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21 April 2016

Dear Nadeem

### **Planned audit fee for 2016/17**

The Local Audit and Accountability Act 2014 provides for the introduction of a new framework for local public audit. Under these provisions, the Audit Commission closed in March 2015 and the Secretary of State for Communities and Local Government delegated some statutory functions from the Audit Commission to Public Sector Audit Appointments Limited (PSAA) on a transitional basis.

PSAA will oversee the Audit Commission's audit contracts for local government bodies until they end in 2018, following the announcement by the Department for Communities and Local Government (DCLG) that it will extend transitional arrangements until 2017/18. PSAA's responsibilities include setting fees, appointing auditors and monitoring the quality of auditors' work. Further information on PSAA and its responsibilities are available on the [PSAA website](#).

### **Scale fee**

PSAA prescribes that 'scale fees are based on the expectation that audited bodies are able to provide the auditor with complete and materially accurate financial statements, with supporting working papers, within agreed timescales'.

There are no planned changes to the overall work programme for local government audited bodies for 2016/17, bar the adoption of new measurement requirements for the Highways Network Asset, which we don't expect to be applicable to the Authority.

PSAA have proposed that 2016/17 scale audit fees are set at the same level as the scale fees applicable for 2015/16. The Authority's scale fee for 2016/17 has been set by PSAA at £53,685.

The audit planning process for 2016/17, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary throughout the year.

### **Scope of the audit fee**

Under the provisions of the Local Audit and Accountability Act 2014, the National Audit Office (NAO) is responsible for publishing the statutory Code of Audit Practice (the Code) and guidance for auditors from April 2015. Audits of the accounts for 2016/17 will be undertaken under the Code on the basis of the work programme and scale fees set out on the

#### **Chartered Accountants**

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[PSAA website](#). Further information on the Code and guidance is available on the [NAO website](#).

The scale fee covers:

- our audit of your financial statements
- our work to reach a conclusion on the economy, efficiency and effectiveness in your use of resources (the value for money conclusion)
- our work on your Whole of Government Accounts (WGA) return.

PSAA will agree fees for considering objections from the point at which auditors accept an objection as valid, or any special investigations, as a variation to the scale fee.

### **Value for Money conclusion**

The Code requires us to consider whether the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VfM) conclusion.

The NAO issued its guidance for auditors on value for money work in November 2015. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Authority has put proper arrangements in place.

The NAO guidance identifies one single criterion for auditors to evaluate whether:

*In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.*

### **Billing schedule**

Fees will be billed as follows:

<b>Main Audit fee</b>	<b>£</b>
September 2016	13,421.25
December 2016	13,421.25
March 2017	13,421.25
June 2017	13,421.25
<b>Total</b>	<b>53,685.00</b>
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<b>Grant Certification</b>	
March 2017	38,224

### Outline audit timetable

We will undertake our audit planning and interim audit procedures in January 2017. Upon completion of this phase of our work we will issue a detailed audit plan setting out our findings and details of our audit approach. Our final accounts audit and work on the VfM conclusion will be completed in May-July 2017 and work on the whole of government accounts return in July 2017.

<b>Phase of work</b>	<b>Timing</b>	<b>Outputs</b>	<b>Comments</b>
Audit planning and interim audit	January 2017	Audit plan	The plan summarises the findings of our audit planning and our approach to the audit of the Authority's accounts and VfM.
Final accounts audit	July 2017	Audit Findings (Report to those charged with governance)	This report sets out the findings of our accounts audit and VfM work for the consideration of those charged with governance.
VfM conclusion	April-July 2017	Audit Findings (Report to those charged with governance)	As above
WGA	July 2017	Opinion on the WGA return	This work will be completed alongside the accounts audit.
Annual audit letter	October 2017	Annual audit letter to the Authority	The letter will summarise the findings of all aspects of our work.
Grant certification	February 2018	Grant certification report	A report summarising the findings of our grant certification work

### Our team

The key members of the audit team for 2016/17 are:

	<b>Name</b>	<b>Phone Number</b>	<b>E-mail</b>
Engagement Lead	Elizabeth Olive	0207 728 3329 07880 456 184	<a href="mailto:elizabeth.lolive@uk.gt.com">elizabeth.lolive@uk.gt.com</a>
Engagement Manager	Terry Blackman	0207 728 3194 07880 456 179	<a href="mailto:terry.blackman@uk.gt.com">terry.blackman@uk.gt.com</a>
Support Manager	Andy Ayre	0207 728 2328 07709 165 208	<a href="mailto:andy.j.ayre@uk.gt.com">andy.j.ayre@uk.gt.com</a>
In Charge Auditor	Andy Southall	01173 057636	<a href="mailto:andy.m.southall@uk.gt.com">andy.m.southall@uk.gt.com</a>

**Additional work**

The scale fee excludes any work requested by the Authority that we may agree to undertake outside of the Code audit. Each additional piece of work will be separately agreed and a detailed project specification and fee agreed with the Authority.

**Quality assurance**

We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact me in the first instance. Alternatively you may wish to contact Paul Dossett, our Public Sector Assurance regional lead partner, via [Paul.Dossett@uk.gt.com](mailto:Paul.Dossett@uk.gt.com).

Yours sincerely

A handwritten signature in black ink, appearing to read 'Elizabeth Olive', with a circular flourish at the end.

Elizabeth Olive  
Engagement Lead

For Grant Thornton UK LLP