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20 April 2017

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Dear John

## 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 East Cambridgeshire District 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. 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 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 East Cambridgeshire District Council our indicative fee also includes the fee for the work we need to complete for the audit of the group accounts. 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**

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<br>2017/18<br>£ | Planned fee<br>2016/17<br>£ | Actual fee<br>2015/16<br>£ |
|--|--------------------------------|-----------------------------|----------------------------|
| Total Code audit fee                           | 45,397                         | 45,397                      | 43,897                     |
| Certification of housing benefit subsidy claim | TBC                            | 15,632                      | 12,004                     |

The scale fee for the Council is £41,500. For the 2015/16 audit we agreed with the Council, and PSAA, an increase of £2,397 to reflect for the audit work on identifying the group boundary, reviewing the consolidation of the Business Centre and auditing of the group accounts. The £2,397 is a recurrent increase. For 2016/17 we are proposing a further increase of £1,500 to reflect the consolidation of LATC and the resultant increase in audit procedures. Any further 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 (scale fee) will be billed in 4 quarterly instalments of £10,375. The scale fee variation for the group accounts audit will be billed separately, after we have concluded the work. 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 by 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 Chief Financial Officer and, if necessary, prepare a report outlining the reasons for the fee change for discussion with the Corporate Governance & Finance Committee.

## Audit team

The key members of the audit team for the 2017/18 financial year are:

Suresh Patel - Executive Director      [SPatel22@uk.ey.com](mailto:SPatel22@uk.ey.com)      Tel: 07392 106465

Kay McClennon - Manager      [KMcClennon@uk.ey.com](mailto:KMcClennon@uk.ey.com)      Tel: 07810 527788

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



Suresh Patel  
Executive Director

For and on behalf of Ernst & Young LLP

cc. Cllr David Brown, Chair of the Corporate Governance & Finance Committee  
John Harrison, Interim Chief Financial Officer