

Ged Curran
Merton Pension Fund
Civic Centre
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Dear Ged

Annual Audit 2017/18

We are writing to confirm the audit work that we propose to undertake for the 2017/18 financial year at Merton Pension Fund.

From 1 April 2015, the duty to make arrangements for the audit of the accounts and the certification of relevant claims and returns and to prescribe scales of fees for this work was delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government. In October 2015, the Secretary of State confirmed that the transitional arrangements would be extended for one year for audits of principal local government bodies only, to cover the audit of the accounts for 2017/18. The audit contracts previously let by the Audit Commission and novated to PSAA have therefore also been extended for one year to give effect to this decision.

From 2018/19, new arrangements for local auditor appointment set out in the Local Audit and Accountability Act 2014 will apply for principal local government and police bodies.

Indicative audit fee

For the 2017/18 financial year Public Sector Audit Appointments Ltd (PSAA) has set the scale fee for each audited body, following consultation on its Work Programme and Scale of Fees. There are no planned changes to the overall work programme for 2017/18. It is therefore proposed by the PSAA that scale fees are set at the same level as the scale fees applicable for 2016/17. These fees reflect the significant reductions made to scale fees since 2012/13.

The fee reflects the risk-based approach to audit planning set out in the National Audit Office's Code of Audit Practice for the audit of local public bodies.

The audit fee covers:

- The audit of the financial statements.
- Review of the consistency of the financial information within the Pension Fund Annual Report.

For Merton Pension Fund our indicative fee is set at the scale fee level. This indicative 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
- Officers meeting the agreed timetable of deliverables;
- The operating effectiveness of the internal controls for the key processes identified within our audit strategy;
- We can rely on the work of internal audit as planned;
- Our accounts opinion being unqualified;
- Appropriate quality of documentation is provided by the council;
- There is an effective control environment; and
- Prompt responses are provided to our draft reports.

Meeting these assumptions will help ensure the delivery of our audit at the indicative audit fee which is set out in the table below.

As we have not yet completed our audit for 2016/17, our audit planning process for 2017/18 will continue as the year progresses. Fees will be reviewed and updated as necessary, within the parameters of our contract.

Summary of fees

	Indicative fee 2017/18 £	Planned fee 2016/17 £	Actual fee 2015/16 £
Total Code audit fee	21,000	21,000	21,000

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

Billing

The indicative code audit fee will be billed in 4 quarterly instalments of £5,250.

Audit plan

Our plan is expected to be issued in January 2018. This will communicate any significant financial statement risks identified, planned audit procedures to respond to those risks and any changes in fee.

It will also set out the significant risks identified in relation to the value for money conclusion. 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 Standards and General Purposes Committee.

Audit team

The key members of the audit team for the 2017/18 financial year are:

Melissa Hargreaves Executive Director	mhargreaves@uk.ey.com	Tel: 0161 333 2634
Suresh Patel Executive Director	spatel22@uk.ey.com	Tel: 020 795 12340
Simon Mather Senior Manager	smathers@uk.ey.com	Tel: 07776 493851

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



Melissa Hargreaves
Executive Director

For and on behalf of Ernst & Young LLP

cc. Councillor Peter McCabe, Chair, Standards and General Purposes Committee
Caroline Holland, Director of Corporate Services

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