



AUDIT AND GOVERNANCE COMMITTEE

Monday, 29th July 2019

INDICATIVE ANNUAL FEE LETTER 2019/20

EXECUTIVE SUMMARY

1. Ernst and Young (EY) have issued their indicative annual fee letter for 2019/20. The audit fee is the first to be issued for East Suffolk Council and is based on the overall level of risk in 2019/20 not being significantly different to the risks from the predecessor Councils in 2018/19. The indicative audit fee has been set at £69,964 for 2019/20.
2. EY have also indicated that their proposed audit fee for reporting on the housing benefit subsidy claim is £15,829.

Is the report Open or Exempt?	Open
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Wards Affected:	All Wards in the District
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Cabinet Member:	Councillor Steve Gallant Leader of the Council and Cabinet Member with Responsibility for Resources Councillor Maurice Cook Assistant Cabinet Member with Responsibility for Resources
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Supporting Officer:	Simon Taylor Chief Finance Officer 01394 444570 simon.taylor@eastsuffolk.gov.uk
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1 INTRODUCTION

- 1.1 East Suffolk Council has opted to take up the remaining four year contract between the predecessor Councils (Suffolk Coastal and Waveney District Councils) and the Public Sector Audit Appointments (PSAA) to appoint the Council's external auditor through a national scheme running up to 2022/23.
- 1.2 As the predecessor Council's external auditors were Ernst and Young (EY), the PSAA decided to appoint EY as East Suffolk Council's external auditors.
- 1.3 Also, the Council was required by the Department for Work and Pensions to appoint their own external auditors to report on the housing benefit subsidy claim as this is not covered by the PSAA appointment. The Chief Finance Officer has decided to appoint EY for this role as EY has to undertake certain audit work as part of the statement of accounts to gain assurance that the housing benefit subsidy claim reported within the statement of accounts is materially correct.
- 1.4 The work carried out by EY under the Statement of Accounts is then carried forward into the audit of the housing benefit subsidy claim, reducing the work they have to undertake. If the Council was to appoint another audit firm to audit the housing benefit subsidy claim, the Council would be charged twice for this work.

2 HOW DOES THIS RELATE TO THE EAST SUFFOLK BUSINESS PLAN?

- 2.1 The audit of the Statement of Accounts and the housing benefit subsidy claim are statutory requirements set out in Government legislation, therefore this report does not link directly to the East Suffolk Business Plan.

3 FINANCIAL AND GOVERNANCE IMPLICATIONS

- 3.1 The 2018/19 audit fees proposed for the predecessor Councils was £80,275. The proposed audit fee for East Suffolk Council in 2019/20 is £69,964. This represents a £10,311 reduction in audit fee through being one council. The 2020/21 fee is due to reduce further as the 2019/20 fee includes an increase in risk based on it being the first year of existence of East Suffolk Council and additional work will be required on areas such as opening balances.
- 3.2 The fee that has been agreed for 2020/21 onwards is £60,034, which represents a further £9,930 saving, bring the total annual saving to £20,241 or 25%.
- 3.3 The proposed fee to be charged in relation to EY reporting on the housing benefit subsidy claim is £15,829.

4 OTHER KEY ISSUES

- 4.1 No other key issues to note.

5 CONSULTATION

- 5.1 The PSAA undertook consultation on the proposed audit fee for East Suffolk Council with both the Council and EY.

6 OTHER OPTIONS CONSIDERED

- 6.1 The Council had the choice to ask the PSAA to consider appointing another external audit firm to the Council's audit of the Statement of Accounts, but the Council decided not to

take this option up due to the good working relationship that has been built up between the Council and EY to ensure an efficient audit process is undertaken.

7 REASON FOR RECOMMENDATION

- 7.1 The Audit and Governance Committee, as those charged with the Council's governance, are required each year to receive the Council's external auditors indicative fee for the coming year.

RECOMMENDATIONS

1. That the Committee receives and notes the indicative annual fee letter for 2019/20 from Ernst and Young.

APPENDICES

Appendix A	Indicative Annual Fee Letter 2019/20
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Mr. Stephen Baker
Chief Executive
East Suffolk Council
East Suffolk House, Station Road
Melton
IP12 1RT

25 April 2019

Ref: Fee Letter/19-20

Direct line: 01582 643 008

Email: DHanson@uk.ey.com

Dear Stephen

Annual Audit 2019/20

We are writing to confirm the audit that we propose to undertake for the 2019/20 financial year at East Suffolk Council.

From 2018/19, local government and police bodies have been responsible for making their own arrangements for the audit of the accounts and reporting on the housing benefit subsidy claim.

The Secretary of State for Housing, Communities and Local Government has specified Public Sector Audit Appointments (PSAA) as an appointing person under provisions of the Local Audit and Accountability Act 2014. PSAA has appointed auditors for bodies that opted into the national scheme. Appointments were made for the duration of the five-year appointing period, covering the audits of the accounts for 2018/19 to 2022/23.

The appointment of an auditor to report on the Council's housing benefit subsidy claim is no longer covered by the PSAA appointment.

Indicative audit fee

For the 2019/20 financial year, PSAA has set the scale fee for each opted in body. Following consultation on its Work Programme and Scale of Fees, PSAA has maintained scale audit fees at the same level as for 2018/19, unless there are specific circumstances which require otherwise, as is the case for East Suffolk Council as a newly formed organisation.

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; and

- Whole of Government accounts.

Our final fee will include the impact of additional risks and/or circumstances that are out of the scope of the scale fee, for example:

- The preparation of group accounts;
- Additional work performed on asset valuations, including the involvement of our valuation specialists;
- Additional work performed on the valuation of the net pension liability, including the involvement of our pension specialists; and
- Additional work arising from the implementation of IFRS 16 Leases.

At this stage, the indicative fee is set at the scale fee.

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 to that in the prior year for Suffolk Coastal and Waveney District Councils.
- There is an increase in the scale fee for 2019/20 compared to subsequent years to recognise the increased risk in the first year of existence of East Suffolk Council and additional work that will be required on areas such as opening balances;
- Officers meet the agreed timetable of deliverables;
- Our accounts opinion and value for money conclusion are unqualified;
- Appropriate quality of documentation is provided by Officers;
- 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 of Suffolk Coastal and Waveney councils for 2018/19, our audit planning process for East Suffolk Council for 2019/20 will continue as the year progresses. Fees will be reviewed and updated as necessary, within the parameters of our contract.

Summary of fees

	Indicative fee 2019/20 £
Scale Fee	69,964
Total Code audit fee	69,964
Other fees charged by us for reporting on housing benefit certification	15,829

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. All variations to the scale fee will be subject to PSAA approval.

Billing

The scale fee will be billed in 4 quarterly instalments of £17,491.

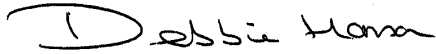
Audit plan

Our plan is expected to be issued in March 2020. This will communicate any significant financial statement and value for money risks identified, planned audit procedures to respond to those risks and the estimated fee implications of these additional procedures. 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 & Section 151 Officer and communicate the revised fee and the matters giving rise to any adjustments to the scale fee in our Audit Results Report which we will present to the Audit and Governance Committee.

For a high level overview of our approach and further information on how we intend to work with you under the PSAA contract, please refer to our leaflet 'EY working with you' which is enclosed.

We remain 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, or Janet Dawson as our Government and Public Sector Assurance Leader at jdawson1@uk.ey.com. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, by writing to him at 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

A handwritten signature in black ink, appearing to read "Debbie Hanson". The signature is written in a cursive, flowing style.

Debbie Hanson
Associate Partner
For and on behalf of Ernst & Young LLP

cc. Simon Taylor, Chief Finance Officer & Section 151 Officer