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Our ref cw/rlt

7 September 2012

Dear Michael

**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 Wiltshire 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 2011/12, 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. We will naturally keep you informed.

The proposed indicative fee for the audit for 2012/13 is £222,156 (plus VAT). This compares to the planned fee of £370,260 for 2011/12.

Audit area	Planned fee 2012/13	Planned fee 2011/12
Code of Audit Practice audit fee	222,156	370,260

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.

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 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 £34,550 (plus VAT). This based on the Council requiring the following schemes to be certified:

- Pooling of housing capital receipts;

- Teachers Pension Return;
- National non-domestic rates return; and
- Housing and Council tax benefit scheme.

The indicative fee(s) is/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. My assumptions are set out in more detail in Appendix 1 to this letter.

In setting the fees 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 to 2011/12.

We have recently discussed completing an Internal Audit effectiveness review as SWAP will have been in place for a year in November. I have completed an initial high level scoping and consider that the following should be included:

- review the process to set the annual strategy and assess SWAP's consideration of the impact of corporate risks and change programmes and how gaps in assurance are identified;
- review internal audit's charter and service level agreement;
- review internal audit's key performance indicators;
- review a sample of internal audits detailed working papers and reports;
- review a sample of Audit Committee reporting in form of annual strategy, progress reports and annual opinions together with the detailed;
- review SWAP's quality assurance processes; and
- complete a series of interviews with key stakeholders to gain direct feedback on their views internal audit's performance.

The fee proposal set out above does not currently include this review. We will discuss this with you in more detail when we agree of the scoping of the work.

In addition, the fee does not, reflect any additional audit work and fee that may be required as a result of the Council's planned replacement of its Housing Rents system, Simdell, during 2012/13. We are still considering the audit implications of this system change and discussing the approach with officers. I will therefore discuss and agree with you separately any additional work and fee that may be required, although I anticipate that this would be a one-off factor affecting the only 2012/13.



A more detailed audit plan will be issued 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 you and then prepare a report for the Audit Committee, outlining the reasons why the fee needs to change.

I expect to issue a number of reports relating to my 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 your request. Any such piece of work will be separately discussed and a detailed project specification agreed with you.

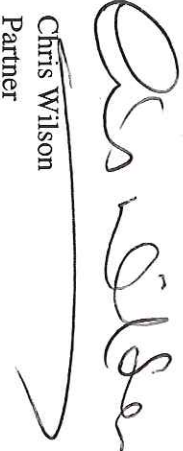
The key members of our audit team for the 2012/13 audit are:

Name	Role	Contact details
Darren Gilbert	Senior Manager	Darren.gilbert@kpmg.co.uk 029 2046 8205
Rachael Tonkin	Manager	Rachael.tonkin@kpmg.co.uk 0117 905 4654

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



Chris Wilson  
Partner



## 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 re-visited when we issue the external 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>
External 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	November 2013
Certification of grant claims and returns	February 2014