

North Hertfordshire District Council

External Audit 2020/21 Update Report

December 2021

Ernst & Young LLP



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Chair of the Finance, Audit and Risk Committee
North Hertfordshire District Council
Council Offices
Gernon Road
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3 December 2020

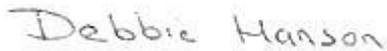
Dear Cllr Keith Hoskins

External Audit Update Report

Further to the issue of our Outline Audit Planning Report to the Finance, Audit and Risk Committee in March 2021, this Update Report summarises the changes that have been made to our Outline Plan since this date.

It also provides the Committee members with details of the final fee for the 2019/20 audit following the determination of this by Public Sector Audit Appointments.

Yours sincerely



Debbie Hanson
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1. Changes to the Outline Plan

Risks

Our Outline Plan set out the risks based on the audit procedures we had completed as of February 2021. At this stage we had not fully completed all our planning procedures. We have now completed our planning and have not identified any additional risks changes to risks previously identified.

We would however draw members attention to an error in our Outline Report which noted the risk of misstatements due to fraud and error as a new risk, when in fact this is a risk that is included in our plan in 2019/20 and had therefore not changed from the previous year.

Audit Team

Since the issue of our Outline Plan, we have had to make a number of changes to our audit team due to changes in EY staff. These changes are summarised below

Associate Partner: Debbie Hanson has taken over from Suresh Patel. Debbie has over 25 years public sector external audit experience and was also the external audit engagement partner for North Hertfordshire a number of years ago

Audit Manager: Ghulam Hussain has taken over from Robert Garnett. Ghulam is an experienced manager who has worked for EY for over a year and has a number of local government audit clients

Seniors: Andisiwe Ndlovu and Ciarán Tumulty have taken over from Josh Smart. Both Andisiwe and Ciaran have experience of a wide range of local government clients.

Timetable

Our Outline Audit Plan set out an indicative timetable of the completion of the audit by the end of September or early October.

Unfortunately, due to the need to make staffing changes as outlined above as well as the impact of ongoing 2018/19 and 2019/20 audits and Covid19 we had to make changes to the proposed timetable. We have discussed these changes with the finance team at various points over the summer and have now confirmed the final timetable as set out below

Audit phase	Timetable	Deliverables
Initial Planning:	January 2021/ February 2021	Outline Audit Planning Report presented to March Committee
Walkthroughs		
Finalisation of planning	October/ November 2021	Update Report to December Committee
Year end audit	November 2021/ December 2021	
Audit Completion procedures	January 2022	Audit Results Report
Sign off	January 2022	Audit opinions and completion certificates
Final reporting	February 2022	Auditors Annual Report

We recognise that this timetable presents challenges for the Council in terms of its competing priorities but will work closely with them to minimise the impact as much as possible.

2. Audit fees

In our Outline Audit Plan, we reported the proposed final fee for 2019/20 as set out below and noted that this was still subject to agreement by PSAA.

Appendix A

Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government. PSAA has published a scale fee for all relevant bodies. This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

	Planned fee 2020/21 (£)	Final fee 2019/20 (£)	
Scale Fee - Code work [note 1]	40,068	40,068	The agreed fee presented is based on the following assumptions:
Additional fees: [note 2]			<ul style="list-style-type: none"> Officers meeting the agreed timetable of deliverables; Our accounts opinion being unqualified; Appropriate quality of documentation is provided by the Authority; the Authority has an effective control environment; EY internal consultation on the audit report in line with 2019/20.
- Additional work on PPE	4,000-7,000	6,120	If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed in advance.
- VFM significant risk	TBC	4,000	Fees for the auditor's consideration of correspondence from the public and formal objections will be charged in addition to the scale fee.
- Management override and inappropriate capitalisation risk	TBC	-	All fees exclude VAT
- Going concern assessment & disclosure	1,000-2,500	2,808	Notes:
- EY internal consultation on audit report	1,000-2,000	1,949	1. We are currently in discussion with PSAA nationally about an increase to the scale fee. For North Hertfordshire we proposed an increase of £19,752. This is yet to be determined by PSAA.
- Revised auditing standard for estimates	TBC	-	2. 2019/20 additional fees agreed in principle with management. This remains subject to approval by PSAA. Ranges for 2020/21 additional fees based on prior year experience where appropriate.
- Accounting for C-19 related grants	TBC	-	
- NNDR appeals provision	TBC	-	
Total audit	TBC	54,945	
Non-audit services:			
Housing Benefits	TBC	TBC	
Total other non-audit services	TBC	TBC	
Total fees	TBC	TBC	

PSAA have now approved the final fee position for 2019/20. There are two elements to 2019/20 variation, and these were both reported in the Outline Audit Plan, although only the elements related to Covid were included in the table

We have summarised below the proposed additional fees we previously reported to you and the final agreed figure approved by PSAA, along with the final overall fee

Reason for increase	EY proposed increase	PSAA approved figure
Increase proposed to the base scale fee (as reported in note 1 in the above table and also including the additional £4,000 fee for the vfm significant risk)	£19,752	£12,962
Impact of Covid due to: <ul style="list-style-type: none"> Additional work on PPE Going concern assessment and disclosure Consultation on the audit report (as reported in the table above)	£10,877	£7,000
Total increase	£30,629	£19,962
Base fee	£40,068	£40,068
Final total fee	£70,697	£60,030

We recognise that the first time the value of the proposed increase to the base scale fee of £19,752 was reported to Members of the Committee was in the 2020/21 Outline Audit Plan, and that it would have been more transparent to have included this in the table in this Plan and to have referred to this in the Annual Audit Letter for 2019/20.

We would however note that our 2019/20 Audit Results Report and 2019/20 Outline Audit Plan did both refer to our proposal to increase the scale fee for 2019/20 and that the proposal was currently being considered by PSAA as part of their national consideration of EY's fee proposals.

The Audit Results Report made clear that the fee table did not reflect those proposals and this table was repeated in the Annual Audit Letter, as shown in the extract below.

Independence

Fee analysis

As part of our reporting on our independence, we set out below a summary of the fees paid for the year ended 31 March 2020.

We have included the fees paid by the Authority in engaging us as a reporting accountant on DWP's the housing benefits assurance programme. We have adopted the necessary safeguards in completing this work and complied with Auditor Guidance Note 1 issued by the NAO.

In our Outline Audit Plan and subsequent reporting to the Finance, Audit and Risk Committee, we have communicated our proposal to increase the scale fee for 2019/20. This proposal is currently being considered by PSAA as part of their national consideration of EY's fee proposals. The table below does not reflect those proposals.

All fees exclude VAT	Final fee 2019/20	Planned fee 2019/20	Scale fee 2019/20	Final Fee 2018/19
	£	£	£	£
Code work - scale fee	40,068	40,068	40,068	44,068
Additional code work:				
• VFM conclusion significant risk (Note 1)	4,000	TBC	N/A	N/A
• Going concern disclosure (Note 2)	TBC	-	-	-
• Asset valuations impacted by Covid-19 (Note 3)	TBC	-	-	-
• EY consultations on auditor report (Note 4)	TBC	-	-	-
Total audit	TBC	40,068	40,068	44,068
Other non-audit services not covered above (Housing Benefits)	TBC	9,140	N/A	9,140
Total other non-audit services	TBC	9,140	N/A	9,140
Total fees	TBC	TBC	40,068	53,208

Notes: These items are outside of the PSAA scale fee and will be subject to agreement with the Service Director - Resources and then PSAA.

1. We reported in the Outline Audit Plan that the VFM significant risk would necessitate an additional fee.
2. We have carried out additional work to review, assess and challenge the Authority's going concern assessment and associated disclosure.
3. We have carried out additional work in response to the material uncertainty reported by the Authority's valuer on investment property valuations. This has led to an emphasis of matter paragraph in the audit report.
4. To ensure that we are giving the right assurance to the Authority, EY have instigated a consultation process involving the Firm's Professional Practice Directorate.

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