

Tendring District Council

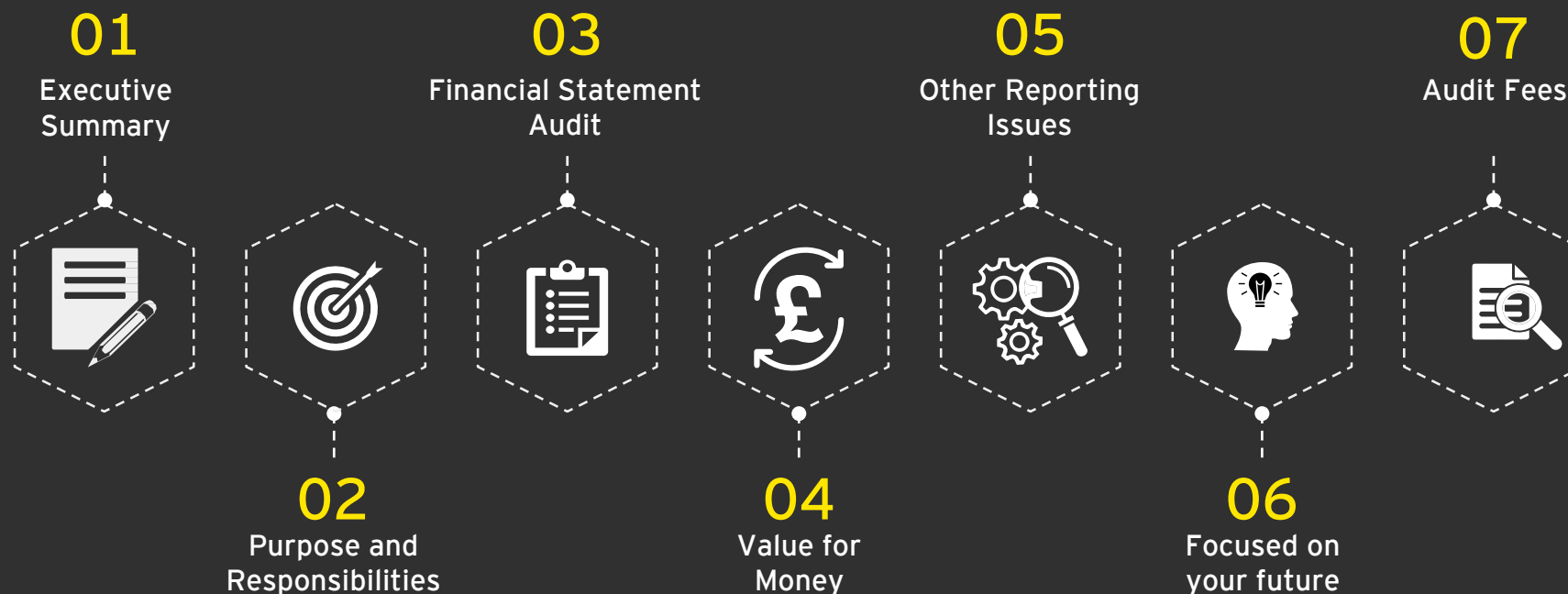
Annual Audit Letter for the year
ended 31 March 2018

August 2018

The EY logo consists of the letters 'EY' in a bold, white, sans-serif font. A yellow triangle is positioned above the 'Y', pointing downwards towards the letters.

Building a better
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Contents



Public Sector Audit Appointments Ltd (PSAA) have issued a 'Statement of responsibilities of auditors and audited bodies'. It is available from the Chief Executive of each audited body and via the PSAA website (www.psaa.co.uk)

The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The 'Terms of Appointment (updated 23 February 2017)' issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Annual Audit Letter is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure - 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, you may take the issue up with your usual partner or director contact. 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. We can provide further information on how you may contact our professional institute.



01 Executive Summary

Executive Summary

We are required to issue an annual audit letter to Tendring District Council following completion of our audit procedures for the year ended 31 March 2018. Below are the results and conclusions on the significant areas of the audit process.

Area of Work	Conclusion
Opinion on the Council's:	
▶ Financial statements	Unqualified - the financial statements give a true and fair view of the financial position of the Council as at 31 March 2018 and of its expenditure and income for the year then ended
▶ Consistency of other information published with the financial statements	Other information published with the financial statements was consistent with the Annual Accounts.
Concluding on the Council's arrangements for securing economy, efficiency and effectiveness	We concluded that you have put in place proper arrangements to secure value for money in your use of resources

Area of Work	Conclusion
Reports by exception:	
▶ Consistency of Governance Statement	The Governance Statement was consistent with our understanding of the Council.
▶ Public interest report	We had no matters to report in the public interest.
▶ Written recommendations to the Council, which should be copied to the Secretary of State	We had no matters to report.
▶ Other actions taken in relation to our responsibilities under the Local Audit and Accountability Act 2014	We had no matters to report.

Area of Work	Conclusion
Reporting to the National Audit Office (NAO) on our review of the Council's Whole of Government Accounts return (WGA).	The Council is below the specified audit threshold of £500 million. Therefore, we did not perform any audit procedures on the consolidation pack.

Executive Summary (cont'd)

As a result of the above we have also:

Area of Work	Conclusion
Issued a report to those charged with governance of the Council communicating significant findings resulting from our audit.	Our Audit Results Report was issued on 20 July 2018.
Issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office's 2015 Code of Audit Practice.	Our certificate was issued on 31 July 2018.

In December 2018 we will also issue a report to those charged with governance of the Council summarising the certification work we have undertaken. We would like to take this opportunity to thank the Council's staff for their assistance during the course of our work.

Kevin Suter
Associate Partner
For and on behalf of Ernst & Young LLP



02

Purpose and Responsibilities

Purpose and Responsibilities

The Purpose of this Letter

The purpose of this Annual Audit Letter is to communicate to Members and external stakeholders, including members of the public, the key issues arising from our work, which we consider should be brought to the attention of the Council.

We have already reported the detailed findings from our audit work in our 2017/18 Audit Results Report to the 26 July 2018 Audit Committee, representing those charged with governance. We do not repeat those detailed findings in this letter. The matters reported here are the most significant for the Council.

Responsibilities of the Appointed Auditor

Our 2017/18 audit work has been undertaken in accordance with the Audit Plan that we issued on 1 March 2018 and is conducted in accordance with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK and Ireland), and other guidance issued by the National Audit Office.

As auditors we are responsible for:

- ▶ Expressing an opinion:
 - ▶ On the 2017/18 financial statements; and
 - ▶ On the consistency of other information published with the financial statements.
- ▶ Forming a conclusion on the arrangements the Council has to secure economy, efficiency and effectiveness in its use of resources.
- ▶ Reporting by exception:
 - ▶ If the annual governance statement is misleading or not consistent with our understanding of the Council;
 - ▶ Any significant matters that are in the public interest;
 - ▶ Any written recommendations to the Council, which should be copied to the Secretary of State; and
 - ▶ If we have discharged our duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

Alongside our work on the financial statements, we also review and report to the National Audit Office (NAO) on you Whole of Government Accounts return. The Council is below the specified audit threshold of £500mn. Therefore, we did not perform any audit procedures on the return.

Responsibilities of the Council

The Council is responsible for preparing and publishing its statement of accounts accompanied by an Annual Governance Statement (AGS). In the AGS, the Council reports publicly each year on how far it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in year, and any changes planned in the coming period.

The Council is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.



03

Financial Statement Audit

Financial Statement Audit

Key Issues

The Council's Statement of Accounts is an important tool for the Council to show how it has used public money and how it can demonstrate its financial management and financial health. We audited the Council's Statement of Accounts in line with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK and Ireland), and other guidance issued by the National Audit Office and issued an unqualified audit report on 31 July 2018. Our detailed findings were reported to the 26 July 2018 Audit Committee.

The key issues identified as part of our audit were as follows:

Significant Risk	Conclusion
<p>Misstatements due to fraud or error</p> <p>The key risk is that the financial statements as a whole are not free of material misstatements whether caused by fraud or error.</p> <p>As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.</p>	<p>To address the risk, we:</p> <ul style="list-style-type: none">• Wrote to the Head of Finance, Revenues and Benefits, Chair of the Audit Committee, Head of Internal Audit and Monitoring Officer and reviewed their responses;• Tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in preparing the financial statements;• Reviewed accounting estimates for evidence of management bias;• Evaluated the business rationale for any significant unusual transactions; and• Reviewed capital expenditure on property, plant and equipment to ensure it meets the relevant accounting requirements to be capitalised. <p>From the audit work undertaken we did not identify any:</p> <ul style="list-style-type: none">• Material weaknesses in controls or evidence of material management override;• Adjustments outside of the normal course of business from our review of journals. All journals tested have appropriate rationale;• Instances of inappropriate judgements for estimates;• Significant unusual items; or• Evidence that revenue costs had been inappropriately capitalised

Financial Statement Audit (cont'd)

The key issues identified as part of our audit were as follows: (cont'd)

Significant Risk	Conclusion
<p>Risk of fraud in revenue and expenditure recognition</p> <p>Auditing standards also required us to presume that there is a risk that revenue and expenditure may be misstated due to improper recognition or manipulation.</p> <p>Having assessed the key income and expenditure streams of the Council, we judged that there was material opportunity and incentive for the incorrect classification of revenue spend as capital expenditure.</p>	<p>To address the risk, we:</p> <ul style="list-style-type: none"> • Obtained a breakdown of capital additions in the year and reviewed the descriptions to identify any items that could be revenue in nature; • Amended our sample sizes when testing PPE additions to reflect the existence of this risk; • Agreed samples to source documentation to ensure the capital/revenue split was reasonable; and • Designed journal procedures to identify and review adjustment manual journals that moved amounts from revenue codes to capital codes. <p>From our testing we did not find any evidence that revenue costs had been inappropriately capitalised or that journals had been manipulated.</p>

Other Key Findings	Conclusion
<p>Property, plant and equipment</p> <p>Property, plant and equipment (PPE) represent significant balances in the Council's accounts and are subject to valuation changes, impairment reviews and/or depreciation charges. Material judgemental inputs and estimation techniques are required to calculate the year-end PPE balances held in the balance sheet.</p> <p>As the Council's asset base is significant, and the outputs from the valuer are subject to estimation, there is a higher inherent risk PPE may be under/overstated or the associated accounting entries incorrectly posted. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of experts and assumptions underlying estimates. Therefore it is appropriate to recognise property valuation as inherent risk.</p>	<p>To address the risk, we:</p> <ul style="list-style-type: none"> • Considered the work performed by the Council's valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work; • Sample tested key asset information used by the valuers in performing their valuation; • Considered the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE. We also considered if there were any specific changes to assets that had occurred and that these had been communicated to the valuer; • Reviewed assets not subject to valuation in 2017/18 to confirm that the remaining asset base is not materially misstated; • Considered changes to useful economic lives as a result of the most recent valuation; and • Tested accounting entries had been correctly processed in the financial statements. <p>From our testing we:</p> <ul style="list-style-type: none"> • Are satisfied with the scope of the work performed by the valuer including their professional capabilities; • Found the underlying assumptions reasonable, from our sample testing of key asset valuations in the year end; • Confirmed Council records that the Council has valued all assets within a five year rolling programme. We did not find any significant changes to assets requiring a revaluation; • Did not identify material variances from our indexation review of assets not revalued in year; • Did not find any significant changes to economic lives as a result of the most recent valuation; and • Agreed that the Council had correctly processed the accounting entries in the financial statements.

Financial Statement Audit (cont'd)

Other Key Findings	Conclusion
<p>Pension liability valuation</p> <p>The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding the Local Government Pension Scheme (LGPS) in which it is an admitted body. The Council's current pension fund deficit is a material and sensitive item and the Code requires that this liability be disclosed on the Council's balance sheet.</p> <p>The information disclosed is based on the IAS 19 report issued to the Council by the actuary. As with other councils, accounting for this scheme involves significant estimation and judgement and due to the nature, volume and size of the transactions we consider this to be a higher inherent risk.</p>	<p>To address the risk, we:</p> <ul style="list-style-type: none"> • Liaised with the auditors of the administering authority (Essex County Council), to obtain assurances over the information supplied to the actuary in relation to Tendring District Council; • Assessed the conclusions drawn on the work of the actuary, Barnett Waddingham and the Consulting Actuary, PWC, who are commissioned by the National Audit Office, including the use of our own pensions specialists; • Reviewed, where available, the outturn against actuarial estimates; and • Reviewed and tested the accounting entries and disclosures made in relation to International Accounting Standard 19. <p>We have reviewed the assessment of the pension fund actuary by PWC and EY pensions and have undertaken the required work indicated to us to consider the assumptions made by the actuary.</p> <p>The EY pension fund auditor identified a movement on the total fund assets between the estimated year end balance used by the actuary in their initial IAS19 report and the actual fund assets. The impact of this movement was an overstatement of the Council's pension assets of £2.413 million, resulting in an understatement of the liability by the same amount. This amount is material and as a result the Council requested a revised IAS19 report from the actuary and has amended the accounts to reflect the updated figures. The Council had correctly used the information provided within the original IAS 19 report within its draft financial statements.</p> <p>We did not identify any issues with the accounting entries and disclosures made within the financial statements.</p>
<p>Other - Internal Audit</p> <p>At the time the Annual Government Statement was published, the Head of Internal Audit Report had not been finalised. The opinion was caveated as being subject to the completion of remaining work to be presented to the Council's Audit Committee in July 2018.</p>	<p>We recommended that Internal Audit completes all key audit work by the time the Council reviews the Annual Governance Statement. This is to give Members sufficient time to assess the impact of major findings in advance of the July opinion date.</p>
<p>Other - Narrative Report</p> <p>We reviewed the information presented in the Narrative Report for consistency with our knowledge of the Council.</p>	<p>In order to comply with the Code of Practice, we recommended the Council enhance the reporting of non-financial performance information in the Narrative Statement to include a description and comparative data for all indicators and to provide a commentary on significant changes between years.</p>
<p>Contingent Liability</p> <p>In March 2018, the Council received notification that the Health and Safety Executive would be prosecuting the Council following a legionella investigation at Frinton and Walton pool during 2016/17.</p>	<p>The Council amended Note 37 to include a Contingent Liability in accordance with International Accounting Standard IAS 37 as it is recognised that one of the outcomes from such prosecutions could be a financial penalty.</p>

Financial Statement Audit (cont'd)

Our application of materiality

When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole.

Item	Thresholds applied
Planning materiality	<p>We determined planning materiality for the Council accounts to be £2.225 million (2016/17: £2.250 million), which is 2% of gross revenue expenditure reported in the accounts of £106.3 million increased by £1.6 million parish precepts. £0.3 million payments to the capital receipts pool, £1.5 million for net interest on the pension liability and £1.6 million for interest payable.</p> <p>We consider gross expenditure to be one of the principal considerations for stakeholders in assessing the financial performance of the Council.</p>
Reporting threshold	<p>We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.111 million (2016/17: £0.112 million).</p>

We also identified the following areas where misstatement at a level lower than our overall materiality level might influence the reader. For these areas we developed an audit strategy specific to these areas. The areas identified and audit strategy applied include:

- ▶ Remuneration disclosures, where we tested all disclosures to payroll information; and
- ▶ Related party transactions, where we performed a companies houses search for any undisclosed related parties.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations. There were no unadjusted errors.

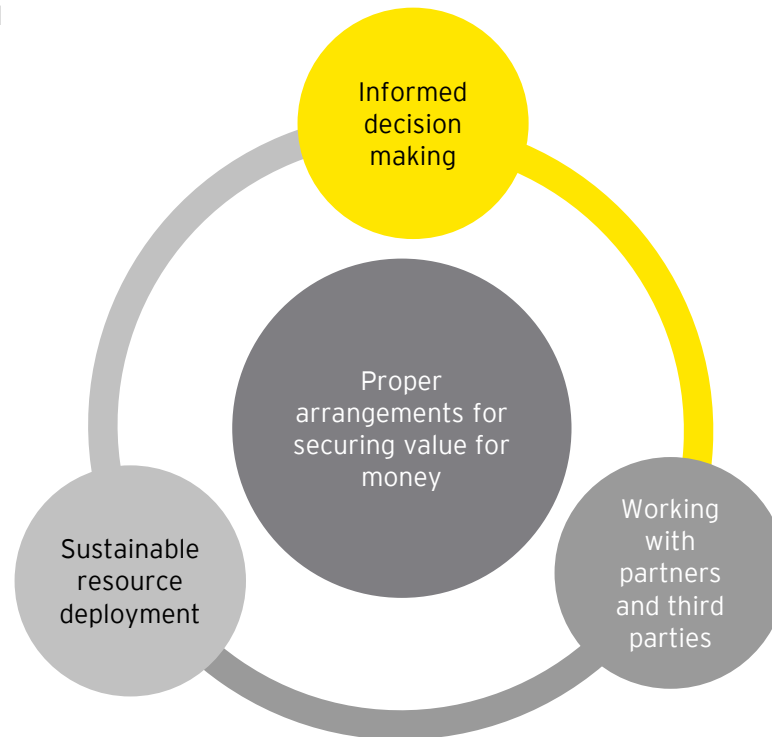


04 Value for Money

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- ▶ Take informed decisions;
- ▶ Deploy resources in a sustainable manner; and
- ▶ Work with partners and other third parties.



We identified two significant risks in relation to these arrangements. The tables below present the findings of our work in response to the risks identified and any other significant weaknesses or issues to bring to your attention.

We have performed the procedures outlined in our audit plan. We did not identify any significant weaknesses in the Council's arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

Value for Money (cont'd)

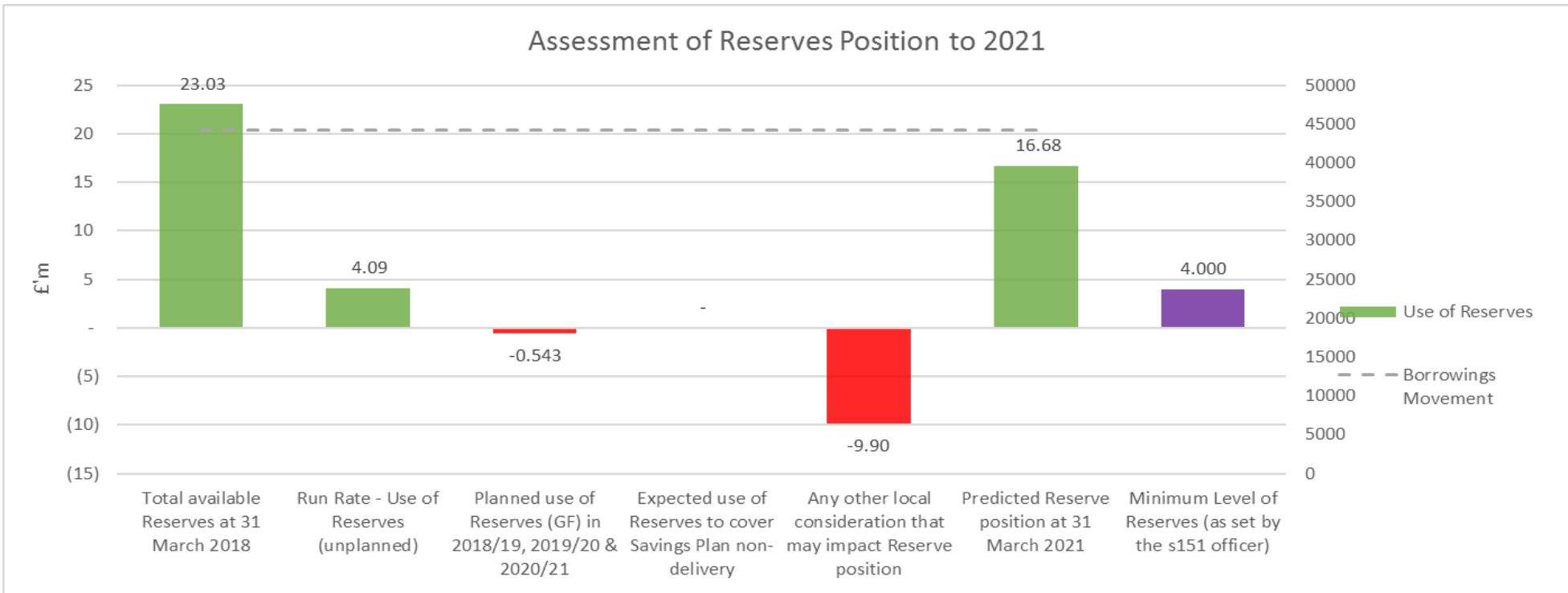
We therefore issued an unqualified value for money conclusion on 31 July 2018.

Significant Risk	Conclusion
<p>Achievement of Savings Needed over the Medium Term</p> <p>Achievement of Savings Needed over the Medium Term</p> <p>The Council faces significant financial challenges over the next three to four years, with a forecast underlying budget gap of £4.6m by 2020-21.</p> <p>Management's September 2017 report sets out a new ten year approach to budgeting, aimed at maximising savings opportunities whilst delivering growth in underlying income to deliver a balanced budget over a ten year forecast.</p> <p>However, the plan also depends upon the use of £3.7 million reserves profiled to 2024/25.</p> <p>Risks exist to the plan should income generation schemes not materialise, while using non-recurrent reserves to addressing budget gaps is not sustainable should austerity continue.</p>	<p>We have undertaken the procedures as set out in our Audit Plan, through our review of the Council's Medium Term Financial Plan (MTFP), performance reports and savings plans. We set out our observations below.</p> <p>The robustness of any assumptions used in medium term planning;</p> <p>The process for setting the Council's budget is sound. We concluded that the MTFP identifies the key assumptions expected to underpin the 2018/19 budget.</p> <p>The Council's approach to prioritising resources whilst maintaining services</p> <p>We judge that there are no pressing concerns that financial austerity is impacting on Council's performance. Of sixteen key performance indicators reported, only three were reported by the Council as being below target for 2017/18 covering: Office Rationalisation, Modern and Accessible Customer Experience and IT investment, Leisure Facilities and Recycling Rates.</p> <p>A review of the Council's revised approach to address its budget gap.</p> <p>In September 2017, the Council agreed a new approach to addressing budget gaps. In 2013/14, the Government's Revenue Support Grant supported 40% of the Council's budget. With the sharp reductions in revenue support grant over the short term, the Council's capacity to make commensurate transformational savings is limited. Therefore the Council aims to move to self-sufficiency over a longer timeframe involving income generation, flexibility in council tax increases, supporting the budget through reserves and delivering annual savings of £0.3 million.</p> <p>Our review considered the achievability of savings and income generation, the level of Council reserves, the impact of the capital programme on revenue and the frequency and transparency of reporting to Members.</p> <p>We noted that the Council's continued underspend against General Fund budget (£1.263 million 2017/18) and that the Council had general and earmarked reserves of £27.624 million and the financing of the capital programme was not unduly impacting on revenue budgets. From our work we recommended that management:</p> <ul style="list-style-type: none"> • Report on income generation schemes more frequently, providing a risk assessment of future cash flows including sensitivity testing to Members; • Seek to reduce its dependency on non-recurrent reserves and progress transformational savings in this period; • Review the balance between holding and carrying forward commitment reserves and managing its risks, given that material revenue and capital commitment reserves continue to be carried forward each year (to the combined value of £16.198 million in 2017/18). • Improve its profiling of the capital budget to ensure delivery to timescales and objectives, given the underspend of £12.250 million against the capital budget of £18 million in 2017/18; • Refine the ten year model and report to Members on a regular basis, incorporating sensitivity analysis to the riskier elements to delivery of the plan and the impact on the projected use of reserves and savings required.



Value for Money

Assessment of Reserves Position to 2021



Our Assessment

In our assessment we considered:

- The Council's level of savings requirement to balance the General Fund budget in each of the next 3 years;
- The Council's planned use of reserves to support the General Fund budget in each of the next 3 years;
- the Council's history of delivering savings plans and therefore the potential to call upon reserves to make up a shortfall in future savings plan delivery;
- the Council's history of over or under spending on the General Fund budget, and the impact this trajectory would have on the use of General Fund reserves; and
- reliance upon income such as housing benefit administration grant, food waste income, National Non Domestic Rate Grants and Council Tax sharing which has not been confirmed post 2018/19, upon which the Council is reliant.

The graph assumes a consistent level of borrowing. As per the Treasury Management Strategy for 2018/19, the Council has no planned use of external borrowing through to 2020/21.

As a result of our assessment, we are satisfied that the Council's General Fund reserve balance at the 31 March 2021 will remain above the Council's approved minimum level of £4 million.



05

Other Reporting Issues



Other Reporting Issues

Whole of Government Accounts

We performed the procedures required by the National Audit Office on the accuracy of the consolidation pack prepared by the Council for Whole of Government Accounts purposes. The Council is below the specified audit threshold of £500mn. Therefore, we did not perform any audit procedures on the consolidation pack.

Annual Governance Statement

We are required to consider the completeness of disclosures in the Council's annual governance statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it is misleading.

We have reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements. We requested amendments to include the final Head of Internal Audit opinion and include further details on audits receiving a requires improvement opinion with further information as regards risk management.

Report in the Public Interest

We have a duty under the Local Audit and Accountability Act 2014 to consider whether, in the public interest, to report on any matter that comes to our attention in the course of the audit in order for it to be considered by the Council or brought to the attention of the public.

We did not identify any issues which required us to issue a report in the public interest.

Written Recommendations

We have a duty under the Local Audit and Accountability Act 2014 to designate any audit recommendation as one that requires the Council to consider it at a public meeting and to decide what action to take in response.

We did not identify any issues which required us to issue a written recommendation.

Other Reporting Issues (cont'd)

Objections Received

We did not receive any objections to the 2017/18 financial statements from members of the public.

Other Powers and Duties

We identified no issues during our audit that required us to use our additional powers under the Local Audit and Accountability Act 2014.

Independence

We communicated our assessment of independence in our Audit Results Report to the Audit Committee on 26 July 2018. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

Control Themes and Observations

As part of our work, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you significant deficiencies in internal control identified during our audit.

We have adopted a fully substantive approach and have therefore not tested the operation of controls.

The matters reported are shown below and are limited to those deficiencies that we identified during the audit and that we concluded are of sufficient importance to merit being reported.

Description	Impact
Documentation around Compromise Agreements Our audit of Note 29 (c) Exit packages concluded that the Council had followed procedures and had the appropriate supporting documentation to support the entries in the financial statements.	However, we recommended, particularly where the Council is entering into a compromise agreement that the Council documents its reasoning as to how the redundancy will achieve value for money. This can be achieved with reference, for example, to the future savings that may arise from future restructuring arrangements within the Council.



07

Focused on your future



Focused on your future

The Code of Practice on Local Authority Accounting in the United Kingdom introduces the application of new accounting standards in future years. The impact on the Council is summarised in the table below.

Standard	Issue	Impact
IFRS 9 Financial Instruments	<p>Applicable for local authority accounts from the 2018/19 financial year and will change:</p> <ul style="list-style-type: none"> ▶ How financial assets are classified and measured; ▶ How the impairment of financial assets are calculated; and ▶ The disclosure requirements for financial assets. <p>There are transitional arrangements within the standard and the 2018/19 Accounting Code of Practice for Local Authorities has now been issued, providing guidance on the application of IFRS 9. In advance of the Guidance Notes being issued, CIPFA have issued some provisional information providing detail on the impact on local authority accounting of IFRS 9, however the key outstanding issue is whether any accounting statutory overrides will be introduced to mitigate any impact.</p>	<p>Although the Code has now been issued, providing guidance on the application of the standard, along with other provisional information issued by CIPFA on the approach to adopting IFRS 9, until the Guidance Notes are issued and any statutory overrides are confirmed there remains some uncertainty. However, what is clear is that the Council will have to:</p> <ul style="list-style-type: none"> ▶ Reclassify existing financial instrument assets ▶ Re-measure and recalculate potential impairments of those assets; and ▶ Prepare additional disclosure notes for material items.
IFRS 15 Revenue from Contracts with Customers	<p>Applicable for local authority accounts from the 2018/19 financial year. This new standard deals with accounting for all contracts with customers except:</p> <ul style="list-style-type: none"> ▶ Leases; ▶ Financial instruments; ▶ Insurance contracts; and ▶ For local authorities; Council Tax and NDR income. <p>The key requirements of the standard cover the identification of performance obligations under customer contracts and the linking of income to the meeting of those performance obligations.</p>	<p>As with IFRS 9, some provisional information on the approach to adopting IFRS 15 has been issued by CIPFA in advance of the Guidance Notes. Now that the Code has been issued, initial views have been confirmed; that due to the revenue streams of Local Authorities the impact of this standard is likely to be limited.</p> <p>The standard is far more likely to impact on Local Authority Trading Companies who will have material revenue streams arising from contracts with customers. The Council will need to consider the impact of this should the Council's subsidiary company North Essex Garden Communities Limited become part of the Council's accounts from 2018/19 onwards.</p>



Focused on your future (cont'd)

Standard	Issue	Impact
IFRS 16 Leases	<p>It is currently proposed that IFRS 16 will be applicable for local authority accounts from the 2019/20 financial year.</p> <p>Whilst the definition of a lease remains similar to the current leasing standard; IAS 17, for local authorities who lease a large number of assets the new standard will have a significant impact, with nearly all current leases being included on the balance sheet.</p> <p>There are transitional arrangements within the standard and although the 2019/20 Accounting Code of Practice for Local Authorities has yet to be issued, CIPFA have issued some limited provisional information which begins to clarify what the impact on local authority accounting will be. Whether any accounting statutory overrides will be introduced to mitigate any impact remains an outstanding issue.</p>	<p>Until the 2019/20 Accounting Code is issued and any statutory overrides are confirmed there remains some uncertainty in this area.</p> <p>However, what is clear is that the Council will need to undertake a detailed exercise to identify all of its leases and capture the relevant information for them. The Council must therefore ensure that all lease arrangements are fully documented.</p>

A close-up photograph of a person's hand reaching into a filing cabinet to touch a folder. The cabinet is filled with numerous folders of various colors (yellow, blue, green, orange) and sizes, each containing stacks of papers. The background shows the perforated metal of the cabinet shelves.

08 Audit Fees

Audit Fees

Our fee for 2017/18 is in line with the scale fee set by the PSAA and reported in our 2017/18 Annual Results Report, as adjusted for extra work arising during the audit.

Description	Final Fee 2017/18 £	Scale Fee 2017/18 £	Final Fee 2016/17 £
Total Audit Fee - Code work	See Note 1	58,708	62,027
Total Audit Fee - Certification of claims and returns	See Note 2	13,110	12,380
Total Audit Fee	To Be Confirmed	71,818	74,407

Note 1:

As communicated in our Audit planning report, the planned Code fee for 2017/18 is subject to a scale fee variation due to a change in the scope of the audit. This is because the Council has restated the 2016/17 Net Cost of Services in the Comprehensive Income and Expenditure Accounts and supporting Expenditure Funding Analysis to reflect the new portfolio structure introduced in 2017/18.

We will discuss the additional fee in more detail with management, which will then subject to approval by the Public Sector Audit Appointments Ltd.

Note 2:

We have not yet completed our certification of the housing benefit subsidy claim and therefore cannot verify the final fee for this work. We will report this in our report on claims certification later in the year

We confirm we have not undertaken any non-audit work outside of the PSAA's requirements.

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EY-000070901-01 (UK) 07/18. CSG London.



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