

Lorraine Rogers  
S151 Officer

20 February 2024

Audit Committee Members

East Suffolk District Council

Dear Lorraine and Committee Members

## **Proposed audit fees for the 2020/21 audit of East Suffolk District Council**

We are writing to you to provide an update on the proposed final fee following the completion of the audit of the Council's audit for the year ended 31 March 2021.

As noted in our Audit Results Report and Auditor's Annual Report, for 2019/20 and 2020/21, we have proposed an increase to the base scale fee to reflect the increased level of audit work required which has been impacted by a range of factors including changes in risk profile of the audit and increases in regulatory standards. We have proposed an increase of £49,206 (previous year £39,360) to the base scale fee to reflect these additional requirements and have previously shared details of the breakdown with management. This increase to the base scale fee reflects the fact that the Council prepares group accounts as well as additional work on pensions and property, plant and equipment, and responses to increased FRC challenge.

In addition to the base fee increases noted above, specific in year risk issues impacted on the 2020/21 audit, resulting in additional audit work. We are therefore proposing a scale fee increased in relation to this additional work. The main issue for 2020/21 related to the Council's non-compliance with the rent standard which significantly impacted on both the audit of the Council's 2020/21 accounts and our value for money work, as set out below:

- In relation to value for money arrangements, we concluded that the non-compliance represents a significant weakness in governance arrangements in 2020/21, and therefore reported by exception details of the significant weakness in our auditor's report. We also included consideration of this in our VFM commentary. The modifications to our audit report and VFM commentary was subject to EY consultation. This also required a referral for non-compliance with laws and regulations (NOCLAR) to be made which was also subject to consultation and required the use of EY specialists to consider whether there was any evidence of fraud or corruption.
- In relation to the accounts, the accounts were amended to include a provision in relation to the rents that have been overcharged. The resulting provisions of £3.757 million in 2020/21 and £3.357 million in 2019/20 were material and therefore required amendment in both the 2020/21 and 2019/20 accounts. Additional work was also required to confirm the basis and material accuracy of the provision. The amendment to the prior year accounts was also subject to internal EY consultation and required support from EY technical accounting specialist.

The total additional fee we are proposing to reflect the additional work to address these issues is £28,521 for the VFM work (this includes the £11,000 proposed by PSAA as the minimum additional fee required in relation to work to address the new VFM requirements of the NAO Code, excluding any work

to address risks of significant weakness) and £12,507 in relation to the work on the provision as well as updated disclosures related to this in the Council's accounts and AGS.

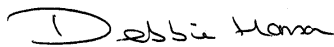
Other areas which resulted in additional work in 2020/21, which were reported the Audit Results Report and Auditor's Annual Report included:

- Work to ensure correct accounting for Covid grant income – £6,002
- Work in response to risk of inappropriate capitalisation of revenue spend - £4,615
- Work to consider the Council's treatment of infrastructure assets (which are material for the Council) following the identification of a national issue relating to this and consideration of the impact of Covid on the Council's going concern assessment and disclosures - £8,340
- Additional work on estimates to address new requirements of ISA540 (in line with minimum level recommended by PSAA) - £2,499

This results in an overall proposed fee of £181,654 (£69,964 scale fee and £111,690 scale fee variation).

We have provided the Section 151 officer with further details of the additional work and fees outlined above and have submitted our proposals to PSAA for their determination.

Yours sincerely



Debbie Hanson  
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Ernst & Young LLP