

Mr Ged Curran
Chief Executive
Merton Council
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SM4 5DX

23 April 2015

Ref: Merton PF/MY/fee15-16 letter

Direct line: 0786 662040

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Dear Ged

Merton Pension Fund - Audit Scale Fee 2015/16

We are writing to confirm the audit scale fee for the 2015/16 financial year for Merton Pension Fund.

Our 2015/16 audit is the first following the closure of the Audit Commission on 31 March 2015. Public Sector Audit Appointments Ltd (PSAA), an independent company set up by the Local Government Association, will now oversee our contract until it ends in 2017 (or 2020 if extended by the Department of Communities and Local Government).

The responsibility for publishing the statutory Code of Audit Practice, under which we will conduct our audit work, has transferred to the National Audit Office.

Indicative audit fee

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, and which applies from 2015/16 audits.

The audit fee covers the

Audit of the financial statements;

The consistency of the financial information within the Pension Fund annual report.

For the 2015/16 financial year the Audit Commission has set the scale fee for each audited body as part of the procurement exercise of 2012. Consequently it is not liable to increase without a change in scope.

The 2015/16 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; 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.

For Merton Pension Fund this fee is set at the scale fee level as the overall level of audit risk is not significantly different from that of the prior year.

As we have not yet completed our audit for 2014/15, our audit planning process for 2015/16 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 2015/16 £	Planned fee 2014/15 £	Actual fee 2013/14 # £
Total Code audit fee	21,000	21,000	22,449

- the actual Code audit fee for 2013/14 included additional fees of £1,449 for extra work associated with delays in receipt of, and multiple iterations and refinements of, the datasets for analytics work

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

Audit plan

We expect to issue our plan in March 2016. This will communicate any significant financial statement 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 the 2015/16 financial year are:

Baldeep Singh

Partner

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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

Baldeep Singh

Partner

For and on behalf of Ernst & Young LLP

cc. Caroline Holland
Peter McCabe

Director of Corporate Services
Chair of the General Purposes Committee

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