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27 April 2018

Ref: PCC201819Fee  
Your ref:

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Dear Gillian

## Annual Audit 2018/19

I am writing to confirm the audit that we propose to undertake for the 2018/19 financial year at Peterborough City Council.

As you may recall from 2018/19 you were required to make your own arrangements for local auditor appointment under the Local Audit and Accountability Act 2014 for the audit of the accounts and certification of the housing benefit subsidy claim. You opted into the national scheme managed by Public Sector Audit Appointments Ltd (PSAA). We were pleased that PSAA confirmed our appointment as your auditor for the duration of the five-year appointing period, covering the audits of the accounts for 2018/19 to 2022/23.

### Indicative audit fee

For the 2018/19 financial year, PSAA has set the scale fee for each audited body that have opted into its national auditor appointment scheme. Following consultation on its Work Programme and Scale of Fees, PSAA has reduced the 2018/19 scale audit fee for all opted-in bodies by 23 per cent from the fees applicable for 2017/18.

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
- Whole of Government accounts

For Peterborough City Council we have set our indicative fee at the PSAA scale fee level, assuming:

- The overall level of risk in relation to the audit of the financial statements is not significantly different from that of the prior year;

- Your officers meet the agreed timetable of deliverables;
- You operate effective arrangements of internal control;
- Our accounts opinion and value for money conclusion being unqualified;
- You provide appropriate quality of documentation;
- You operate an effective control environment; and
- You provide prompt responses to our queries and 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 2017/18, our audit planning process for 2018/19 will continue as the year progresses. We will review and update fees as necessary through discussion with Peter, within the parameters of our contract.

### Summary of fees

	Indicative fee 2018/19 £	Planned fee 2017/18 £	Actual fee 2016/17 £
Total Code audit fee Peterborough City Council	83,570	108,533	111,033
Certification of housing benefit subsidy claim	N/A	13,619	24,075

The fee for 2016/17 reflects additional code audit work we were required to undertake and we agreed the fee with Marion Kelly. The additional fee for HB work for 2016/17 (£10,020) is still subject to approval by PSAA.

In respect of the indicative fee for the certification of housing benefit subsidy for 2017/18, PSAA bases this on the actual 2015/16 benefit certification fees. The fee for this area of work can fluctuate significantly depending on the findings from our initial testing. We have initially set the certification fee at the indicative fee level of £13,619. However the HB certification regime assumes that the Council will undertake any necessary '40+' testing, subject to reperformance by us. This is set out in HBCount Module 1. In the two years since we have been your auditor we have carried out the additional testing ourselves and we have raised an additional fee. This will be likely for 2017/18 unless the Council carries out the testing itself. The appointment for a review of the Council's 2018/19 housing benefit subsidy claim is not covered by the PSAA appointment. We will shortly provide Peter a quote for undertaking this work, based on the understanding that the Council will undertake any necessary '40+' testing.

## **Billing**

The indicative audit fee will be billed in 4 quarterly instalments of £20,893.

## **Audit plan**

We expect to issue our plan before December 2018. This will communicate any significant financial statement risks identified, planned audit procedures to respond to those risks and any changes in fee. It will also set out the significant risks identified in relation to the value for money conclusion. 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 Peter and, if necessary, prepare a report outlining the reasons for the fee change for discussion with the Audit Committee.

We are 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 as your Engagement Lead. 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.

Yours sincerely



Suresh Patel

Associate Partner

For and on behalf of Ernst & Young LLP

cc. Peter Carpenter, Interim Corporate Director, Resources  
Cllr Kim Aitken, Chair of the Audit Committee

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