

# **Basingstoke and Deane Borough Council**

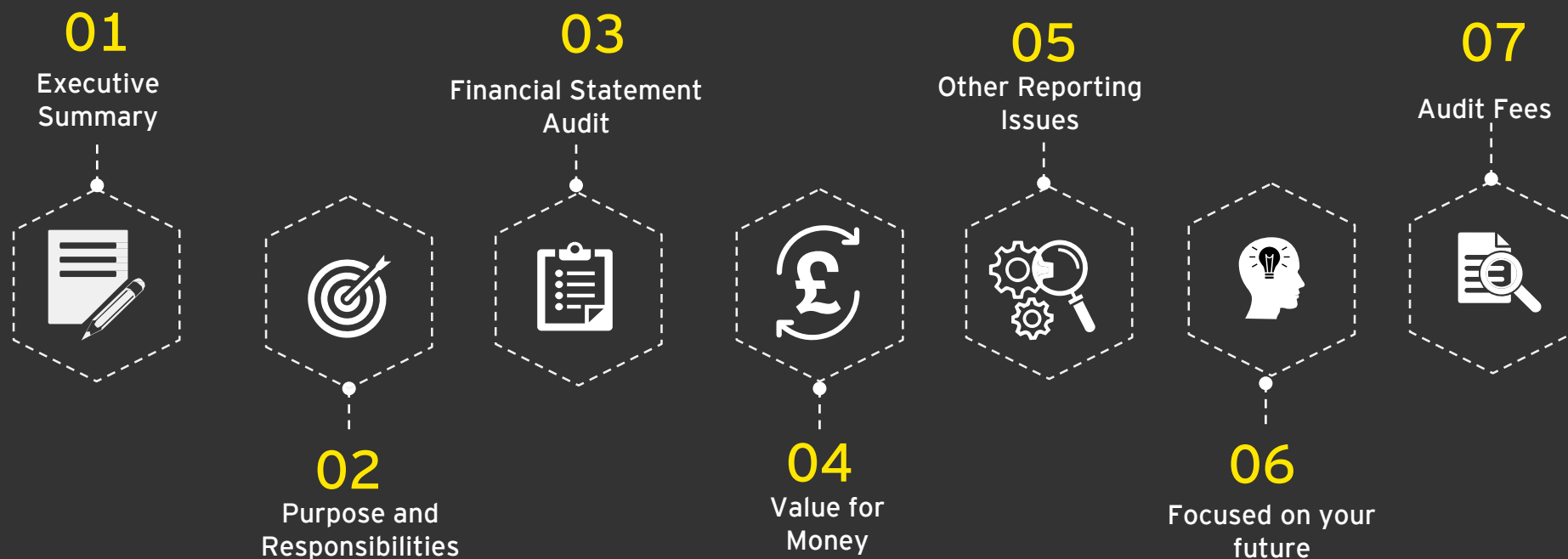
Annual Audit Letter for the year  
ended 31 March 2019

August 2019

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  
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.psa.co.uk](http://www.psa.co.uk)).

This 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 April 2018)' issued by PSAA set 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 and Terms of Appointment. 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 Basingstoke and Deane Borough Council (the Council) following completion of our audit procedures for the year ended 31 March 2019. Below are the results and conclusions on the significant areas of the audit process.

Area of Work	Conclusion
<b>Opinion on the Council's:</b>	Unqualified - the financial statements give a true and fair view of the financial position of the Council as at 31 March 2019 and of its expenditure and income for the year then ended
▶ Financial statements	
▶ Consistency of other information published with the financial statements	Other information published with the financial statements was consistent with the Annual Accounts.
<b>Concluding on the Council's arrangements for securing economy, efficiency and effectiveness</b>	We concluded that you have put in place proper arrangements to secure value for money in your use of resources.

Area of Work	Conclusion
<b>Reports by exception:</b>	
▶ 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
<b>Reporting to the National Audit Office (NAO) on our review of the Council's Whole of Government Accounts return (WGA).</b>	We had no matters to report.

# Executive Summary

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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 19 July 2019, and presented to the Audit & Accounts Committee on 29 July 2019.
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 2019.

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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

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## 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 2018/19 Audit Results Report to the 29 July Audit and Accounts 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 2018/19 audit work has been undertaken in accordance with the Audit Plan that we issued in February 2019 and is conducted in accordance with the National Audit Office's 2018/19 Code of Audit Practice, International Standards on Auditing (UK), and other guidance issued by the National Audit Office.

As auditors we are responsible for:

- ▶ Expressing an opinion:
  - ▶ On the 2018/19 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 your Whole of Government Accounts return. The Council is below the specified audit threshold of £500 million. 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 2018/19 Code of Audit Practice, International Standards on Auditing (UK), and other guidance issued by the National Audit Office and issued an unqualified audit report on 31 July 2019. Our detailed findings were reported to the 29 July 2019 Audit and Accounts Committee.

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

## Significant Risk

### Misstatements due to fraud or error

The risk is that the financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK) 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.

As part of our work we focused the key judgemental areas of financial statements, such as accounting policies, the model applied to the minimum revenue provision and unusual transactions.

We reviewed accounting estimates for evidence of management bias.

## Conclusion

We:

- Inquired of management about risks of fraud and the controls put in place to address those risks.
- Sought understanding the oversight given by those charged with governance of management's processes over fraud.
- Considered the effectiveness of management's controls designed to address the risk of fraud.
- Performing mandatory procedures regardless of specifically identified fraud risks, including:
  - Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements;
  - Assessing accounting estimates for evidence of management bias; and
  - Evaluating the business rationale for significant unusual transactions.

Based upon the procedures outlined above:

- We did not identify any evidence of material management override.
- We did not identify any instances of inappropriate judgements being applied or other management bias both in relation to accounting estimates and other balances and transactions.
- We did not identify any other transactions during our audit which appeared unusual or outside the Council's normal course of business.

Significant Risk	Conclusion
<p><b>Risk of fraud in revenue recognition - inappropriate capitalisation of revenue expenditure</b></p> <p>Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.</p> <p>From our risk assessment, we have assessed that the risk manifests itself solely through the inappropriately capitalisation of revenue expenditure to improve the financial position of the general fund.</p> <p>Capitalised revenue expenditure would result in only minimal MRP charges recorded in the general fund, deferring the expenditure for 30+ years when the borrowing is repaid. It would also allow borrowing, capital receipts or grants to be used to finance what should properly be classified as revenue.</p> <p>We focused our substantive testing on the risk of incorrectly classifying revenue expenditure as capital additions, This would decrease the net expenditure from the general fund, and increase the value of non-current assets.</p>	<p>Our approach focused on:</p> <ul style="list-style-type: none"> <li>• For significant additions, we examined invoices, capital expenditure authorisations, leases and other data that support these additions. We reviewed the sample selected against the definition of capital expenditure in IAS16.</li> <li>• We extended our testing of items capitalised in the year by lowering our testing threshold. We also reviewed a larger random sample of capital additions below our testing threshold.</li> <li>• We tested REFCUS (Revenue Expenditure Funded by Capital Under Statute) to ensure that it is appropriate for the revenue expenditure incurred to be financed from ringfenced capital resources.</li> <li>• We identified and reviewed the basis for significant journals transferring expenditure from revenue to capital codes on the general ledger at the end of the year.</li> </ul> <p>As a result of the testing above:</p> <ul style="list-style-type: none"> <li>• Our testing of additions to property, plant and equipment found that they had been correctly classified as capital and included at the correct value.</li> <li>• Our sample testing of additions to property, plant and equipment did not identify any revenue items that were incorrectly classified.</li> <li>• Our testing of REFCUS transactions found that they had been correctly classified and the expenditure met the definition of allowable expenditure, or was incurred under direction from the secretary of state.</li> <li>• Our data analytical procedures did not identify any journal entries that incorrectly moved expenditure into capital codes.</li> </ul> <p>As such, we did not identify any inappropriate capitalisation of revenue expenditure.</p>

## Financial Statement Audit (cont'd)

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Significant Risk	Conclusion
<p data-bbox="91 308 483 331"><b>New Accounting Standard - IFRS 9</b></p> <p data-bbox="91 352 864 408">This new accounting standard is applicable for local authority accounts from the 2018/19 financial year and will change:</p> <ul data-bbox="91 437 768 539" style="list-style-type: none"><li data-bbox="91 437 667 461">• How financial assets are classified and measured;</li><li data-bbox="91 475 768 499">• How the impairment of financial assets are calculated; and</li><li data-bbox="91 513 658 537">• The disclosure requirements for financial assets.</li></ul>	<p data-bbox="920 308 2145 483">We originally identified this area as a significant risk. This was due to the Council previously expressing an intent to classify certain investments as equity, and therefore elect to value them as Fair Value through Other Comprehensive Income (FVOCI). This was not an approach that we agreed with. However, from discussions with officers during the year when a statutory override was confirmed, and from review of the draft Statement of Accounts, there were no financial instruments presented as FVOCI. Therefore, we decreased the level of risk accordingly.</p> <p data-bbox="920 499 2069 555">We concluded that the Council's disclosures were in line with Code requirements and did not identify any reportable issues related to this new standard.</p>

# Financial Statement Audit (cont'd)

## Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus?	What did we do?
<p>The Local Council Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by Hampshire County Council.</p> <p>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 2018 this totalled £87.4 million.</p> <p>The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the Council. Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p> <p>An additional level of risk has arisen since the Audit Plan was released; a national issue has resulted in the consideration of the need for a relatively late change to the Council's accounts and IAS19 disclosures. It relates to legal rulings regarding age discrimination arising from public sector pension scheme transitional arrangements, commonly described as the McCloud ruling. The draft accounts did not recognise this issue as it was considered not to be sufficiently material to disclose a contingent liability. However, since the year-end there has been additional evidence, including the legal ruling by the Supreme Court on 27 June 2019 which denied the Government leave to appeal, which suggested that the amounts should in fact be able to be fully calculated and so included in the IAS19 liability disclosed within the financial statements.</p>	<p>We:</p> <ul style="list-style-type: none"> <li>• Liaised with the auditors of Hampshire Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Basingstoke and Deane Borough Council;</li> <li>• Assessed the work of the Pension Fund actuary including the assumptions they used by relying on the work of PWC - Consulting Actuaries commissioned by the National Audit Office for all Local Government sector auditors, and considered any relevant reviews by the EY actuarial team; and</li> <li>• Reviewed and test the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.</li> <li>• Considered the materiality of the 'McCloud judgement' on the Council's IAS19 disclosures and agreed the figures to updated actuarial reports</li> </ul> <p>The Council has established that the McCloud adjustment has an expenditure impact of £2.4 million and has amended the accounts accordingly.</p> <p>We have completed our work on the assets and liabilities of the pension scheme and identified one uncorrected misstatement, which results from a late notification from the Actuary that GMP (Guaranteed Minimum Pension) costs were excluded from the past pension cost. This resulted in an error across all admitted bodies; for the Council, this was a £485,000 understatement of the net pension liability.</p> <p>As this value was below materiality, the Council did not adjust the financial statements.</p> <p>We did not identify any other reporting matters.</p>

## Other areas of audit focus

What is the risk/area of focus?	What did we do?
<p><b>IFRS 15 Revenue from contracts with customers</b></p> <p>This new accounting standard is applicable for local authority accounts from the 2018/19 financial year.</p> <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>The 2018/19 CIPFA Code of practice on local authority accounting provides guidance on the application of IFRS 15 and includes a useful flow diagram and commentary on the main sources of LG revenue and how they should be recognised.</p> <p>The impact on local authority accounting is likely to be limited as large revenue streams like council tax, non domestic rates and government grants will be outside the scope of IFRS 15. However where that standard is relevant, the recognition of revenue will change and new disclosure requirements introduced.</p>	<p>We:</p> <ul style="list-style-type: none"> <li>Assessed the Council's implementation arrangements and impact assessment paper setting out the application of the new standard, transitional adjustments and planned accounting for 2018/19;</li> <li>Considered application to the Council's revenue streams; and</li> <li>Checked additional disclosure requirements for compliance with the CIPFA Code.</li> </ul> <p>We have reviewed the client's considerations and did not identify any issues. We agreed with the Council's assessment that there was no material impact of IFRS15 to the accounting or disclosure requirements for the year ended 31 March 2019.</p>
<p><b>Valuation of Land and Buildings</b></p> <p>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.</p> <p>During the financial year we have seen significant fluctuations in values of properties in some sectors, notably retail.</p>	<p>We:</p> <ul style="list-style-type: none"> <li>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. This review included the use of internal real estate specialists.</li> <li>Sample tested key asset information used by the valuers in performing their valuation (e.g. floor plans to support valuations based on price per square metre).</li> <li>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 and annually for IP.</li> <li>Reviewed assets not subject to valuation in 2018/19 to confirm that the remaining asset base is not materially misstated.</li> <li>Considered changes to useful economic lives as a result of the most recent valuation.</li> <li>Tested accounting entries have been correctly processed in the financial statements.</li> </ul> <p>We identified one Investment Property (value £2.75m) where there was incorrect accounting for a downward revaluation. Management amended the accounts for this error and we did not identify any other reporting matters.</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 to be £2.034 million (2017/18: £2.034 million), which is 2% of gross revenue expenditure reported in the 2017/18 audited accounts of £100.7 million (adjusted to include pension costs, payments of precepts and investment property running costs).</p> <p>Upon receipt of the draft 2018/19 financial statements, planning materiality was recalculated as £2.002 million.</p> <p>Our final materiality, once all audit adjustments has been taken into consideration, was calculated as £2.048 million.</p> <p>We consider gross revenue expenditure to be one of the principal considerations for stakeholders in assessing the financial performance of the Council, and 2% of this is considered the industry norm for local government bodies with a similar risk profile.</p>
Reporting threshold	We agreed with the Audit and Accounts Committee that we would report to the Committee all audit differences in excess of £102,000

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: we report any errors in these areas because they are material in scope and of significant stakeholder interest.
- ▶ Related party transactions; we report any errors in these areas because they are material in scope and of significant stakeholder interest.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations. We did not identify any errors relating to either of these areas.



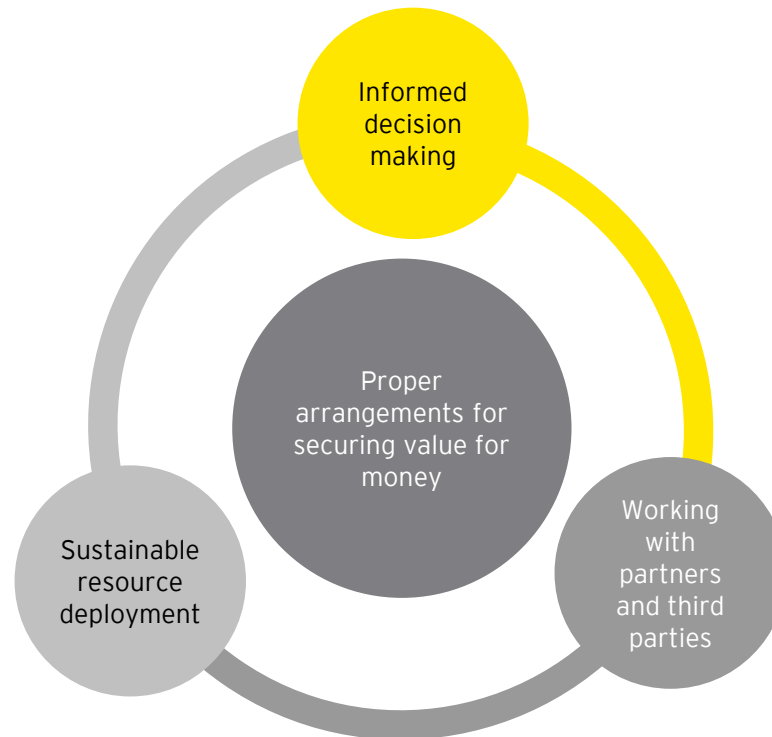
## 04 Value for Money

# £ Value for Money

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness in 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 one significant risk in relation to these arrangements. The table below presents 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 to ensure the Council took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.



## Value for Money (cont'd)

What is the significant value for money risk?	What arrangements did the risk affect?	What are our overall findings?
<p>The Council is involved in a significant development project, Manydown.</p> <p>The project involves Hampshire County Council, each with a 50% share of the joint venture.</p> <p>Urban &amp; Civic have been selected as the private sector development partner.</p> <p>The future of the project may involve significant financial investment by the Council over a period of years.</p>	<p>Take informed decisions</p> <p>Work with partners and other third parties</p>	<p>Our work specifically examined the following three key areas:</p> <p><b>Governance and project management arrangements</b>            We reviewed the Manydown Governance Framework and confirmed the structure is appropriate for the project. The structure is publicly available on the Council's website and was approved by the Council's Cabinet on 10<sup>th</sup> July 2018. All Members are regularly briefed on project developments and updates are provided at each meeting.</p> <p><b>Risk management arrangements</b>            We found the risks identified to be appropriate for a major project of this kind. The risks are offset by risk control and mitigations and a relevant RAG rating. We noted that risks are updated regularly and kept under review and updated where necessary. Response and mitigation were found to be timely and reported through an effective system of Director and Board controls.</p> <p><b>External parties and appropriateness of advice.</b>            The Council is taking external advice and support from key external stakeholders to ensure the appropriate decisions for Manydown are made. Where further clarity is sought, actions are allocated to the relevant external party to take forward and resolve or investigate to ensure the correct information is held prior to any decision being finalised. We are satisfied with the arrangements for procuring external advice and how the Council uses the advice to work with third parties and make informed decisions</p> <p>The work that we have performed leads us to conclude that governance, project and risk management arrangements are appropriate in terms of making informed decisions (including appropriate procurement and use of external advice), working with partners and other third parties. The Council are constantly updating their arrangements to respond to the changing environment of the project and acting accordingly. The arrangements in place are open and transparent (unless commercially sensitive) and freely available, enabling unsolicited challenge from outside the organisation.</p> <p>As such, we did not identify any reporting issues.</p>



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## Other Reporting Issues



## Other Reporting Issues

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### Whole of Government Accounts

The Council is below the specified audit threshold of £500 million. Therefore, we were not required to perform any audit procedures on the consolidation pack. This fact was reported to NAO on 31 July 2019.

### 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 2018/19 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.

## Other Reporting Issues (cont'd)

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### **Independence**

We communicated our assessment of independence in our Audit Results Report to the Audit and Accounts Committee on 29 July 2019. 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**

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



06

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
<b>IFRS 16 Leases</b>	<p>It is currently proposed that IFRS 16 will be applicable for local authority accounts from the 2020/21 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 2020/21 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 2020/21 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>
<b>IASB Conceptual Framework</b>	<p>The revised IASB Conceptual Framework for Financial Reporting (Conceptual Framework) will be applicable for local authority accounts from the 2019/20 financial year.</p> <p>This introduces;</p> <ul style="list-style-type: none"><li>- new definitions of assets, liabilities, income and expenses</li><li>- updates for the inclusion of the recognition process and criteria and new provisions on derecognition</li><li>- enhanced guidance on accounting measurement bases</li><li>- enhanced objectives for financial reporting and the qualitative aspects of financial information.</li></ul> <p>The conceptual frameworks is not in itself an accounting standard and as such it cannot be used to override or disapply the requirements of any applicable accounting standards.</p> <p>However, an understanding of concepts and principles can be helpful to preparers of local authority financial statements when considering the treatment of transactions or events where standards do not provide specific guidance, or where a choice of accounting policies is available.</p>	<p>It is not anticipated that this change to the Code will have a material impact on Local Authority financial statements.</p> <p>However, Authorities will need to undertake a review to determine whether current classifications and accounting remains valid under the revised definitions.</p>



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Audit Fees

## Audit Fees

As part of our reporting on our independence, we set out below a summary of the fees paid for the year ended 31 March 2019.

	Final Fee 2018/19	Planned Fee 2018/19	Scale Fee 2018/19	Final Fee 2017/18
	£	£	£	£
<b>Total Audit Fee - Code work</b>	<b>47,066</b> (See notes 2,3 & 4)	<b>42,865</b>	<b>42,865</b>	<b>61,444</b>
Grant claims - BEN01 [Form MPF720A]	n/a	n/a	n/a	13,128 (Note 1)
Non-audit work - Audit and Accounts Committee effectiveness	<b>1,900</b>	<b>1,900</b>	n/a	n/a
<b>Total all work</b>	<b>48,966</b>	<b>44,765</b>	<b>42,865</b>	<b>74,572</b>

### Notes:

(1) 2017/18 final fees for Housing Benefit is still subject to PSAA approval of 20% refund.

(2) Our planned work includes a Value for Money arrangements risk, for the first time in a number of years. As the scale fees are based on historic fees, this is effectively a change in scoping for the additional risk profile and will incur additional fees which we have assessed as £2,524 based on the work performed.

(3) The proposed final fee also includes £455 for work needed to be undertaken on aspects of housing benefit income and expenditure which would previously have been performed as part of HB certification. This had to be done separately this year as we are not the HBAP reporting accountant, therefore, increasing the scope where remuneration would previously have been under HBCOUNT principle through HB certification work. The detail of this work is as follows:

Module 2: Establishing that the system parameters had been appropriately updated to ensure the correct calculation of benefit awarded.

Module 5 - Ensuring that:

(a) The system has been upgraded to the latest subsidy software, therefore, correctly producing figures for the subsidy claim - including supplementary adjustment reports - which is the basis of the annual income and any dr/cr compared to payments on account.

(b) Reconciliation of the draft claim form to the Financial Statements.

(c) The system has been balanced, and benefit awarded can be reconciled to (a) the subsidy claimed, and (b) reconciles to the general ledger and financial statements of the authority recording the expenditure recognised for the year.

This work was undertaken by audit staff, with supervision from the audit senior and manager.

(4) The Council's Property, Plant and Equipment and Investment Property portfolios are significant, and included material investments within the retail sector subject to volatility and market decline during 2018/19. Our work required the work on internal property valuation specialists to address the risk and extent of these assets, at an additional cost of £1,222.

The above are yet to be finalised with the S151 Officer and PSAA.

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