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Dear Janet

Planned audit fee for 2012/13

We are delighted to have been appointed by the Audit Commission as auditors to the London Borough of Lewisham (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 your audit fee 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. Your scale fee for 2012/13 is £255,044, which compares to the audit fee of £425,074 for 2011/12, a reduction of 40%.

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/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); and

Chartered Accountants

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- 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 value for money conclusion and a separate report of our findings will be provided.

Our planning to date has not identified any additional work which we are required to undertake to support our value for money conclusion. We will continue to assess the Council's arrangements and discuss any additional work required during the year.

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 for grant certification for the Council is £78,750. This assumes that no additional testing will be required on any grant claim and return.

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 £21,000. Our work on the pension fund will be undertaken in July to September 2013.

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	£
December 2012	127,522
March 2013	63,761
June 2013	63,761
Total main audit fee	255,044
Grant Certification	
June 2013	78,750
Total	333,794
Pension Fund audit	
September 2013	21,000

Outline audit timetable

We will undertake our audit planning and interim audit procedures in January 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 value for money conclusion will be completed in September 2013 as well as our work on the whole of government accounts return.

Phase of work	Timing	Outputs	Comments
Audit planning and interim audit	January 2013	Audit plan	The plan summarises the findings of our audit planning and our approach to the audit of your accounts and value for money.
Final accounts audit	June to September 2013	Report to those charged with governance	This report will set out the findings of our accounts audit and value for money work for the consideration of those charged with governance.
Value for money conclusion	January to September 2013	Report to those charged with governance	As above
Financial resilience	January to September 2013	Financial resilience report	Report summarising the outcome of our work.
Whole of Government accounts	September 2013	Opinion on the Whole of Government accounts 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 are:

	Name	Phone Number	E-mail
Engagement Lead	Darren Wells	01293 554 130	Darren.J.Wells@uk.gt.com
Engagement Manager	Jamie Bewick	01293 554 138	Jamie.N.Bewick@uk.gt.com
Support Audit Manager	Ade Oyerinde	020 7728 3332	Ade.O.Oyerinde@uk.gt.com
Audit Executive	Stephen Richards	020 7728 3340	Stephen.J.Richards@uk.gt.com

Additional work

The scale fee excludes any work requested by you 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 you.

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 Paul Dossett, our Public Sector Assurance regional lead partner (Paul.Dossett@uk.gt.com).

Yours sincerely



Darren Wells
For Grant Thornton UK LLP