Huntingdonshire District Council

Annual Audit Letter for the year ended 31 March 2017

October 2017

Ernst & Young LLP

Building a better working world

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.

Executive Summary

Executive Summary

We are required to issue an annual audit letter to Huntingdonshire District Council (the Council) following completion of our audit procedures for the year ended 31 March 2017.

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 2017 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).	We had no matters to report.

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 22 September 2017.
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 22 September 2017.

In March 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.

Neil Harris

Associate Partner
For and on behalf of Ernst & Young LLP

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 2016/17 Audit Results Report to the 13 September 2017 Corporate Governance 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 2016/17 audit work has been undertaken in accordance with the Audit Plan that we presented to the Corporate Governance Committee meeting on 22 March 2017 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 2016/17 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 thy 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 your Whole of Government Accounts return. The extent of our review and the nature of our report are specified by the NAO.

Responsibilities of the Council

The Council is responsible for preparing and publishing its statement of accounts accompanied by an Annual Governance Statement. 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.

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 22 September 2017.

Our detailed findings were reported at the 13 September 2017 Corporate Governance Committee meeting. The key issues identified as part of our audit were as follows:

Significant Risk	Conclusion
Management override of controls As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and to prepare fraudulent financial statements by overriding controls that otherwise seem to be operating effectively. We identify and respond to this fraud risk on every audit engagement. We have assessed journal amendments, accounting estimates and unusual transactions as the area's most open to manipulation. Linking to our risk of fraud in revenue and expenditure recognition below we have considered the capitalisation of revenue expenditure on PPE given the extent of the Council's capital programme. We have also considered the completeness of liabilities and valuation of some estimated liabilities for any management bias.	In order to address this risk we carried out a range of procedures including: ▸ Gaining an understanding of the oversight given by those charged with governance of management's processes and controls in respect of fraud; ▸ Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements. We obtained a full list of journals posted to the general ledger during the year and using our data analytics tool confirmed the completeness of the population and analysed these journals using criteria we set to identify any unusual journal types or amounts. We then tested a sample of journals that met our criteria and tested these to supporting documentation; ▸ Reviewing accounting estimates for evidence of management bias; ▸ Considering the results of our work on revenue and expenditure recognition as set out below, specifically considering any instances of management bias; and ▸ Evaluating the business rationale for any significant unusual transactions. We have not identified any material weaknesses in controls or evidence of material management override. We have not identified any material instances of inappropriate judgements being applied. We did not identify any other transactions during our audit which appeared unusual or outside the Council's normal course of business.

Revenue and expenditure recognition Under ISA240 there is a presumed risk that revenue may be misstated due to improper recognition of revenue. In this public sector this requirement is also extended to expenditure recognition. We assessed that as the Council is more focussed on its financial position over the medium term we have focussed this risk on the capitalisation of revenue expenditure on Property, Plant and Equipment (PPE) given the extent of the Council's capital programme. We have also considered the completeness of liabilities and valuation of certain some estimated liabilities for any management bias. These areas have also been considered as being linked to the risk of fraud in management override of controls above.	In order to address this risk we carried out a range of procedures including: ▸ Reviewing the appropriateness of revenue and expenditure recognition accounting policies and testing that they had been applied correctly during our detailed testing; ▸ Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements; ▸ Reviewing accounting estimates for evidence of management bias; ▸ Performed sample testing on additions to PPE to ensure that they have been correctly classified as capital and included at the correct value to identify any revenue items that have been inappropriately capitalised; ▸ Testing a sample of liabilities based on our established testing threshold for reasonableness; ▸ Performing cut-off testing of transactions both before and after year-end to ensure that they were accounted for in the correct year based on our established testing threshold; ▸ Considering the completeness of liabilities included in the financial statements; and ▸ Evaluating the business rationale for any significant unusual transactions. Our testing did not reveal any material misstatements with respect to revenue and expenditure recognition. Overall, our audit work did not identify any issues or unusual transactions which indicated that there had been any misreporting of the Council's financial position.

Other Key Findings	Conclusion
Property valuations The fair value of Property, Plant and Equipment (PPE) and Investment Properties (IP) represent significant balances in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet. As the Council's asset base is significant, and the outputs from the valuer are subjective, there is a risk that the fair value of PPE and IP may be under or	We assessed and were satisfied with the competency and objectivity of the Council's external property valuer. Therefore, we were able to place reliance on their work and carried out audit procedures to challenge the basis of valuation used by the valuer. We reviewed and sample tested key asset information used by the valuer and considered the annual cycle of valuations, confirming no material movement in assets not revalued during the year. We also considered external evidence of asset values and any changes to useful economic lives and that assets held at cost were assessed for any impairment. We also confirmed that the accounting entries had been correctly processed in the financial statements, including the treatment of impairments. We concluded that the overall valuation estimate was not unreasonable and did not result in a material misstatement to the value of property in the context of the

Other Key Findings	Conclusion
overstated, or the associated accounting entries incorrectly posted. This risk relates to assets that are revalued, being 'Council dwellings', 'Other land and Buildings' and 'Investment Properties'.	overall Property, Plant and Equipment balance in the financial statements. Any change in valuation would not materially impact the decisions taken by the Council and there is no impact on the Council's General Fund Balance.
Pension valuations and disclosures The Council is an admitted body to the Cambridgeshire County Council Pension Fund. Hymans are appointed as actuaries for this fund and provide the Council with the figures for the disclosures in the financial statements, based on payroll and pension data provided to them by the Council. The Council's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2017 this totalled £71.5 million (£68 million at 31 March 2016).	We liaised with the auditors of Cambridgeshire Pension Fund, BDO, to obtain assurances over the information supplied to the actuary in relation to Huntingdonshire District Council. The assumptions used by the actuary have been reviewed by both PwC and our EY actuarial team who have both concluded that the assumptions and methodology used are considered to be appropriate. We reviewed and tested the accounting entries and disclosures made within the Council's financial statements in relation to IAS19 with no issues noted. The report from BDO highlighted that the market value of the total Pension Fund assets at 31 March 2017 totalled £2,814 million against the actuary's estimate of £2,838 million, a difference of £23.577 million. The Council's share of the difference has been calculated as approximately £1.2 million. The difference between the actuaries estimate and the year end actuals are approximately 0.8% of the asset values and 1.7% of the overall net liability accounted for in the balance sheet. No other significant matters were reported by BDO. As the movement in the scheme assets is not material to the Council, equates to a less than 1% variance, and forms part of an overall estimated balance, fed by a number of assumptions we have concluded that the estimate is considered to be reasonable.
Financial statements presentation Amendments have been made to the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the Code) this year changing the way the financial statements are presented. The new reporting requirements impact the Comprehensive Income and Expenditure Statement (CIES) and the Movement in Reserves Statement (MiRS), and include the introduction of the new 'Expenditure and Funding Analysis' note as a result of the 'Telling the Story' review of the presentation of local authority financial statements.	Our audit approach focused on: ► Reviewing the expenditure and funding analysis, CIES and new notes to ensure disclosures are in line with the Code; ► Reviewing the analysis of how these figures are derived, how the ledger system has been re-mapped to reflect the Council's organisational structure and how overheads are apportioned across the service areas reported; and ► Agreeing restated comparative figures back to the Council's segmental analysis and supporting working papers. The disclosures are in line with the CIPFA Code of Practice.

Other Key Findings	Conclusion
The Code no longer requires statements or notes to be prepared in accordance with SeRCOP. Instead the Code requires that the service analysis is based on the organisational structure under which the authority operates. We expect this to show the Council's segmental analysis. This change in the Code requires a new structure for the primary statements, new notes and a full retrospective restatement of impacted primary statements.	

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.

Other Key Findings	Observation
Compliance with Accounts and Audit Regulations 2015 The Council is required to advertise the audit inspection period on its website in accordance with the Accounts and Audit Regulations (2015), with the inspection period including the first ten working days of July 2017, commencing on 3 July 2017.	Due to an oversight, the notification was not placed on the Council's website until 6 July 2017. However, the Council did ensure that the inspection period covered the full 30 working day requirements, with it finishing on 16 August 2017. We received a query from a member of public, as did the Council, in relation to the draft financial statements not being published on the Council's website by 30 June 2017. The Council subsequently published the draft financial statements and extended the period for questions from the public until 30 August 2017. We are satisfied that members of the public were notified of and afforded the opportunity to inspect the Council's financial statements following the re-advertisement of the audit inspection period in the spirit of the regulations. We note that although not published on the Council's website the financial statements were available to members of the public at the Council's office in Huntingdon. We believe it is important that the Council does publish the draft statement of accounts during the inspection period and we recommend the Council addresses this point for 17-18.

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	We determined planning materiality for Huntingdonshire District Council to be £1.81 million (2016: £1.73 million). This is based on 2% of adjusted Gross Expenditure reported in the accounts. We consider Gross Expenditure to be one of the principal considerations for stakeholders in assessing the financial performance of the Council.
Reporting threshold	We reported to the Corporate Governance Committee all uncorrected audit differences in excess of £0.090 million (2016: £0.086 million).

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 including any severance payments, exit packages and termination benefits. As these disclosures are considered to be of interest to users of the accounts we have adopted judgement in ensuring that we have tested the disclosures in sufficient detail to ensure they are correctly disclosed. In particular we have confirmed the figures for senior officer remuneration in full.
- Related party transactions. The accounting standard requires us to consider the disclosure from the point of materiality to either side of the transaction. We have therefore considered the nature of the relationship in applying materiality.
- Members' allowances. As these disclosures are considered to be of interest to users of the accounts we have adopted judgement in ensuring that we have tested the disclosures in sufficient detail to ensure they are correctly disclosed.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations.

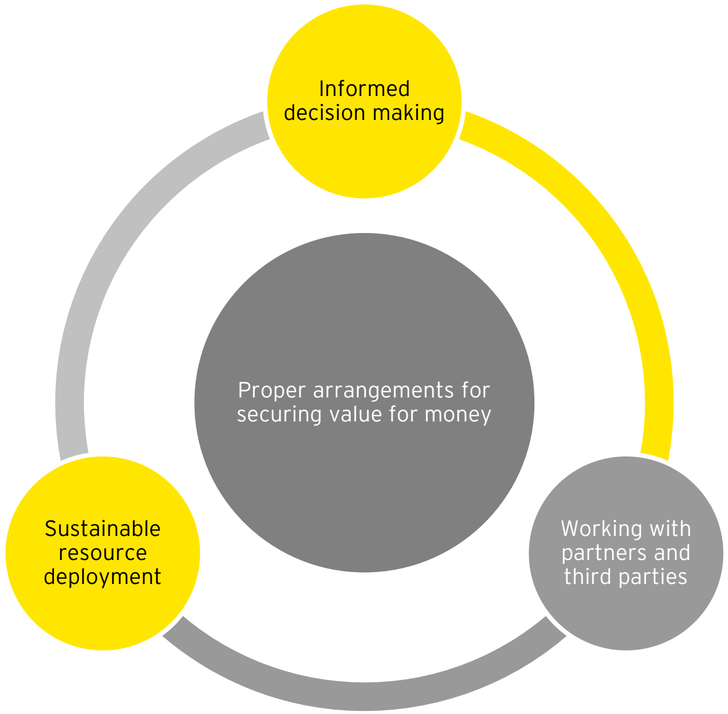
Value for Money

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 no significant risks around these arrangements. The table below shows the issues we considered during our audit. We did not identify any significant weaknesses in the Council's arrangements for securing value for money. We therefore issued an unqualified value for money conclusion on 22 September 2017.

VfM area for review	Conclusion
The Council has historically performed well in relation to their outturn position for the year. In 2016/17 the Council incurred a small surplus of £0.061 million chargeable to the General Fund as set out in the Movement in Reserves Statement which is broadly in line with budget. To date the Council has responded well to the financial pressure it faces. The 2017/18 Budget and Medium Term Financial Strategy (MTFS) identified a total net savings requirement of £3.652 million over the next 3 years which is to be taken from/(to) reserves: ▸ 2017/18 – £3.032 million ▸ 2018/19 - £1.927 million ▸ 2019/20 – (£1.307) million	Our consideration focused on a high level review of: ▸ the Council's 2017/18 budget and the medium term forecast, assessing the extent of the savings plans in place; and ▸ the use of any assumptions used in medium term planning. The Council's general fund balance as at 31 March 2017 stands at £2.598 million versus a minimum level of £2.5 million. The Council also has earmarked reserves (£15.1 million at 31 March 2017) which have been established for a number of purposes, including the following: ▸ Strategic Transformation Fund - £1.037 million ▸ Commercial Investment Reserve - £3.787 million ▸ Special Reserve - £1.3 million ▸ Other reserves – £2.631 million In addition to the above there are also other earmarked reserves for repairs and renewals, collection fund and S106 monies. The existence of these reserves provides evidence of the Council's prudent approach to financial management. These provide the Council with the flexibility to manage its financial position over the short-to-medium term, and reduce the risk that an unexpected overspend, or unexpected one-off item of expenditure, has a detrimental impact on the Council's financial standing. The Council plans to maintain this level of General Fund reserves indefinitely and we note that the projected general fund reserves in the MTFS does not fall below the target level over the next 3 years. The 2017/18 budget is balanced, through the use of efficiencies, income plans, but also the use of general fund reserves. The level of savings identified is £0.7 million and the budget also includes £1m in relation to investment income through the Commercial Investment Strategy. While incrementally savings can become harder to achieve over time, the Council's performance in delivering its plans gives confidence that it can continue to do so. We also reviewed the key assumptions in the budget and MTFS, which adequately took into account the economic environment at that time for business rate projections, and the forecast for reduced central government funding and the potential settlement. Our review of the budget setting process, assumptions used in financial planning, in year financial monitoring, and the Council's history of delivery has not identified any significant matters that we wish to report to you.

Commercial Investment Strategy During the year the council have purchased two properties, totalling £9.187 million. These relate to Shawlands Retail Park in Sudbury, Suffolk (£6.874m) and an office block at Wilbury Way, Hitchin (£2.313m). These purchases have been financed by use of an Earmarked General Fund reserve.	As the Council's commercial investment strategy grows and pressures on the funding continue it is important that the Council invests its money in ways that maximise returns and are within the powers the Council is afforded. During our audit we have held discussions with management and also obtained the Cabinet reports supporting the decision to purchase the properties during the year. We noted that these had been subject to due diligence and comparison of expected yields to those minimum levels set by the Council. We noted that the Council prepared a best, worst and expected scenarios for the expected returns and often built in a more pessimistic view when calculating these. We have reviewed the Council's legal view on the use of powers contained in section 12 of the LG Act 2003. Having considered the above, and in the absence of any case law in relation to this we are not minded to challenge the Value for Money in relation to the two properties above.

Other Reporting Issues

Other Reporting Issues

Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review, and the nature of our report, is specified by the National Audit Office.

We have confirmed that the Council are below the threshold for the completion of audit procedures over the Whole of Government Accounts (WGA) return. As such we are not required to complete any detailed work on the return. We will submit this audit results report to the NAO in line with their requirements.

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 completed this work and did not identify any areas of concern

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.

Objections Received

We did not receive any objections to the 2016/17 financial statements from member 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 Corporate Governance Committee on 13 September 2017. 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 regulatory and professional requirements.

Control Themes and Observations

It is the responsibility of the Council to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Council has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, 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.

We identified one significant deficiency as set out below. We have not identified any further significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.

Observation	Rating
Preparation of the financial statements and related working papers We have incurred significant delays in the completion of our audit work. We appreciate how the Council's staff have made time in their days for our audit enquiries, and approached our queries in a helpful and collaborative manner. However, we would note that we encountered the following key difficulties during the audit which we believe had a detrimental effect on our ability to complete this audit efficiently. 1. Accounting records We audited areas where the accounting records which the Council maintains were not sufficient for us to be able to complete our audit in the most efficient manner. This was particularly an issue when auditing creditors and debtors, leases and cash for the Council. In particular: a. The working papers for debtors and creditors were not suitable for audit as they included a movement of all transactions during the year rather than just the balances that remained outstanding at the balance sheet date. It took various	**Significant**

iterations being reviewed by management and us, in addition to several meetings to eventually generate useable working papers.

b. The Council incurred difficulties in mapping the general ledger data to the financial statements and to the categories used in our data analytics tools, being assets, liabilities, income, expenditure and equity. We held a number of meetings with the finance team and reviewed several of iterations of the reconciliation before receiving a final version that could be used for audit. We should note that this still included a difference of £321k that could not be mapped.

c. Management were unable to provide a cash flow statement which reconciled and took into account only the cash movements in the Council's accounts for the year that was agreeable to underlying records. The versions provided to us included a number of reserve and non-cash movements. Following a number of adjustments the amendments made to try and correct the working papers to the support the cash flow statement then became difficult to audit as shortcuts had been taken in trying to prepare a revised cash flow statement. We spent a considerable amount of time reviewing the versions provided to us before being able to conclude on a final version which is included in the final accounts.

We note that the issues with debtors, creditors and data mapping are consistent with those encountered in the prior year.

<u>2. Timeliness of deliverables</u>

There were several occasions where the length of time between requesting a deliverable or working paper, and actually receiving it was longer than agreed. This meant that our staff had often finished their time on site for the audit by the time the information was available. There were some areas of our audit requested in the first two weeks of the audit that were not received until weeks 4 and 5.

<u>3. Reliance on key personnel</u>

During our time on site there were often staff unavailable either through illness or because the work had been completed by an external contractor. This caused delays in answering queries and in some instances demonstrated an over-reliance on individuals.

<u>4. Amendments to the financial statements</u>

During the course of the audit a number of audit adjustments and changes were proposed to the financial statements. In many instances it took multiple reviews before the adjustments were posted correctly.

All of the above has had an impact on the efficiency of the accounts and audit process for both the Council and us as your auditors. We recommend that the Council undertake a thorough review of their processes, procedures and working papers. This is particularly important given the faster close deadline for 2017/18.


Focused on your future

Focused on your future

Area	Issue	Impact
Earlier deadline for production and audit of the financial statements from 2017/18	The Accounts and Audit Regulations 2015 introduced a significant change in statutory deadlines from the 2017/18 financial year. From that year the timetable for the preparation and approval of accounts will be brought forward with draft accounts needing to be prepared by 31 May and the publication of the audited accounts by 31 July.	These changes provide challenges for both the preparers and the auditors of the financial statements. To prepare for this change the Council has commenced taking steps in 2016/17. For example, it has started to critically review and amend the closedown process to achieve earlier draft accounts production. As auditors, nationally we have: ▸ Issued a thought piece on early closedown ▸ As part of the strategic Alliance with CIPFA jointly presented accounts closedown workshops across England, Scotland and Wales ▸ Presented at CIPFA early closedown events and on the subject at the Local Government Accounting Conferences in July 2017 We undertook some early interim testing in March 2017 in relation to income and expenditure testing. However, we will meet with management to discuss others areas that we can complete work on earlier in the process and agree an earlier timetable for delivery. Through working together, and reflecting on this year, there are a number of areas where the closedown and audit processes can be further improved going forward. As set out above we have had difficulties in concluding our audit this year due to the quality and timeliness of working papers and supporting evidence. This presents concerns in relation to the ability of the Council to meet the faster close deadlines for 2017/18. We also note that the Council are undergoing a finance system change which is currently scheduled to go live in December 2017. It will be important for the Council to ensure that this does not impact on their ability to prepare the audited financial statements and related working papers.

Appendix A

Audit Fees

Appendix A Audit Fees

The scale fee is set by the PSAA and was reported in the Audit Plan that we presented to the Corporate Governance Committee meeting on 22 March 2017. We set out below the fees for the year ended 31 March 2017.

Description	Final Fee 2016/17 £	Planned Fee 2016/17 £	Scale Fee 2016/17 £	Final Fee 2015/16 £
Total Audit Fee – Code work (see note 1 and 2)	75,839	53,236	53,236	62,235
Total Audit Fee – Certification of claims and returns	TBC	17,522	17,522	18,136

Note 1: Our prior year fee includes £8,999 for additional fees due to delays experienced in finalising our audit work. This amount has been agreed with PSAA and invoiced to the Council.

Note 2: Due to the delays experienced in the current year we will be seeking to agree an additional fee for the time and costs incurred totaling £22,603. We will agree this with management and report it to you separately.

EY | Assurance | Tax | Transactions | Advisory

Ernst & Young LLP

ED None

The UK firm Ernst & Young LLP is a limited liability partnership registered in England and Wales with registered number OC300001 and is a member firm of Ernst & Young Global Limited.

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