Grant Patterson	0121 232 5268	grant.b.patterson@uk.gt.com
Engagement Manager	Erik Bagnall	0121 232 5415	erik.k.bagnall@uk.gt.com
VFM/Advisory Lead	Karen Smith	0117 305 7778	karen.smith@uk.gt.com
Audit Executive	Bethan Vaghela	0121 232 5268	bethan.vaghela@uk.gt.com
Audit Executive – Pension audit	Johanna Wong	0121 232 5262	johanna.wong@uk.gt.com

Additional work

The revised scale fee excludes any work requested by the Council that we may agree to undertake outside of our Code audit. Each additional piece of work will be separately agreed and a detailed project specification and fee agreed with the Council.

Quality assurance

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 Jon Roberts, our Public Sector Assurance regional lead partner (Jon.Roberts@uk.gt.com) .

Yours sincerely

Grant Patterson
For Grant Thornton UK LLP