



George Robertson
Chief Executive
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20 April 2015
Ref: EHDC/Annual Audit Fee
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Dear Mr Robertson

East Hertfordshire District Council

Annual Audit and Certification Fees 2015-16

I am writing further to the letter Karl Havers and I sent to you dated 27 January 2015 introducing ourselves as the Council's external auditors from 1 April 2015. We are pleased to be appointed as your auditors and look forward to working with you. We would like the opportunity to meet you before we start planning for the 2015-16 audit in the autumn.

Please let me know when it would be convenient to meet with you. I have copied Helen Pace in to this letter. She manages my diary and can contact the relevant person at the Council to arrange an introductory meeting.

We are required to send the Council a planning letter outlining our proposed work programme for the audit and certification work that we propose to undertake for 2015-16 and the planned fees.

Our 2015-16 audit is the first we will undertake following the closure of the Audit Commission on 31 March 2015. Our contract will now be overseen by Public Sector Audit Appointments Ltd (PSAA), an independent company set up by the Local Government Association, until it ends in 2017 (or 2020 if extended by the Department of Communities and Local Government).

The responsibility for publishing the statutory Code of Audit Practice, under which we will conduct our audit work, has transferred to the National Audit Office.

Indicative audit fee

The audit 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, applying from 2015-16 audits.

The audit fee covers the:

- ▶ Audit of the financial statements
- ▶ Value for money conclusion
- ▶ Whole of Government accounts

For 2015-16 the Audit Commission has set a scale fee for each audited body following a tendering of contracts in March 2014. As a result of the tendering exercise fees have reduced by 25%. Consequently



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scale fees are not liable to increase during the remainder of our contract without a change in the scope of our audit responsibilities.

The 2015-16 scale 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 from that of the prior year
- ▶ We are able to place reliance on the work of internal audit to the maximum extent possible under auditing standards
- ▶ The financial statements will be available to us in line with the agreed timetable
- ▶ Working papers and records provided to us in support of the financial statements are of a good quality and are provided in line with our agreed timetable
- ▶ Prompt responses are provided to our draft reports

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

We have set the Council's planned fee at the scale fee level which assumes the overall level of audit risk is not significantly different from that of prior years. We will review the fee position later in the year after your current appointed auditor has completed your audit for 2014-15 and we have carried out some initial audit planning for 2015-16.

Certification fee

The Audit Commission has set an indicative certification fee for housing benefit subsidy claim certification work for each audited benefits authority. The indicative fee is based on the actual 2013-14 benefit certification fee and incorporating a 25% reduction.

The indicative certification fee is based on the expectation that an audited body is able to provide the auditor with complete and materially accurate housing benefit subsidy claim with supporting working papers, within agreed timeframes.

The indicative certification fee for 2015-16 relates to work on the housing benefit subsidy claim for the year ended 31 March 2016. We have set the certification fee at the indicative fee level. We will update our risk assessment after your current appointed auditor completes 2014-15 benefit certification work, and to reflect any further changes in the certification arrangements.

Summary of fees

	Indicative fee 2015-16
Total Code audit fee	£52,331
Certification audit fee	£8,316

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.



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Billing

The planned audit and certification fees will be billed in 4 quarterly instalments of £15,161.75 from July 2015.

Audit plan

We aim to issue our 2015-16 audit plan early in 2016. 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 the Director of Finance and, if necessary, prepare a report outlining the reasons for the fee change for discussion with the Audit Committee.

Audit team

We will introduce you to the audit team later this year. Set out below are my and Helen Pace's contact details.

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Helen Pace

Executive Assistant

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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. 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 faithfully

Mick West

Director

For and on behalf of Ernst & Young LLP

cc. Adele Taylor, Director of Finance

Councillor J Ranger, Chairman of the Audit Committee