

REPORT TITLE: ANNUAL AUDIT FEES 2017/18

29 JUNE 2017

REPORT OF PORTFOLIO HOLDER: CLLR GUY ASHTON PORTFOLIO HOLDER FOR FINANCE

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

WARD(S): ALL

PURPOSE

This report details, for approval, the indicative 2017/18 Annual Audit and Certification fees proposed by the Council's external auditors, Ernst & Young LLP (EY).

The indicative fee for the 2017/18 audit and certification work is at the level of the scale fees set by Public Sector Audit Appointments Ltd (PSAA).

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

RECOMMENDATIONS:

1. That the Audit Committee approves the indicative annual audit fee for 2017/18.

## IMPLICATIONS:

### 1 COMMUNITY STRATEGY OUTCOME

- 1.1 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.
- 1.2 External Audit findings contribute to the corporate governance arrangements of Winchester City Council, which in turn support the achievement of the objectives of the Community Strategy.

### 2 FINANCIAL IMPLICATIONS

- 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 2017/18 is £56,336 (the planned fee for 2016/17 is £56,336).
- 2.2 The indicative Certification fee is for the Housing Benefit Subsidy Claim work for the year ended 31 March 2018. 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 has not yet been finalised by PSAA (the planned fee for 2016/17 is £8,483).
- 2.3 The indicative fee for the grants certification work is specific to each year. As they have not yet completed their audit for 2016/17, the audit planning process for 2017/18 will continue as the year progresses. Fees will be reviewed and updated as necessary, within the parameters of the contract.
- 2.4 The Committee's attention is drawn to the assumptions the indicative fee is based on and the possibility of further fees.
- 2.5 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.
- 2.6 There may also be additional costs in relation to any additional work required (e.g. either in responding to Electors).

### 3 LEGAL AND PROCUREMENT IMPLICATIONS

- 3.1 None

### 4 WORKFORCE IMPLICATIONS

- 4.1 None

5 PROPERTY AND ASSET IMPLICATIONS

5.1 None

6 CONSULTATION AND EQUALITY IMPACT ASSESSMENT

6.1 None

7 RISK MANAGEMENT

7.1 None

8 SUPPORTING INFORMATION:

8.1 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.

8.2 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 2017/18. Scale fees for 2017/18 have therefore been set at the same level as the scale fees applicable for 2016/17. 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.

9 OTHER OPTIONS CONSIDERED AND REJECTED

9.1 None

BACKGROUND DOCUMENTS:-

Previous Committee Reports:-

None

Other Background Documents:-

None

APPENDICES:

Appendix 1 - Annual Audit and Certification Fees 2017/18 – Letter from EY

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17 April 2017

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Dear Laura

## 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 Winchester City 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 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 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 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	56,336	56,336	56,336
Certification of housing benefit subsidy claim	TBC	8,483	10,535

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 four quarterly instalments of £14,084. 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 Head of Finance 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:

Helen Thompson  
Executive Director

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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

Helen Thompson  
Executive Director  
For and on behalf of Ernst & Young LLP

cc. Councillor Cutler, Chair of the Audit Committee  
Joseph Holmes, Corporate Director (Professional Services)  
Simon Little, Head of Finance