

East Suffolk Council

Additional Fee Analysis
year ended 31 March 2020

12 October 2021

Overall Summary

Additional Work	£
Changes in work required to address professional and regulatory requirements & scope changes associated with risk (Refer slide 3)	39,360
Additional work required due to changes in scope as a direct result of Covid-19 (Refer slide 4)	15,362
Additional work required due to changes in scope for Non-Covid-19 related (Refer slide 5)	8,462
Additional work required to address VFM risk (Refer slide 6)	212
Total	63,395

Professional and regulatory requirements & scope changes associated with risk

Description	Additional number of hours					Fee for additional number of hours				
	Partner/ Director	Manager	Senior Auditor	Other staff	Total Hours	Partner/ Director £132	Manager £73	Senior Auditor £47	Other staff £36	Total Fee variation (£)
ESC prepared Group Accounts in 2019/20 incorporating the results of its 2 Associates. ESC also has several newly incorporated (but still dormant) subsidiaries. Our work included not only auditing the Group consolidation workings and disclosures, but also agreeing the number of individual entities requiring group consolidation as well as consideration & documentation on status of all the subsidiaries and our work to ensure that group accounts are complete and accurate.	3	13	60	0	76	396	949	2,820	-	4,165
We have a higher inherent risk over pension valuation. This cost reflects the time taken to address this risk which includes review of PwC report, EY Pensions team review of PwC report and audit team follow up of required procedures from these reviews. We also liaise with the auditors of Suffolk Pension Fund to gain assurance over the IAS19 entries and disclosures and review & test the accounting entries/disclosures made within ESCs financial statements	6	16	56	0	78	792	1,168	2,632	-	4,592
We have a higher inherent risk over land and buildings (part of PPE) asset valuation. This means we have completed testing at a lower testing threshold. This cost reflects the time taken to test a sample of assets and perform procedures over assets revalued and relevant assumptions as well as to consider cluster wide findings from internal valuation specialists.	15	45	160	22	242	1,980	3,285	7,520	778	13,563
<p>There are a number of areas where an increase in overhead costs has led to a spread of costs across audits, this allocation is made based on the size and complexity of the audit:</p> <p>1. Investment in time in our professional practices department (PPD) team to consider events such as: risks of non compliance with laws and regs; consultation and approval requirements on materiality for MLAs; rotation approvals of EP portfolios; Prior year adjustments consultation; approval and application of pre-issuance policy; Audit Quality Support team annual cycle of GPS audits review (introduced from 2018 for FRC scope audits).</p> <p>2. We have invested in data capture methods to meet the requirements of enhanced IPE (information provided by the entity) testing, which results in a direct charge to each audit code for the technology costs.</p> <p>3. Testing thresholds have been lowered following feedback from regulators that testing more generally should have a greater response to risk of error, resulting in higher testing sample sizes for those areas not mentioned specifically above</p> <p>Note that not all the procedures/costs here relates to the audit team, but the hours reflect the additional time incurred by audit.</p>	15	75	135	90	315	1,980	5,475	6,345	3,240	17,040
Total	39	149	411	112	711	5,148	10,877	19,317	4,018	39,360

Changes in scope as a direct result of Covid-19

Description	Additional number of hours					Fee for additional number of hours				
	Partner/ Director	Manager	Senior Auditor	Other staff	Total Hours	Partner/ Director £132	Manager £73	Senior Auditor £47	Other staff £36	Total Fee variation (£)
Going Concern assessment. This disclosure was assessed as a higher risk due to the impact of Covid on the future financial projections for local government bodies. This includes all meetings attended by both associate partner and manager to discuss going concern and work performed on cashflow forecasts and stress testing.	8	14	7	0	29	1,056	1,022	329	-	2,407
Additional reassessment of materiality required on all audits as a result of the Covid-19 impact on the business and planning.	1	2	2	0	5	132	146	94	-	372
As a result of COVID-19 the Council's valuer included a material uncertainty disclosure in the valuation report. The Council therefore also reflected this in their own disclosures in the financial statements. This reflects the time required for the audit team to consider the impact of the clause on the financial statements and audit report, including a detailed analysis of the council's land and building assets and an assessment of the likely impact of the material uncertainty on each type of asset. Note the work undertaken by specialists re PPE is noted separately below	4	8	16	0	28	528	584	752	-	1,864
Following COVID-19 audit team revisited the risk assessment for the financial statements on a line by line basis for each balance in the primary statements. As a result of this, the risk assessment for the bad debt provision was increased to higher inherent risk resulting in additional audit procedures and documentation. Accordingly, we have completed our work on the bad debt provision (especially NNDR provisions) and on other areas to satisfy ourselves that management has appropriately reflected the uncertainty as a result of Covid-19 in the calculation of provisions. This time also includes the line by line assessment of the financial statements and documentation of this	3	8	30	0	41	396	584	1,410	-	2,390
Increased risk related to land and buildings (PPE), predominantly because of COVID-19 impact. As a result we identified the need to engage specialists from EYRE. This cost represents the time spent by our EYRE experts to review a sample of 8 properties - 6 from land and buildings and one each from surplus assets and investment properties.	38	0	28	0	66	5,016	-	1,293	-	6,309
This is the additional time it takes to do our work remotely, time is largely staff and senior who have spent a lot more time in screen sharing calls than they would do in a face to face situation.	2	7	15	15	39	264	511	705	540	2,020
Total	56	39	98	15	208	7,392	2,847	4,583	540	15,362

Changes in scope for Non-Covid-19 related

Description	Additional number of hours					Fee for additional number of hours				
	Partner/ Director	Manager	Senior Auditor	Other staff	Total Hours	Partner/ Director £132	Manager £73	Senior Auditor £47	Other staff £36	Total Fee variation (£)
This was the 1st year of existence for ESC and therefore these were first year accounts. This cost represents the time spent to perform our procedures on opening balances and the accuracy and completeness of transfer of balances from demised councils to ESC. Furthermore, as this was a first year audit we set our performance materiality at £1.43 million which represents 50% of planning materiality in line with EY audit methodology. The reduced performance materiality was set to reflect the fact that 2019/20 is the first year of existence of East Suffolk Council and resulted in comparatively large sample sizes for our testing purpose.	3	12	45	15	75	396	876	2,115	540	3,927
During the course of audit (to be specific, towards the end of the audit especially on our valuation work), we faced issues related to the timely availability of quality information, as there were delays in providing information to audit team. Therefore, team spent a significant amount of time in following up through ESC team, assessing the reliability and sufficiency of information provided by internal valuers and a lot of back-and-forth exchange of emails/information. Due to the non-availability of timely information and lack of response to our queries, team couldn't finish off work in scheduled time when they were booked to finish the work and accordingly we required the team to be rescheduled back on the audit on at least 2 occasions.	0	8	22.5	32	63	-	584	1,058	1,152	2,794
Time incurred to respond to correspondence from a local elector regarding his questions on 2019/20 accounts. The main points were related to absence of comparatives in ESC's draft accounts, justification of 2019/20 audit being in progress before 2018/19 accounts were signed off, the position in relation to East Suffolk Coastal District Council's old offices at Melton Hill and other sundry matters. All points were considered and answered adequately and there are no issues which remained unanswered or need further considerations. This time represents the time for the manager to consider this along with review by the AP and other internal review processes related to dealing with elector correspondence.	6	13	0	0	19	792	949	-	-	1,741
Total	9	33	68	47	157	1,188	2,409	3,173	1,692	8,462

VFM risk

Description	Additional number of hours					Fee for additional number of hours				
	Partner/ Director	Manager	Senior Auditor	Other staff	Total Hours	Partner/ Director £132	Manager £73	Senior Auditor £47	Other staff £36	Total Fee variation (£)
Time taken to assess the impact of Covid-19 on VFM arrangements in year.	0.5	2	0	0	3	66	146	-	-	212
Total	1	2	-	-	3	66	146	-	-	212

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