Derby City Council

Annual Audit Letter for the year ended 31 March 2017

April 2018

Ernst & Young LLP

Building a better working world

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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 Derby City 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 not 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	On 23 June 2016 our predecessor, Grant Thornton LLP issued a report in the public interest under section 8 of the Audit Commission Act 1998 in relation to identified failures of governance at Derby City Council in the management of major projects and in relation to Member conduct.
► Written recommendations to the Council, which were copied to the Secretary of State	On 27 June 2017 we made written recommendations to Derby City Council under Section 24 of the Local Audit and Accountability Act.
► 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 13 December 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 17 April 2018.

In April 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.

Stephen Clark
For and on behalf of Ernst & Young LLP

Purpose

Purpose

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 19 December 2017 Audit and Account 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

Responsibilities

Responsibilities of the Appointed Auditor

Our 2016/17 audit work has been undertaken in accordance with the Audit Plan that we issued on 19 September 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 you 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 19 December 2017.

Our detailed findings were reported to the 19 December 2017 Audit and Accounts Committee.

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

Significant Risk	Conclusion
Risk of management override of controls As identified in International Standard on Auditing ("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. The potential for the incorrect classification of revenue spend as capital is a particular area where there is a risk of management override.	We performed the following audit procedures: • Tested, using a risk based approach, the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements; • Reviewed accounting estimates for evidence of management bias; • Evaluating the business rationale for significant unusual transactions; • Reviewed the accounting adjustments processed and disclosed in the Movement in Reserves Statement and supporting notes; • Tested on a sample basis capital expenditure on property, plant and equipment to ensure it meets the relevant accounting requirements to be capitalised; • Tested on a sample basis the physical existence of assets held on the fixed asset register. We did identify a small number of low value items of expenditure which we believe were inappropriately capitalised. Weaknesses in controls with respect to expenditure capitalisation have previously been reported to management and we will continue to monitor the effectiveness of the control environment in this regard.
Risk of fraud in revenue recognition Under ISA240 there is a presumed risk that revenue may be misstated due to improper recognition of revenue. In this	We performed the following audit procedures: • Reviewed and tested revenue and expenditure recognition policies;

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 manipulating expenditure recognition. For Derby City Council we consider that this risk presents itself in Fees, Charges and Other Service Income and Other Service Expenditure. Considered a particular risk are those items of income and expenditure which are non-routine and involve more management estimation and judgement such as year-end accruals and provisions.	• Reviewed and discussed with management any accounting estimates on revenue or expenditure recognition for evidence of bias; • Executed a testing strategy to test material revenue and expenditure streams; • Reviewed and tested revenue cut-off at the period end date Overall our audit work did not identify any material issues or unusual transactions to indicate any misreporting of the Authority's financial position.
Valuation of Property, Plant and Equipment Land and buildings is the most significant balance in the Council's Statement of Financial Position. The valuation of land and buildings is subject to a number of assumptions and judgements and even a small movement in these assumptions, could have a material impact on the accounts. The Council experienced particular issues in the 2015/16 financial year with respect to the valuation of its land and buildings (excluding Council Dwellings). This is the area where we consider the significant risk to specifically lie.	Management has used external valuers – Cushmans and Wakefield, and Innes England, as experts to value its land and buildings at 31 March 2017. We have evaluated the qualifications and competency of Management's experts to perform this exercise to the required standard. On a sample basis, we have used our own internal EY valuation experts to perform the following procedures: • For the specific assets whose valuation at 31 March 2016 was examined in detail by EY Valuations experts in the prior year audit, reviewed the valuation movement between 31 March 2016 and 31 March 2017 to challenge whether this is in line with our expectation; • For an additional sample of assets, review the asset valuation at 31 March 2017 in detail to ensure that assumptions used are appropriate, valuation basis is appropriate, calculations are accurate. This work highlighted two assets where the Council's external valuers had made errors in the valuation. The total value of these errors was £4.9m and the Council has adjusted the financial statements. In response to the errors, the following additional procedures have been performed: • We have extended our sample of assets for which we have reviewed the asset valuation in detail to ensure that assumptions used are appropriate, valuation basis is appropriate, calculations are clerically accurate. • We have obtained and reviewed the subsequent further assurances received from the external valuers with respect to the accuracy of valuations; and

	• We have reviewed and challenged the work performed by the Council's estates team to review all externally valued assets. Our additional sample of assets selected in order to test the valuations did not reveal further error. The Council's own internal review of the valuations identified a variance to the GBV of all assets valued by Cushmans and Wakefield of £252,804 (0.06%) and Cushmans and Wakefield have confirmed their own review of their valuations has revealed no further errors. We have therefore reached the conclusion that the valuation of property, plant and equipment is free from material misstatement.
Private Finance Initiative (PFI) Arrangements The Council has a number of assets held under PFI arrangements. Four of these are recorded on the Council's balance sheet, one is not. Such arrangements are complex and substantial in value.	We performed the following audit procedures: • Updated our understanding of the schemes and consideration on whether the schemes falls within IFRIC 12 and should be accounted for on balance sheet; • Used our PFI specialist to confirm the accounting model reflects the changes recommended in 2015/16 to operator's model and continues to produce reliable results for the financial statements; • Ensured the outputs from the accounting model are correctly reflected in the financial statements, and relevant disclosures have been made; and • On a sample basis, ensured the inputs into the model agree to cash payments made by the Authority. Overall, we are satisfied that the PFI liability is not materially misstated.

Other Key Findings	Conclusion
Accounting for pension fund liability	We have reviewed the inputs provided to the Council's actuary, reviewed the assumptions used by the Council's actuary, and their output – ensuring that the results are reflected in the Council's statement of account. We have no issues to report as a result of the procedures performed.
Minimum Revenue Provision	We have used our in-house MRP specialist to assist in our audit of the Council's amended approach to calculating MRP. The procedures undertaken involved an examination of the base calculation of the Capital Financing Requirement from the balance sheet, and assessing the Council's model for MRP calculation to confirm that it was consistent with the Regulations. In discussion with Management we

	agreed that further backdating of pre-2008 debt would be permissible under the regulations, resulting in a reduction of £2.143m of MRP which has been recorded as a corrected audit adjustment. We have concluded that the MRP is not materially misstated.
Financial statements presentation – Expenditure and funding analysis (EFA) and Comprehensive income and expenditure statement	We have examined the expenditure and funding analysis, CIES and new notes to ensure disclosures are in line with the code. We have also examined how the figures in the EFA 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. We have no issues to report.
Consolidation of Derby Homes Limited	Derby City Council has a wholly owned subsidiary company, Derby Homes Limited. We have performed procedures to direct, oversee and conclude upon the work performed by BDO LLP as auditor of Derby Homes Limited in support of the group audit opinion. This has included the issuing of group instructions to BDO LLP, the receipt of formal reporting to EY on conclusion of their planning work and final audit opinion, as well as direct verbal communication between EY and BDO LLP to discuss the extent of work performed on the balances of Derby Homes Limited which are consolidated in the Council's group accounts and any issues arising. We concluded that no significant issues have arisen as a result of the component auditor's audit procedures with respect to Derby Homes Limited.
Borrowings	The Council has £20m of long term borrowing on lender option, borrower option (LOBO) terms with Royal Bank of Scotland. We are aware that there is currently sector wide focus on such arrangements as several authorities have received objections to their accounts challenging the legality of such arrangements. We have considered the implications of this for Derby City Council. We have reviewed legal advice and concluded that even if the LOBO were determined to be unlawful, the lender would likely have recourse back to the Council (and so in effect the Council would end up paying the funds back anyway). We therefore conclude that a decision that LOBOs are unlawful is unlikely to lead to a material adjustment to the liability due by the Council. At 31 March 2017 the LOBO is classified as a long term liability (as was the case in the prior year). We therefore consider whether the risk of the LOBO being considered illegal results in a need to reclassify the loan to short-term at the balance sheet date. Even if the Council had to repay the loans, they would have access to replacement (long term) loans at better rates in the market and therefore would be in a better rather than worse position. Therefore based on the evidence we have at the time of signing our audit opinion (almost 9 months after the balance sheet date), we do not believe that any adjustment is required to the financial statements. The LOBO is correctly classified as long term borrowing as in the 12 months following the balance sheet date there has been no objection made nor any other indication that the loan will have to be repaid any sooner than the contracted arrangement would dictate.

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 the Council and Group to be £7.1 million, which is 1% of gross revenue expenditure. We consider gross revenue expenditure to be one of the principal considerations for stakeholders in assessing the financial performance of the Council.
Reporting threshold	We agreed with the Audit and Accounts Committee that we would report to the Committee all audit differences in excess of £0.357 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:

- Remuneration disclosures including any severance payments, exit packages and termination benefits
- Related party transactions
- Members Allowances

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

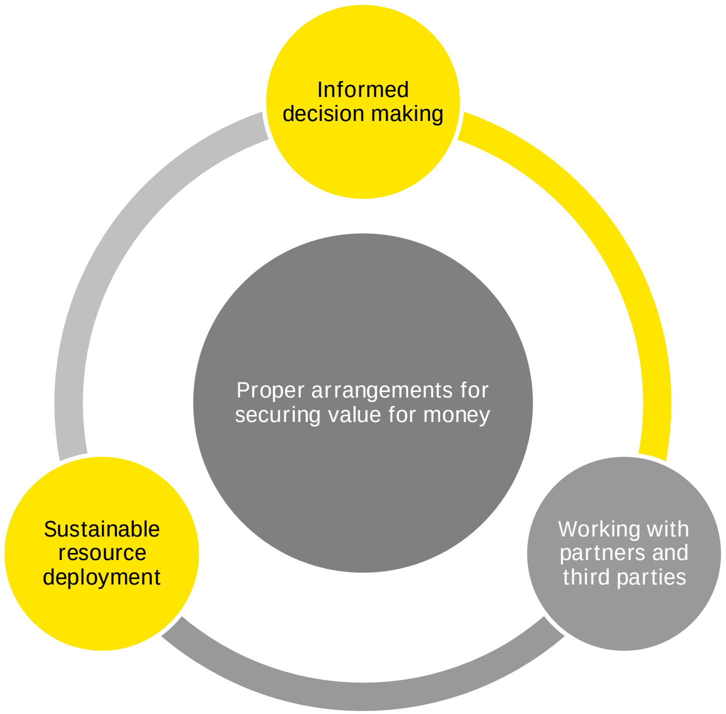
Value for Money

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 6 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 identified the following 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.

We therefore issued a qualified value for money conclusion in relation to sustainable resource deployment, working with third parties effectively to deliver strategic priorities, managing risks effectively, and the ability to make informed decisions on 19 December 2017.

Significant Risk	Conclusion
June 2016 Public Interest Report Grant Thornton issued a Report in the Public Interest in June 2016 which highlighted governance issues which remained present in the 2016/17 year of account.	The public interest report issued by Grant Thornton in June 2016 made several recommendations with respect to issues continuing in the 2016/17 financial year which are relevant to the Council's arrangements for ensuring informed decision making, including: • Review of project procurement and monitoring systems to ensure that appropriate decisions are made regarding externally commissioned services • Ensure continued monitoring of Member interventions in operational matters relating to taxi licencing • Review the quality of decision making by the taxi licencing committee • Reinforce the need for officers to observe the Council's contract procedure rules. This impacts the Council's arrangements for Informed decision making and contributes to our qualified conclusion.
Robustness of medium term financial planning The Council's Medium Term Financial Plan and planning process is not sufficiently robust. Savings targets are not accompanied by detailed plans on how the savings are to be achieved. There is no provision for scenario planning to identify financial sensitivities within the Medium Term Financial Plan.	We have met with Officers and Members who have concurred that the Authorities MTFP arrangements during the 2016/17 financial year were weak. The Authority is working to put in place more robust analysis and challenge (sensitivities, etc) however this was not in place for 2016/17. Since the Council has not had a robust MTFP in place throughout the entire period under audit with identified savings and sensitivity analysis performed, this contributes to our qualified VFM conclusion.
July 2017 written recommendations under s24 of Local Audit and Accountability Act In June 2017 EY exercised its powers under the Local Audit and Accountability Act 2014 and issued written recommendations to the Council. Although some progress had been made, it was our view that given the	Subsequent to the issuance of our s24 recommendations the Authority put in place an action. This was a forward looking plan, so commencing in June 2017 meant that the 2016/17 accounting year had already concluded. Nevertheless, when the accounts team became familiar with basic controls such as meaningful reconciliations, they did 'go back' and reconcile accounts at 31 March 2017 in order to facilitate the 2016/17 audit process. That said, we can only conclude that the arrangements were not in place for the 2016/17 period and this contributes to our VFM qualification.

significance of the control weaknesses, insufficient progress has been made in the period following our report of 23 September 2016 to appropriately address the issues and strengthen the Council's control environment. The control issues identified across a significant number of areas of the Finance and associated supporting functions, most noticeably in respect of the Estates function, are pervasive and led to a significant number of errors identified in the 2015/16 published draft Financial Statements relating to both the current and prior year accounting periods. This could undermine the Council's ability to effectively demonstrate it has proper arrangements to safeguard and make informed decisions in respect of public funds and assets.	
Provision of internal audit services EY have attended all Audit Committee meetings held throughout the 2016/17 reporting period. In our view, the reporting to the Committee by internal audit is superficial, and the challenge provided by the Audit Committee to the matters raised by internal audit is often weak. We have not seen evidence of Officers being held to account for issues highlighted in internal audit reports but not addressed in a timely manner, nor evidence of challenge where risks are considered 'acceptable' by Officers. In early 2017 the Council have initiated a review of the internal audit service offering, and a number of weaknesses have been identified which have led to a transformation programme being initiated.	Whilst a program of change to the internal audit provision has now been initiated, this was still at a very early stage at 31 March 2017. This contributes to our qualified VFM conclusion.
Results of regulatory reviews and commentary The Council has received various commentaries throughout the year from regulatory bodies, the tone of which has been mixed. Recent findings in respect of education provision across the City from Ofsted and more broadly across the Council's activities from the Local Government Association (LGA) Peer Review indicate a significant risk to our VFM conclusion.	The LGA peer review contains many of the same issues already noted above from the Public interest report, s24 recommendations, and 2015/16 qualified VFM conclusion. There are no significant 'new' issues highlighted. We have discussed the Council's response to the Ofsted inspections with the Strategic Director of People Services. Whilst children's services received a 'good' assessment in the year, schools were less successful. This is in large part due to a small number of weak academies bringing overall scores down. Whilst the council retains statutory duty for service provision, the extent to which it can influence performance at academies is less than for LEA maintained schools. However, an action plan has been

	drawn up and interventions are taking place to bring together good practice examples and effect change. We have therefore concluded that this risk does not lead to a qualification of our VFM conclusion at 31 March 2017.
Absence of corporate risk strategy and risk register There was no corporate risk strategy in place that covered 2016/17. The draft strategic risk register went to Chief Officer Group in November 2015, as a working copy for them to comment on. It was agreed that a clearer definition of the risk appetite and what would and would not be tolerated was needed. At September 2017, the new strategy document was still in the process of being redrafted.	The risk management annual report for 2016/17 which was presented to the audit committee on 31 October 2017 stated “One of the key tasks for 2017/18 will be to address the gaps in the Council’s risk management procedures.” The continued absence of a corporate risk strategy and risk register lead us to conclude that the Council does not have proper arrangements in place to ensure informed decision making.

Other matters to report

The Authority engaged the services of an Interim Director of Finance and s151 Officer in May 2017. This Officer has had responsibility for implementing an action plan (the Corporate Improvement Plan) to address the issues raised in the Grant Thornton Public Interest Report, the EY s24 Written Recommendations, and the Local Government Association Peer Review.

From our discussions with the Authority’s Chief Executive, Interim Director of Finance and s151 Officer, Monitoring Officer, and Head of Internal Audit we would make the following observations to bring to the Committee’s attention:

- Senior Officers have a good understanding of the changes which need to be made at the Authority to address the issues raised by the various commentators noted above, and have documented action plans in place designed to affect these changes.
- Whilst it is too early for us to comment on the success of the Authority in achieving the actions set out in the plans, we can share with you our observations in respect of the issues we raised in our s24 written recommendations. During our 2016/17 audit we have noted an improvement in the quality of the basic accounting information being produced, and the working papers produced to support the statement of accounts. Whilst these remain far from best practice and the direction of travel is seen as positive, this has been achieved for the most part by means of significant management intervention rather than the result of a well embedded routine financial reporting process.
- For the changes to become embedded, a continued and sustained cultural shift will be required.
- The Audit Committee seeks its assurance from three primary sources: Officers, Internal audit, and External audit. Our observation is that the relationship between the Council and the internal audit provider is dysfunctional. It is not operating in a way which enables the Audit Committee to obtain the assurance which it should be able to from an internal audit provider and this should be addressed as a matter of priority.

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. We had no issues to report.

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.

On 23 June 2016 our predecessor, Grant Thornton LLP issued a report in the public interest under section 8 of the Audit Commission Act 1998 in relation to identified failures of governance at Derby City Council in the management of major projects and in relation to Member conduct.

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.

On 27 June 2017 we made written recommendations to Derby City Council under Section 24 of the Local Audit and Accountability Act. This followed significant delays in the finalisation of the Council’s 2015/16 Statement of Account and an unacceptable length of time being taken to respond to and correct control weaknesses identified in our audit procedures, and communicated to the Audit and Accounts Committee in September 2016. Given the timing of the written recommendations, all matters reported in those recommendations were also relevant to the 2016/17 year of account.

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 Audit and Accounts Committee on 19 December 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

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.

In addition to the matters previously reported to the Authority in the June 2017 written recommendations, the following control observation has been noted during the course of our 2016/17 audit procedures. The matters reported here are limited to those deficiencies identified during the audit and important enough for us to report to you

Description	Impact
The Council incurs expenditure through an outsourced payroll provider – EPM. In 2016/17 £6million of expenditure has gone through EPM representing the 5 schools which use the provider. No internal audit work is currently being performed over the internal control environment, operating effectiveness and reporting at EPM by the Council nor has any service organisation auditors report been requested from EPM by the Council.	There is a risk that payroll processing by EPM is inaccurate, incorrect, or incomplete. We recommend that the Council should seek assurance over the robustness of controls at the outsourced provider and the schools to ensure amounts being included in the financial statements of the Authority are free from material misstatement.

Appendix A

Audit Fees

Appendix A Audit Fees

Our fee for 2016/17 includes a scale fee variation approved by management, but awaiting PSAA approval at the time of writing as shown below.

Description	Final Fee 2016/17 £	Scale Fee 2016/17 £	Final Fee 2015/16 £
Total Audit Fee – Code work	208,403*	142,553	438,981
Total Fee – Certification of claims and returns:			
- Housing benefit certification	19,725	19,725	20,846
- Pooling of Housing capital receipts	4,500	n/a	3,500
- Teachers' pensions	6,000	n/a	5,500

* Approved by management but still to be approved by PSAA. Scale fee variation arose primarily as a result of additional procedures required in respect of PPE valuations, amendments to MRP policy, and the need to review three versions of the statement of account.

We confirm we have undertaken any non-audit work outside of the PSAA's requirements in respect of Teachers' pensions and the pooling of housing capital receipts.

EY | Assurance | Tax | Transactions | Advisory

Ernst & Young LLP

ED None

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