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## ANNUAL AUDIT AND CERTIFICATION FEES 2017/18

### 1 PURPOSE OF REPORT

- 1.2 This report serves to advise Members of the proposed annual audit and certification fees for 2017/18.

### 2 INTRODUCTION

- 2.1 In the letter, Annual Audit and Certification Fees 2017/18, the Council's external auditor, EY, sets out the proposed fees for the audit of the 2016/17 financial year. The letter is appended.

### 3 RESOURCE IMPLICATIONS

- 3.1 The letter sets out the proposed fees, which are £47,657 plus VAT, for the core audit and an indicative £8,520 plus VAT for certification of the housing benefit subsidy claim. (This is an indicative fee based on actual 2015/16 benefit certification fees, as the actual 2015/16 benefit certification fee has not been finalised by Public Sector Audit Appointments Ltd (PSAA) at the time of writing).
- 3.2 If EY needs to make changes to the proposed fees during the course of the audit, this 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 consideration by the Audit Committee.

### 4 LEGAL IMPLICATIONS

- 4.1 The scale of fees for the 2016/17 financial year has been set by PSAA.

### 5 RECOMMENDATION

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

That the Annual Audit and Certification Fees 2017/18 Letter be noted.



Robert Manning  
S151 Officer

**Background Papers:-**

None.

For further information please contact Jim Kevany (Principal Auditor) 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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21 April 2017

Our Ref: RDC/Fee letter/ 2017/18

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Dear Shaun

### Rochford District Council Annual Audit and Certification Fees 2017/18

We are writing to confirm the audit and certification work that we propose to undertake for the 2017/18 financial year at Rochford District Council.

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. These audited bodies will be responsible for making their own arrangements for the audit of the accounts and certification of the housing benefit subsidy claim. The PSAA will play a new and different role in these arrangements.

#### 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
- Value for money conclusion
- 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;
- 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 and value for money conclusion 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.

#### Certification fee

The PSAA sets an indicative certification fee for housing benefit subsidy claim certification work for each audited benefits authority. The indicative fee for 2017/18 will be based on actual 2015/16 benefit certification fees. As the actual 2015/16 benefit certification fee has not been finalised by PSAA at the time of writing they have not yet set the 2017/18 certification fees.

The indicative certification fee is based on the expectation that an audited body is able to provide the auditor with complete and materially accurate housing benefit subsidy claim with supporting working papers, within agreed timeframes.

The indicative certification fee for 2017/18 relates to work on the housing benefit subsidy claim for the year ended 31 March 2018. We will set the certification fee at the indicative fee level. We will update our risk assessment after we complete 2016/17 benefit certification work, and to reflect any further changes in the certification arrangements.

#### Summary of fees

	Indicative fee 2017/18 £	Planned fee 2016/17 £	Actual fee 2015/16 £
Total Code audit fee	47,657	**47,657	£52,638
Certification of housing benefit subsidy claim	tbc	8,520	£8,184
Non audit work	-	-	*£750

\* We undertook non-audit work outside of the PSAA's requirements in 2015-16 to deliver training to Members at the 15 June 2016 Audit Committee.

\*\*The planned fees for 2016/17 will likely be subject to a scale fee variation increase. This arises from how the new reporting requirements from the CIPFA Code of Practice on Local Authority Accounting for 2016-17 impacts the Comprehensive Income and Expenditure Statement. We will work with officers to establish working paper requirements to minimise the impact.

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. Additionally, we will bill 25% of the indicative certification fee each quarter when it has been determined.

#### 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.

#### Audit team

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

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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



Kevin Suter

Executive Director  
For and on behalf of Ernst & Young LLP

cc. Councillor Mrs Lesley Butcher, Chair of the Audit Committee  
Robert Manning, Section 151 Officer