

Carl Beer  
Chief Executive  
Merseyside Waste Disposal Authority  
6th Floor North House  
North John Street  
Liverpool  
L2 5QY

**Grant Thornton UK LLP**  
Royal Liver Building  
Liverpool  
L3 1PS  
T +44 (0)151 224 7200  
[www.grant-thornton.co.uk](http://www.grant-thornton.co.uk)

16 November 2012

Dear Carl

### **Planned audit fee for 2012/13**

We are delighted to have been appointed by the Audit Commission as auditors to the Authority and look forward to providing you with a high quality external audit service for at least the next five years. We look forward to developing our relationship with you over the coming months, ensuring that you receive the quality of external audit you expect and have access to a broad range of specialist skills where you would like our support.

The Audit Commission has set its proposed work programme and scales of fees for 2012/13. In this letter we set out details of the audit fee for the Authority along with the scope and timing of our work and details of our team.

### **Scale fee**

The Audit Commission defines the scale audit fee as “the fee required by auditors to carry out the work necessary to meet their statutory responsibilities in accordance with the Code of Audit Practice. It represents the best estimate of the fee required to complete an audit where the audited body has no significant audit risks and it has in place a sound control environment that ensures the auditor is provided with complete and materially accurate financial statements with supporting working papers within agreed timeframes.”

For 2012/13, the Commission has independently set the scale fee for all bodies. The Authority's scale fee for 2012/13 is £39,150 which compares to the scale fee of £65,250 for 2011/12, a reduction of 40%.

Further details of the work programme and individual scale fees for all audited bodies are set out on the Audit Commission's website at: [www.audit-commission.gov.uk/scaleoffees1213](http://www.audit-commission.gov.uk/scaleoffees1213).

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 as our work progresses.

As identified below, significant risks relating to our value for money conclusion are likely to result in additional fee.

#### **Chartered Accountants**

Member firm within Grant Thornton International Ltd  
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### **Scope of the audit fee**

Our fee is 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 for 2012/13. It covers:

- our audit of your financial statements
- our work to reach a conclusion on the economy, efficiency and effectiveness in your use of resources (the value for money conclusion)
- our work on your whole of government accounts return.

### **Value for money conclusion**

Under the Audit Commission Act, we must be satisfied that the Authority has adequate arrangements in place to secure economy, efficiency and effectiveness in its use of resources, focusing on the arrangements for:

- securing financial resilience; and
- prioritising resources within tighter budgets.

We undertake a risk assessment to identify any significant risks which we will need to address before reaching our value for money conclusion. We will assess the Authority's financial resilience as part of our work on the VFM conclusion and a separate report of our findings will be provided.

You are currently engaged in a significant procurement project - 25 year Resource Recovery Contract (RRC). A preferred bidder is likely to be appointed during 2012/13. Our preliminary planning has identified that this presents a significant risk and additional work is required in order for us to reach our conclusion.

### **Billing schedule**

Our fees are billed quarterly in advance. Given the timing of our appointment we will raise a bill for two quarters in December 2012 with normal quarterly billing thereafter. Our fees will be billed as follows:

<b>Main Audit fee</b>	<b>£</b>
December 2012	19,575
January 2013	9,787
March 2013	9,788
<b>Total</b>	<b>39,150</b>

### **Outline audit timetable**

We will undertake our audit planning and interim audit procedures in December 2012. Upon completion of this phase of our work we will issue our detailed audit plan setting out our findings and details of our audit approach. Our final accounts audit, work on the VFM conclusion and work on the whole of government accounts return will be completed in September 2013.

<b>Phase of work</b>	<b>Timing</b>	<b>Outputs</b>	<b>Comments</b>
Audit planning and interim audit	TBC	Audit plan	The plan summarises the findings of our audit planning and our approach to the audit of the Authority's accounts and VFM.
Final accounts audit	June to Sept 2013	Report to those charged with governance	This report will set out the findings of our accounts audit and VFM work for the consideration of those charged with governance.
VFM conclusion	Jan to Sept 2013	Report to those charged with governance	As above
Financial resilience	Jan to Sept 2013	Financial resilience report	Report summarising the outcome of our work.
Whole of government accounts	September 2013	Opinion on the WGA return	This work will be completed alongside the accounts audit
Annual audit letter	October 2013	Annual audit letter to the Authority	The letter will summarise the findings of all aspects of our work.

### **Our team**

The key members of the audit team for 2012/13 will be:

<b>Role</b>	<b>Name</b>	<b>Phone Number</b>	<b>E-mail</b>
Engagement Lead	Michael Thomas	0161 214 6368	Mike.Thomas@uk.gt.com
Engagement Manager	Claire Deegan	0161 214 6393	Claire.Deegan@uk.gt.com
Technical Support	Mike Read	07971 409287	Mike.Read@uk.gt.com
Audit Executive	Martin Nuttall	0161 214 6379	Martin.Nuttall@uk.gt.com

### **Additional work**

The scale fee excludes any work requested by the Authority that we may agree to undertake outside of our Code audit. Each additional piece of work will be separately agreed and a detailed project specification and fee agreed with the Authority.

### **Other matters**

We note that additional fee was charged by your auditors in 2011/12 and a management letter was issued outlining scope for improvement in the preparation of the financial statements and supporting working papers. We will discuss these matters with management and consider the potential impact on fees for 2012/13.

**Quality assurance**

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, Sarah Howard, our Head of Public Sector Assurance ([sarah.howard@uk.gt.com](mailto:sarah.howard@uk.gt.com)) .

Yours sincerely

Michael Thomas

For Grant Thornton UK LLP