

Ged Curran  
Chief Executive  
London Borough of Merton  
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London Road  
Morden  
SM4 5DX

19 April 2013

Ref: LBMPF/1314/Fee letter

Direct line: 01189 281500

Email: poneill@uk.ey.com

Dear Mr Curran

## Annual audit fee 2013-14 for London Borough of Merton Pension Fund

We are writing to confirm the audit work that we propose to undertake to provide our audit opinion on the 2013-14 pension fund accounts. The 2013-14 fee reflects the risk-based approach promoted by the Audit Commission for audit work.

### Planned audit fee

The Audit Commission has set scales of fees as part of its five year procurement exercise. It has indicated scale fees are not liable to increase in that period unless there is a change in scope. For 2013-14 the Audit Commission has set a scale fee for each audited body. The scale fees for 2013-14 pension fund audits are the scale fees applicable for 2012-13. The scale fee is based on certain assumptions, including:

- ▶ The overall level of risk in relation to the audit of the financial statements is not significantly different from that of the prior year.
- ▶ We are able to place reliance on the work of internal audit to the maximum extent possible under auditing standards.
- ▶ The financial statements will be available to us in line with the agreed timetable.
- ▶ Working papers and records provided to us in support of the financial statements are of a good quality and are provided in line with our agreed timetable.
- ▶ Prompt responses are provided to our draft reports.

Meeting these assumptions will help ensure the delivery of our audit at the scale fee.

We have set the planned audit fee at the scale fee level which assumes the overall level of risk is not significantly different from that of 2012-13. The 2012-13 audit is in progress. We will update our risk assessment and undertake more detailed planning for the 2013-14 audit after we complete the 2012-13 audit.

	Planned fee 2013-14 £	Planned fee 2012-13 £	Actual fee 2011-12 £
Total Code audit fee	21,000	21,000	35,000

The planned audit fee will be billed in quarterly instalments.

Any additional work we may agree to undertake (outside of the Audit Code of Practice) will be separately negotiated and agreed with you in advance.

#### Audit plan

We will issue our 2013-14 audit plan for the pension fund accounts by March 2014. This will detail the accounts risks identified, planned audit procedures to respond to those risks, and any changes in fee. Should we need to make any significant amendments to the audit fee during the course of the audit, we will discuss this in the first instance with the Director of Corporate Services and, if necessary, prepare a report outlining the reasons for the fee change for discussion with the General Purposes Committee.

#### Audit team

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

Peter O'Neill Partner	<a href="mailto:poneill@uk.ey.com">poneill@uk.ey.com</a>	Tel: 01189 281500
Paul King Director	<a href="mailto:pking1@uk.ey.com">pking1@uk.ey.com</a>	Tel: 01189 281556
Michael Yeats Manager	<a href="mailto:myeats@uk.ey.com">myeats@uk.ey.com</a>	Tel: 078 666 20240

We are committed to providing you with a high quality service. If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, please contact me. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London, SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute.

Yours sincerely



Peter O'Neill  
Partner  
Ernst & Young LLP  
United Kingdom

cc. Councillor Peter McCabe Chair of General Purposes Committee  
Councillor Richard Williams, Chair of Pension Fund Advisory Committee  
Caroline Holland, Director of Corporate Services