



Private & Confidential

Andrew Blake Herbert
Group Director Finance and Commerce
London Borough of Havering
Town Hall
Main Road
Romford
RM1 3BB

11 April 2013

Dear Andrew,

Annual Audit Fee 2013/14

We are writing to tell you about the audit fee for the 2013/14 financial year at the London Borough of Havering. The fee is based on the risk-based approach to audit planning set out in the Audit Commission's Code of Audit Practice and work mandated by the Commission for 2013/14.

The total indicative fee for the 2013/14 audit is £253,059 (excluding VAT) which compares to the estimated outturn fee of £257,359 for 2012/13, as summarised below:

Audit area	Planned fee 2013/14	Estimated outturn fee 2012/13
	£	£
Financial statements, local value for money conclusion (including risk-based audit work) and Whole of Government Accounts	199,859	202,359
Pension fund audit	21,000	21,000
Certification of claims and returns	32,200	34,000
Total audit fees	253,059	257,359

The Audit Commission work programme for 2013/14 is essentially the same as the 2012/13 programme, and scale fees remain unchanged. The fee proposed for 2013/14 is in line with the scale fee.

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Our audit fee is based on a number of assumptions, including that:

- we will undertake sufficient work to meet the requirements of the Code of Audit Practice and Auditing Standards, based on the risks relevant to the Authority;
- we will undertake sufficient work to conclude on value for money;
- the general level of audit risk is similar to 2012/13;
- you will meet the agreed timetable for the preparation of the accounts;
- you will prepare and review working papers to meet the agreed timetable and our requirements;
- we will be able to rely on the continuing operation of your systems and processes;
- you discuss any unusual, new or complex transactions with us as they occur so that we can understand the detail and agree the necessary accounting treatment;
- your staff are available to answer our questions while we are on site; and
- you will provide us with named contacts for audit queries and respond within an agreed timescale.

A separate audit plan will be issued in January 2014. This will set out the audit risks, our planned audit procedures and any changes in fee. If we need to make any significant amendments to the audit fee during the course of the audit, we will discuss the reasons for this with you, and notify the Audit Committee.

Value for money conclusion

Our value for money conclusion is based on our assessment of two criteria: whether the organisation has proper arrangements for:

- securing financial resilience; and
- challenging how it is prioritising resources.

If our audit planning identifies risks in relation to our value for money conclusion, we will consider the arrangements to mitigate the risks, and plan our work accordingly.

Value for money work

We will apply a “light touch” approach to our Value for Money work at the authority, based primarily on a review of the annual governance statement. We will conclude whether there are any matters arising from this work and will include these in the audit report at the end of the audit.

Certification of claims and returns

From 2012/13, the Audit Commission replaced the previous schedule of maximum hourly rates with an indicative fee for certification work for each body. Your indicative certification fee for 2013/14 is £32,200.

Auditors do not certify claims and returns below £125,000. The threshold below which auditors undertake only limited tests will remain at £500,000. Above this threshold, certification work takes account of the audited body’s control environment for preparing the claim or return.



Other matters

We will issue a number of reports relating to our work over the course of the audit. These are listed at Appendix 1.

The key members of the audit team for the 2013/14 are:

Engagement Leader – Julian Rickett	+44 (0)1603 883321/julian.c.rickett@uk.pwc.com
Engagement Director – Ciaran McLaughlin	(0)207 213 5253/ ciaran.t.mclaughlin@uk.pwc.com
Senior Audit Manager – Chris Hughes	+44 (0) 7921 107 335/chris.hughes@uk.pwc.com
Team Manager – Amit Patel	+44 (0) 7715 211 544/amit.m.patel@uk.pwc.com

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 prefer to discuss matters with Paul Woolston, our Audit Commission Lead Partner at our office at 89 Sandyford Road, Newcastle Upon Tyne, NE1 8HW, or James Chalmers, UK Head of Assurance, at our office at 1 Embankment Place, London, WC2N 6NN. In this way we can ensure that your concerns are dealt with carefully and promptly. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. This will not affect your right to complain to the Institute of Chartered Accountants in England and Wales or to the Audit Commission.

Yours sincerely

A handwritten signature in blue ink that reads 'Julian Rickett'.

Julian C Rickett
Engagement leader



Appendix 1: Planned outputs

Our reports will be discussed and agreed with the appropriate officers before being issued to the Audit Committee.

Planned output	Indicative date
Audit plan	January 2014
Annual certification report (relating to claims and returns certified in the previous year)	January 2014
Internal Control Issues and recommendations for improvement	September 2014
ISA (UK&I) 260 report to those charged with governance	September 2014
Auditor's report giving the opinion on the financial statements and value for money conclusion	September 2014
Annual Audit letter	October 2014
Report on risk-based work on certification of claims and returns	December 2014