

AUDIT COMMITTEE

28 June 2016

ANNUAL AUDIT FEES 2016/17

REPORT OF THE HEAD OF FINANCE

Contact Officer: Liz Keys Tel No: 01962 848226 Email: LKeys@winchester.gov.uk

RECENT REFERENCES:

None

EXECUTIVE SUMMARY:

The External Auditors, Ernst & Young LLP (EY), have now presented their proposed indicative Annual Audit and Certification Fees for approval. The indicative fee for the 2016/17 audit and certification work is at the level of the scale fees set by Public Sector Audit Appointments Ltd (PSAA).

The work set out in the fee letter covers the requirements of the National Audit Office's Code of Audit Practice which applies to the 2016/17 audit.

Representatives of EY will attend the meeting to present their proposals and provide any points of clarification.

RECOMMENDATIONS:

That the Audit Committee approves the indicative annual audit fee for 2016/17.

AUDIT COMMITTEE28 JUNE 2016ANNUAL AUDIT FEES 2016/17REPORT OF CHIEF FINANCE OFFICER1. Introduction

- 1.1. The duty to prescribe scales of fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government. Prior to 1 April 2015, these responsibilities were discharged by the Audit Commission.
- 1.2. PSAA set out a work programme outlining the work that auditors will undertake, with the associated scale fees for individual audited bodies. There are no changes to the overall work programme for 2016/17. Scale fees for 2016/17 have therefore been set at the same level as the scale fees applicable for 2015/16. This is subject to the auditor's assessment of audit risk and complexity. PSAA would only expect variations from the scale fee to occur where these factors are significantly different from those identified and reflected in the fee for the previous year.

2. Indicative Audit Fee

- 2.1. The indicative Annual Audit fee covers the audit of the financial statements; value for money conclusion; and the Whole of Government Accounts audit work. The indicative fee for this work at the Council in 2016/17 is £56,336 (the planned fee for 2015/16 is £56,336).

3. Indicative Certification Fee

- 3.1. The indicative Certification fee is for the Housing Subsidy Claim work for the year ended 31 March 2017. It is based on the latest actual certification fees available. Because the amount of work needed for certification varies at individual bodies each year, the PSAA review and reset certification fees annually. The indicative fee for this work at the Council is £8,483 (the planned fee for 2015/16 is £10,535).
- 3.2. The indicative fee for the grants certification work is specific to each year, and is £10,535 for 2015/16. The Committee's attention is drawn to the assumptions the indicative fee is based on and the possibility of further fees.

OTHER CONSIDERATIONS:

4. SUSTAINABLE COMMUNITY STRATEGY AND PORTFOLIO PLANS (RELEVANCE TO):

- 4.1. Preparation of the Statement of Accounts is fundamental to the operation of the Council. Achieving corporate priorities must go in hand with accounting for how the public's money has been spent.

5. RESOURCE IMPLICATIONS:

- 5.1. Having outsourced the work of the Audit Commission audit practice and awarded the five-year contracts to four private sector firms, the Commission secured significant reductions in the cost of audit services. Together with further savings achieved through the Commission's own internal efficiencies, these reductions have been reflected in fees from 2012/13 onwards.
- 5.2. Due to the further tendering of contracts in March 2014 a further reduction in fees has been achieved (25% reduction to initial fees).
- 5.3. Where, exceptionally, an issue arises that requires the auditor to do additional audit work, for example to exercise their statutory reporting powers, this may result in a variation to the audit fee to reflect the costs of the work. The additional fee will then become payable by the audited body.

6. RISK:

- 6.1. The Budget has been set on the basis of the indicative fees notified, reflecting the savings in fees. The Department for Communities and Local Government has confirmed its intention to extend the Local Government audit contracts for one further year, to include audits of the 2017/18 accounts. It is possible that costs will increase when the contracts are re-tendered for 2018/19 onwards.
- 6.2. There may also be additional costs in relation to any additional work required (e.g. either in responding to Electors).

7. BACKGROUND DOCUMENTS:

None

8. APPENDIX

Annual Audit and Certification Fees 2016/17 – Letter from EY



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Chief Executive  
Winchester City Council  
City Offices  
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SO23 9LJ

20 April 2016

Ref: WCC/16-17/Fee Letter

Direct line: 023 8038 2043

Email: KHandy@uk.ey.com

Dear Simon

## Annual Audit and Certification Fees 2016/17

We are writing to confirm the audit and certification work that we propose to undertake for the 2016/17 financial year at Winchester City Council.

### Indicative audit fee

For the 2016/17 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.

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 Winchester City 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 2015/16, our audit planning process for 2016/17 will continue as the year progresses. Fees will be reviewed and updated as necessary, within the parameters of our contract.

#### **Certification fee**

The PSAA has set an indicative certification fee for housing benefit subsidy claim certification work for each audited benefits authority. The indicative fee is based on actual 2014/15 benefit certification fees, and incorporates a 25 per cent reduction.

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

The indicative certification fee for 2016/17 relates to work on the housing benefit subsidy claim for the year ended 31 March 2017. We have set the certification fee at the indicative fee level. We will update our risk assessment after we complete 2015/16 benefit certification work, and to reflect any further changes in the certification arrangements.

#### **Summary of fees**

	Indicative fee 2016/17 £	Planned fee 2015/16 £	Actual fee 2014/15 £
Total Code audit fee	56,336	56,336	79,651
Certification of housing benefit subsidy claim	8,483	10,535	11,311

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 £16,204.

### Audit plan

Our plan is expected to be issued in March 2017. 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 Chief Finance 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 2016/17 financial year are:

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Executive Director

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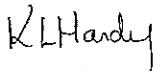
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We are committed to providing you with a high quality service. If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, please contact me. If you prefer 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



Kate Handy  
Executive Director  
For and on behalf of Ernst & Young LLP

cc. Stephen Fitzgerald, Interim Chief Finance Officer  
Councillor Cutler, Chair of the Audit Committee

