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Our Ref GP/EJM/S09000039/2014-15 Fee Letter

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Dear James,

## **Planned audit fee for 2014/15**

The Audit Commission has set its proposed work programme and scales of fees for 2014/15. 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.”

The Council's scale fee for 2014/15 has been set by the Audit Commission at £177,390, which is the same as the audit fee for 2013/14.

Further details of the 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/audit-regime/audit-fees/proposed-work-programme-and-scales-of-fees-201415](http://www.audit-commission.gov.uk/audit-regime/audit-fees/proposed-work-programme-and-scales-of-fees-201415)

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 as our work progresses.

## **Scope of the audit fee**

The scale fee 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.

## **Certification of grant claims and returns**

The Council's composite indicative grant certification fee has been set by the Audit Commission at £15,340 (a reduction from the actual for 2012/13 of £26,650 and indicative scale fee of £27,600 for 2013/14).

The 2014/15 indicative certification fee is based upon the latest final certification fees available, for 2012/13 certification, and covers the certification of your housing benefit subsidy claim only. This claim has been further reduced to reflect the removal of council tax benefit from subsidy claims from April 2013.

As the appointed auditor we are required to decide the work necessary to certify the claim or return and to seek to agree any proposed variation to the indicative fee with the audited body. Only fee variations approved by the Commission can be invoiced or refunded to the Council. In its Work Programmes Scales and Fees 2014/15 publication the Audit Commission notes that it only expects variations from the indicative fee to occur where issues arise that are significantly different from those identified and reflected in the actual 2012/13 fee.

## **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 £23,427, which is the same as the original audit scale fee for 2013/14.

In line with Audit Commission standing guidance we are required to provide assurance to admitted body auditors over the reliability of the information provided by the Pension Fund to the actuary for the purposes of them making their IAS 19 estimates. For the 2012/13 year of audit the Audit Commission agreed an upward fee variation of £1,979 to cover this work. As in 2012/13 and 2013/14 the Audit Commission has confirmed that this work is not included within the scale fee. As a result, a similar fee variation will be proposed to cover the cost of the work required by the admitted bodies for 2014/15.

In 2012/13 KPMG undertook audit work on our behalf to provide assurance in respect of contributions paid into the fund by Telford & Wrekin Council. Prior to the new Audit Commission contracts coming into being the costs of this work were met from the audit fee and paid directly to KPMG.

We still propose to meet the costs of the work from the audit fee, however under the new contracts the costs of the work must be processed as fee variations. KPMG are proposing an increase in the fees to be billed to Telford & Wrekin Council of £2,976. These costs will be passed onto the Pension Fund. We will therefore be proposing a downward variation in the fee billable to the Pension Fund of £2,976 to ensure there is no net cost to the Pension Fund. Both of the variations will be subject to Audit Commission approval.

Our work on the pension fund will be undertaken in June and July 2015 by our specialist pension fund audit team, led by Ashley Wilson.

## Billing schedule

Fees will be billed as follows:

<b>Main Audit fee</b>	<b>£</b>
September 2014	44,348
December 2014	44,348
March 2015	44,348
June 2015	44,346
<b>Main Audit fee total</b>	<b>177,390</b>
<b>Grant Certification</b>	<b>£</b>
December 2015	15,340
<b>Total</b>	<b>192,730</b>
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<b>Pension Fund audit</b>	<b>£</b>
June 2014 – anticipated repayment of the element of 2012/13 fee to meet costs of work by KPMG to be recharged to the Council	(2,976)
September 2014 – proposed variation to scale fee for IAS 19 work	1,979
September 2014 – 2014/15 scale fee	23,427
<b>Total</b>	<b>22,430</b>

## Outline audit timetable

We will undertake our audit planning and interim audit procedures from December 2014 to March 2015. Upon completion of this phase of our work we will issue a 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 and August 2015 and work on the whole of government accounts return in September 2015.

Phase of work	Timing	Outputs	Comments
Audit planning and interim audit	December 2014 to March 2015	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 September 2015	Audit Findings (Report to those charged with governance)	This report sets out the findings of our accounts audit and VfM work for the consideration of those charged with governance.
VfM conclusion	January to September 2015	Audit Findings (Report to those charged with governance)	As above.
Financial resilience	January to September 2015	Financial resilience report	Report summarising the outcome of our work.
Whole of government accounts	September 2015	Opinion on the WGA return	This work will be completed alongside the accounts audit.
Annual audit letter	October 2015	Annual audit letter to the Council	The letter will summarise the findings of all aspects of our work.
Grant certification	June to December 2015	Grant certification report	A report summarising the findings of our grant certification work

## Our team

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

	Name	Phone Number	E-mail
Engagement Lead	Grant Patterson	0121 232 5296	<a href="mailto:grant.b.patterson@uk.gt.com">grant.b.patterson@uk.gt.com</a>
Engagement Manager	Emily Mayne	07880 456112	<a href="mailto:emily.j.mayne@uk.gt.com">emily.j.mayne@uk.gt.com</a>
VFM/Advisory Lead	Ian Barber	0121 232 5357	<a href="mailto:ian.m.barber@uk.gt.com">ian.m.barber@uk.gt.com</a>
Pensions Audit Manager	Ashley Wilson	0121 232 5430	<a href="mailto:ashley.l.wilson@uk.gt.com">ashley.l.wilson@uk.gt.com</a>

## Additional work

The 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.

## Other matters

The scope of the audit and scale fee outlined above do not presently reflect the potential impact of continuing developments at the Council. In particular, any potential growth in size of the Inspiring Partnerships and Enterprise Limited (ip&e) wholly owned company as 2014/15 will see the introduction of new group accounting standards. Dependent upon the services that may possibly be transferred to the company and the level of its turnover there maybe:

- issues that will require further consideration during our audit planning process; and,
- additional audit procedures to be undertaken in completing the group accounts audit.

We may therefore need to revisit the scale fee in order to reflect any additional audit risks. Should this be needed we will discuss this with you and, if necessary, seek Audit Commission approval of any proposed changes to the scale fee.

## 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](mailto:jon.roberts@uk.gt.com)).

Yours sincerely



**Grant Patterson**  
For Grant Thornton UK LLP

