
EXTERNAL AUDIT 2018/19 FEE LETTER

1 PURPOSE OF REPORT

- 1.1 This report serves to advise Members of the proposed annual audit fees for 2018/19.

2 INTRODUCTION

- 2.1 The Council's external auditors, Ernst & Young, have set out the proposed fees for the audit of the 2018/19 financial year. The letter is attached as appendix 1.
- 2.2 It should be noted that the Council has appointed a separate auditor for the audit of its Housing Benefit Subsidy claim in 2018/19; this will be carried out by BDO following a separate procurement process. A fee letter has not been sent by BDO for this work yet, but will be presented to a later Audit Committee meeting, once received.

3 RESOURCE IMPLICATIONS

- 3.1 The letter sets out the proposed fees for the core audit work, which is £36,696 plus VAT. For the 2018/19 financial year, Public Sector Audit Appointments (PSSA) has set the scale fee for each audited body that has opted into its national auditor appointment scheme. Following consultation on its Work Programme and Scale of Fees, PSAA has reduced the 2018/19 scale audit fee for all opted-in bodies by 23 per cent from the fees applicable for 2017/18.
- 3.2 If Ernst & Young need to make changes to the proposed fees during the course of their audit work, this will be via a scale fee variation and will be discussed with the Section 151 Officer in the first instance. If necessary, a report will be prepared outlining the reasoning for a fee change for discussion with the Audit Committee.

4 LEGAL IMPLICATIONS

- 4.1 The scale of fees for the 2018/19 financial year has been set by Public Sector Audit Appointments Ltd.

5 RECOMMENDATION

- 5.1 It is proposed that the Committee **RESOLVES**

That the Annual Audit 2018/19 Fee 2018/19 Letter be noted.



Naomi Lucas

S151 Officer

Background Papers:

None.

For further information please contact Jim Kevany on:-

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If you would like this report in large print, Braille or another language please contact 01702 318111

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13 April 2018

Ref: RDC/Fee Letter/ 2018/19

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Dear Shaun

Rochford District Council Annual Audit 2018/19

We are writing to confirm the audit that we propose to undertake for the 2018/19 financial year at Rochford District Council.

From 2018/19, new arrangements for local auditor appointment set out in the Local Audit and Accountability Act 2014 apply for principal local government and police bodies. These audited bodies are responsible for making their own arrangements for the audit of the accounts and certification of the housing benefit subsidy claim. Public Sector Audit Appointments Ltd (PSAA) has appointed auditors for bodies that have opted into the national scheme. Appointments were made for the duration of the five-year appointing period, covering the audits of the accounts for 2018/19 to 2022/23. Appointments for all bodies that had opted into the appointing person scheme before 31 December 2017 were confirmed, following consultation, in December 2017.

Indicative audit fee

For the 2018/19 financial year, PSAA has set the scale fee for each audited body that has opted into its national auditor appointment scheme. Following consultation on its Work Programme and Scale of Fees, PSAA has reduced the 2018/19 scale audit fee for all opted-in bodies by 23 per cent from the fees applicable for 2017/18.

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;
- Value for money conclusion; and
- Whole of Government accounts.

For Rochford District Council 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;
- We can rely on the work of internal audit as planned;
- Our accounts opinion and value for money conclusion being unqualified;
- Appropriate quality of documentation is provided by Rochford District 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 2017/18, our audit planning process for 2018/19 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 2018/19 £	Planned fee 2017/18 £	Actual fee 2016/17 £
Total Code audit fee	36,696	47,657*	55,526
Certification of housing benefit subsidy claim	Not Applicable	8,184	11,783

*The planned fees for 2017/18 will be subject to a scale fee variation due to changes in the scope of the audit outlined in our 2017/18 Audit Plan and summarised below:

- The change in estimation process for calculating the Business Rates Appeals Provision, which will now be calculated within the Finance Team rather than through a management expert;
- The preparation of Group Accounts for the first time;
- The governance risks relevant to the creation of Green Gateway Trading Development Ltd as part of Local Authority Trading Company arrangements with the intention that it should be used to derive income through property development; and
- The reduction in Performance Materiality from 75% of gross expenditure to 50% results from the extent and nature of errors reported in the 2016/17 financial statements.

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

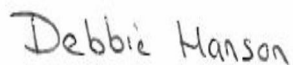
The indicative audit fee will be billed in 4 quarterly instalments.

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 Section 151 Officer and, if necessary, prepare a report outlining the reasons for the fee change for discussion with the Audit Committee.

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 as your Engagement Lead. 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



Debbie Hanson
Associate Partner
For and on behalf of Ernst & Young LLP

cc. Naomi Lucas, Section 151 Officer
Arthur Williams, Chair of the Audit Committee