



East  
Northamptonshire  
Council

## Governance & Audit Committee 24 July 2019

### External Auditors Annual Fee Letter

#### Purpose of report

To provide an overview of the 2019/20 External Audit fees charged by the External Auditors, EY LLP.

#### Attachment(s):

Appendix 1 – External Auditors Annual Fee Letter 2019/20

Appendix 2 – External Auditors Method Statement

#### 1.0 Introduction

1.1 EY are the council's External Auditors who have been appointed for the period from 2018/19 to 2022/23. The attached letter in Appendix 1 sets out the arrangements and fees for the 2019/20 audit. The External Auditors have also provided the Method Statement attached at Appendix 2, which sets out details of the proposed audit approach.

#### 2.0 Date of Audit Plan

2.1 The Audit Plan is expected to be issued by EY in December 2019.

#### 3.0 Indicative Fees

3.1 For the 2019/20 financial year the indicative audit fee is set at the scale fee of £34,673, which is the same as the audit fee initially planned for the 2018/19 audit. The scale fee covers the audit of the financial statements, the value for money conclusion and Whole of Government accounts.

3.2 If EY identify a need to make any significant amendments to the 2019/20 audit fee during the course of the audit, it is proposed that they will discuss the matter in the first instance with the Section 151 Officer and communicate the revised fee and the matters giving rise to the adjustments in the Audit Results Report which will be presented to the Governance and Audit Committee.

3.3 EY have indicated that there will be an increase to the planned audit fee for 2018/19 as a result of changes to the audit plan in relation to the valuation of investment properties.

#### 4.0 Equality and Diversity Implications

4.1 This report is purely for information and requires no decision from the Committee. There are no equality and diversity implications arising from the recommendations in this report.

#### 5.0 Privacy Impact Implications

5.1 There are no privacy impact implications arising from the recommendations in this report.

## 6.0 Legal Implications

6.1 There are no legal implications arising from the recommendations in this report.

## 7.0 Risk Management

7.1 This report is for information only. There are no risk management implications arising from the recommendations in this report.

## 8.0 Resource and Financial Implications

8.1 There are no financial implications arising from the recommendations in this report.

## 9.0 Constitutional Implications

9.1 There are no constitutional implications arising from the recommendations in this report.

## 10.0 Implications for our Customers

10.1 There are no implications for our customers arising from the recommendations in this report.

## 11.0 Corporate Outcomes

11.1 This report links to the following Corporate Outcomes:



- **Effective Management**

*Ensuring the Governance and Audit Committee operates effectively in accordance with best practice so that performance is managed and exposure to risks is minimised*

## 12.0 Recommendation

12.1 The Governance and Audit Committee is recommended to note the contents of this report.

*(Reason: This is an information report which sets out the fees and arrangements for the 2019/20 External Audit of the Statement of Accounts)*

<b>Legal</b>	Power: Local Audit & Accountability Act 2014 and the National Audit Office Code of Audit Practice.				
	Other considerations:				
<b>Background Papers:</b>					
<b>Person Originating Report:</b> Amy Eyles, Finance Manager aeyes@east-northamptonshire.gov.uk					
<b>Date:</b> 09/07/2019					
<b>CFO</b> 15/07/19		<b>MO</b> 15/07/19		<b>CX</b>	

(Committee Report Normal Rev. 22)

David Oliver  
Chief Executive  
East Northamptonshire Council  
East Northamptonshire House,  
Cedar Drive  
Thrapston,  
Northamptonshire  
NN14 4LZ  
Dear David

29 April 2019

Ref: Fee Letter/19-20

Direct line: 01223 394459

Email: [NHarris2@uk.ey.com](mailto:NHarris2@uk.ey.com)

### **Annual Audit 2019/20**

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

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

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

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

### **Indicative audit fee**

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

The fee reflects the risk-based approach to audit planning set out in the National Audit Office's Code of Audit Practice for the audit of local public bodies.

The audit fee covers the:

- Audit of the financial statements;
- Value for money conclusion; and
- Whole of Government accounts.

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

- Asset valuations, including the involvement of our valuation specialists;
- The valuation of the net pension liability, including the involvement of our pension specialists;
- The implementation of IFRS 16 Leases.

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

This indicative fee is based on certain assumptions, including:

- The overall level of risk in relation to the audit of the financial statements is not significantly different to that of the prior year;
- Officers meet the agreed timetable of deliverables;
- Our accounts opinion and value for money conclusion are unqualified;
- Appropriate quality of documentation is provided by Officers;
- There is an effective control environment; and
- Prompt responses are provided to our draft reports.

Meeting these assumptions will help ensure the delivery of our audit at the indicative audit fee which is set out in the table below.

As we have not yet completed our audit for 2018/19, our audit planning process for 2019/20 will continue as the year progresses. Fees will be reviewed and updated as necessary, within the parameters of our contract.

### Summary of fees

	Indicative fee 2019/20 £	Planned fee 2018/19 £
Scale Fee	34673	34673: Note 1
<b>Total Code audit fee</b>	<b>34,673</b>	<b>34,673</b>

Note 1: Our 2018/19 Audit Plan indicated that the planned fees for 2018/19 may be subject to a scale fee variations due to changes the scope of the audit.

Any additional work that we may agree to undertake (outside of the Code of Audit Practice) will be separately negotiated and agreed with you in advance. All variations to the scale fee will be subject to PSAA approval.

### Billing

The scale fee will be billed in 4 quarterly instalments of £8,668.

### Audit plan

Our plan is expected to be issued in December 2019. This will communicate any significant financial statement and value for money risks identified, planned audit procedures to respond to those risks and the estimated fee implications of these additional procedures. Should we need to make any significant amendments to the audit fee during the course of the audit, we will discuss this in the first instance with the Section 151 Officer and communicate the revised fee and the matters giving rise to any adjustments to the scale fee in our Audit Results Report which we will present to the Governance and Audit Committee.

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

We remain committed to providing you with a high quality service. If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, please contact me, or Janet Dawson as our Government and Public Sector Assurance Leader at [jdawson1@uk.ey.com](mailto:jdawson1@uk.ey.com). If you prefer an alternative route, please contact Steve Varley, our Managing Partner, by writing to him at 1 More London Place, London, SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute.

Yours sincerely

A handwritten signature in dark ink, appearing to be 'Neil Harris', written in a cursive style.

Neil Harris  
Associate Partner  
For and on behalf of Ernst & Young LLP

cc. Glenn Hammons, Chief Financial Officer  
Councillor Peter Wathen, Chair of Governance and Audit Committee.

Confidential

# EY working with you

An overview of our approach

March 2019



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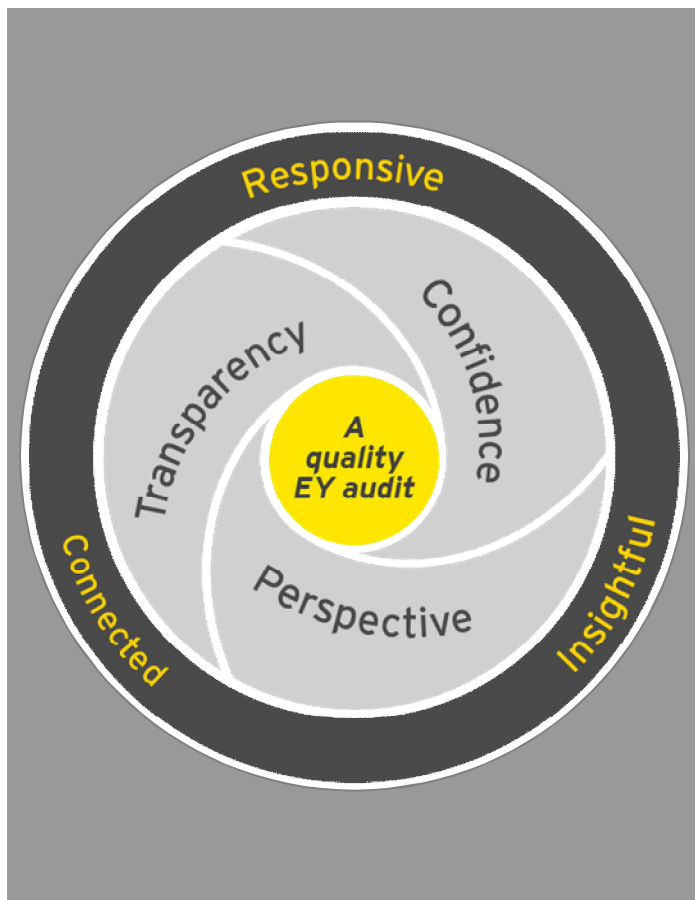
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# Our commitment to you



East Northamptonshire Council opted into the Public Sector Audit Appointments (PSAA) Appointing Person scheme which started in 2018/19. PSAA appointed EY as your auditors. PSAA is responsible under the Local Audit (Appointing Person) Regulations 2015 for monitoring compliance with the contract and is committed to ensuring good quality audit services are provided by its suppliers. Details of PSAA's audit quality monitoring arrangements are available from its website, [www.psa.co.uk](http://www.psa.co.uk).



Janet Dawson – Partner

I am the lead partner for this contract, and EY's Global Government and Public Sector Assurance Leader. I have been a partner in Government and Public Sector (GPS) assurance services for 14 years, and have over 20 years of experience and knowledge from working in the sector. My work across health and central government brings an understanding of the broader context of the environment that you operate within.

My appreciation of the value of audit, transparency, and the importance of working in partnership with the public sector aligns with PSAA in promoting and supporting those values through our work. I have asked Neil Harris to lead your engagement on behalf of EY. Our commitment to quality and culture of consultation means that they will draw on the expertise within the firm in fulfilling this responsibility.

Our extensive experience of providing a range of assurance services has demonstrated that strong relationships, clear communication, and investing time with our clients to understand their issues delivers the highest quality outcomes.

This is our commitment to you.

Our contract with PSAA contains a method statement which sets out the firm's commitment to deliver quality audit services, our audit approach, and what clients can expect from us. A summary of the key points of the method statement follows. It is provided as a guide and reference for liaising with us, and a benchmark for you to provide feedback on our performance to PSAA via its survey in Autumn 2019.





# Working with you

## Communication

Our experience shows that close, constructive working relationships are built on trust and open dialogue.

Neil Harris is your engagement lead and responsible for our relationship protocols, overall audit service and quality. We meet regularly with Officers and Members, discussing sector challenges and bringing insights from our network. Your engagement manager, Chris Hewitt, is a key contact and brings significant experience of managing local authority audits.

Our relationship protocols allow you to escalate concerns to Janet Dawson (Contact Partner) or Steve Varley (UK Managing Partner) should you need to.

Our Audit Planning Report contains further information on our planning approach and timetable, giving you a risk based, tailored audit. We ensure our senior leaders are accessible for management and members.



## Knowledge and training

Significant investment in the development of dedicated GPS teams is part of our commitment to improve skills in the public sector. Our structured recruiting and training approach delivers the best audit quality. All our training is developed by technical specialists and is quality and risk assessed. Staff must pass online tests following training, to demonstrate they can apply the learning in practice.

GPS sector specific training including emerging opportunities and risks, new requirements and specific technical areas, e.g., capital accounting, group accounts, LG pensions and other areas.

Topics are derived from our sector knowledge and stakeholder engagement.

We share these insights with you via our Audit Committee Briefings, Public Sector Accounting Workshops, Audit Committee Forums and other bespoke training sessions.



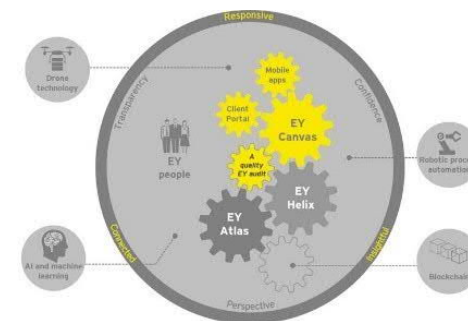
## Quality and Innovation

Audit quality is our primary goal in ensuring confidence in public services in a landscape of constant change and uncertainty. Factors which contribute to achieving consistently high quality audits are our people, tailored audits, consultation, and engagement quality reviews.

Our consultation policies are built upon a culture of collaboration, whereby audit professionals are encouraged to share perspectives on complex accounting, auditing and reporting issues.

Audit quality is at the heart of our innovation strategy.

We will continue to innovate and integrate new technologies into our audit process. The technologies discussed so far are just the start of our journey, designed to grow and be enhanced with additional functionalities.





# Value beyond the audit

In line with the firm's broader vision to build a better working world, EY's commitment to, and investment in, the public sector is focussed on delivering sustainable social value.

We are the first of the Big 4 firms to establish an apprenticeship programme awarded 'employer status' by the Skills Funding Agency, that specifically addresses the needs of deprived communities. 'EY Business Apprenticeships' is a way of investing in local people, directly challenging the UK skills gap, whilst prioritising those from deprived communities, and disadvantaged backgrounds. Our work under the PSAA contract enable us to create around 165 additional apprentice roles.

EY was also the major graduate recruiter to change our minimum entry requirements, increasing inclusivity by opening up opportunities for talented individuals regardless of their background and education.



## Economic and Social

We deliver socio-economic improvements by carefully aligning existing initiatives to our clients' objectives, for example, local authorities' focus on local employability.

Examples include: Removing barriers to employment and education: our 'Smart Futures' initiative provides Year 12 students access to paid work experience, employability workshops and career talks plus 10-months of mentoring from an EY employee. We deliver this from 11 EY offices across the UK. The benefit to you is that we focus on state schools and prioritise those on free school meals. In addition, our 'Stay Curious' and 'Employability Support' initiatives raise awareness of audit career opportunities to STEM students and provide CV advice, networking, mock interviews and assessment centres. Collectively the improvement outcomes include increased employability for young people in the community, connecting schools, universities, employers and building confidence in the students themselves.

Supporting local businesses for prosperity in the community: the EY Foundation, our independent charity, supports collaboration between young people and local businesses. The benefit is a community better connected, focussed on key issues, and providing a voice to the under privileged.

Our global EY Ripples programme enables our staff to donate time to make use of their knowledge, skills and experience to support young people and impact entrepreneurs, by providing mentoring support, business skills training, and more equitable access to resources – to drive sustainable inclusive growth.

## Environmental

We protect the environment by minimising waste and using resources efficiently, e.g., we proactively manage and monitor the environmental impacts of our supply chain, and our own people. We encourage carbon footprint reduction through initiatives such as Bike to Work, Flexible Working Policy, and our sustainable travel strategy. We have also made changes to our processes from procurement to recruitment to minimise the environmental impact of them on the wider world.

## EY | Assurance | Tax | Transactions | Advisory

### About EY

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