



**South Derbyshire  
District Council**

Annual Audit Letter for the year  
ended 31 March 2019

January 2020



**EY**

Building a better  
working world

# Contents



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.psa.co.uk](http://www.psa.co.uk)).

This 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 April 2018)' issued by PSAA set 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 and Terms of Appointment. 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



**01**

## Executive Summary

# Executive Summary

We are required to issue an annual audit letter to South Derbyshire District Council (the Council) following completion of our audit procedures for the year ended 31 March 2019. Below are the results and conclusions on the significant areas of the audit process.

Area of Work	Conclusion
<b>Opinion on the Council's:</b>	Unqualified –the financial statements give a true and fair view of the financial position of the Council and of its expenditure and income for the year ended 31 March 2019.
▶ Financial statements	
▶ Consistency of other information published with the financial statements	Other information published with the financial statements was consistent with the Annual Accounts.
<b>Concluding on the Council's arrangements for securing economy, efficiency and effectiveness</b>	We concluded that you have put in place proper arrangements to secure value for money in your use of resources. Further details relating to value for money work are detailed at page 13.

Area of Work	Conclusion
<b>Reports by exception:</b>	
▶ Consistency of Governance Statement	The Governance Statement was consistent with our understanding of the Council.
▶ Public interest report	We had no matters to report in the public interest.
▶ Written recommendations to the Council, which should be copied to the Secretary of State	We had no matters to report.
▶ 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
<b>Reporting to the National Audit Office (NAO) on our review of the Council's Whole of Government Accounts return (WGA).</b>	We had no matters to report.

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 21 November 2019 and reported to Audit-Sub Committee on 5 December 2019.
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 16 December 2019.

We would like to take this opportunity to thank the Council's staff for their assistance during the course of our work.

Stephen Clark  
 Partner  
 For and on behalf of Ernst & Young LLP



**02**

## Purpose and Responsibilities

# Purpose and Responsibilities

## 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 2018/19 Audit Results Report to the Audit-Sub Committee on 5 December 2019, 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 of the Appointed Auditor

Our 2018/19 audit work has been undertaken in accordance with the Audit Plan that we issued on 20 March 2019 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 2018/19 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 the 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 your Whole of Government Accounts return. The Council is below the specified audit threshold of £500mn. Therefore, we did not perform any audit procedures on the return.

## 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.

A blurred office scene with a laptop, papers, and glasses of water on a desk. The background shows a window with blinds and a plant. The foreground is dominated by a wooden desk with several clear glasses of water, some papers with charts, and a laptop displaying a blue-toned interface.

**03**

## 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 16 December 2019. Our detailed findings were reported to the Audit-Sub Committee on 5 December 2019.

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

Significant Risk	Conclusion
<p><b>Misstatements due to fraud or error</b></p> <p>The financial statements as a whole are not free of material misstatements whether caused by fraud or error.</p> <p>As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.</p>	<p>We undertook a number of substantive procedures in response to this risk. The procedures designed to address the identified risk are set out below;</p> <ul style="list-style-type: none"> <li>Identifying fraud risks during the planning stage of the audit;</li> <li>Inquiries of management about risks of fraud and the controls put in place to address those risks;</li> <li>Understanding the oversight given by those charged with governance of management's processes over fraud;</li> <li>Consideration of the effectiveness of management's controls designed to address the risk of fraud;</li> <li>Determining an appropriate strategy to address those identified risks of fraud;</li> <li>Performing mandatory procedures regardless of specifically identified fraud risks, including testing of the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements;</li> <li>Sample testing of journals from the accounting period that are identified from application of specified audit risk criteria;</li> <li>Consider the existence of significant unusual transactions during the year and performing review and testing as required;</li> </ul> <p>We have not identified any material weaknesses in controls or evidence of material management override. We have not identified any instances of inappropriate judgements being applied.</p> <p>We did not identify any other transactions during our audit which appeared unusual or outside the Council's normal course of business.</p>

## Financial Statement Audit (cont'd)

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The key issues identified as part of our audit were as follows: (cont'd)

Significant Risks	Conclusion
<p><b>Risk of fraud in revenue and expenditure recognition – inappropriate capitalisation of revenue expenditure</b></p> <p>Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the 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 the manipulation of expenditure recognition. Due to the nature and value of some streams revenue and expenditure we do not consider the risk of fraud to apply to the following sources of Council revenue and expenditure such as Income from Central Government grants, Council Tax income, Business rate income, payroll and Housing benefit income and expenditure</p> <p>In respect of expenditure we consider the risk is focussed on the incorrect capitalisation of revenue expenditure.</p>	<p>We concluded that the property, plant and equipment acquisition transactions tested had been capitalised in accordance with IAS 16 and the Council's recognition policy and correctly accounted for in the balance sheet.</p>
<p><b>Risk of cut-off error</b></p> <p>In the 2017/18 audit results report we confirmed that our audit testing identified a material error relating to the overstatement of both trade payables and cash and bank.</p> <p>The absence of adequate cut-off arrangements at year may give rise to transactions being accounted for in the incorrect financial year.</p>	<p>We undertook substantive procedures in response to this risk. The procedures designed to address the identified risk are set out below;</p> <ul style="list-style-type: none"><li>▪ Document our understanding of the Council's processes and controls in place to mitigate the risks.</li><li>▪ Sample testing of revenue and liability cut-off at the period end date.</li><li>▪ Conduct testing to identify unrecorded liabilities at the year-end.</li></ul> <p>We did not identified any matters to bring to your attention.</p>

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## Financial Statement Audit (cont'd)

The key issues identified as part of our audit were as follows: (cont'd)

Other Financial Statement Risks	Conclusion
<p><b>Valuation of Land and Buildings</b></p> <p>Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p> <p>The fair value of other land and buildings represents a significant balance in the Authority's accounts and are subject to valuation changes, impairment reviews and depreciation charges.</p>	<p>The fair value of Property, Plant and Equipment (PPE) represent significant balances in the financial statements and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet. To address the risk we completed the following procedures;</p> <ul style="list-style-type: none"><li>▪ Documented our understanding of the processes and controls in place to mitigate the risks identified, and walk through those processes and controls to confirm our understanding</li><li>▪ Evaluated the competence, capabilities and objectivity of management's specialist.</li><li>▪ Reviewed the terms of engagement or instructions issued to the valuer to ensure these are consistent with accounting standards. And assess if the instruction includes a specific instruction from the council to the valuer relating to an assessment on the unvalued population;</li><li>▪ Considered the work performed by the Council's external valuer, including the adequacy and scope of the work performed.</li><li>▪ Performed a sample test on the asset data used by the valuer over the completeness and appropriateness of information provided to the valuer in performing their valuations (e.g. floor plans to support valuations based on a price attributed to area measurements);</li><li>▪ Reviewed the classification of assets and ensure the correct valuation methodology has been applied.</li><li>▪ Considered changes to useful economic lives as a result of the most recent valuation; and</li><li>▪ Tested the accounting entries have been correctly processed and recorded in the financial statements</li></ul> <p>We concluded that the financial statements are free from material misstatement with respect to valuation of land and buildings.</p>

# Financial Statement Audit (cont'd)

The key issues identified as part of our audit were as follows: (cont'd)

Other Key Findings	Conclusion
<p><b>Pension liability valuation</b></p> <p>The Local Authority Accounting Code of Practice and IAS19 require the Authority to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by South Derbyshire Council.</p> <p>The Authority's pension fund deficit is a material estimated balance and the Code requires that the net liability be disclosed on the Authority's balance sheet. At 31 March 2018 this totalled £947.9 million.</p> <p>The information disclosed is based on the IAS 19 report issued to the Authority by the actuary to the Pension Fund.</p> <p>Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p> <p>In 2017/18, the Council's share of the pension scheme assets was understated by £260k primarily as a result of the timing of the actuary's work.</p>	<p>Our review of the Council's share of the pension scheme assets concluded that there was an understatement by £143k, which is not material and the financial statements reflect the information from the actuary as at 31 March 2019.</p> <p>In reaching our conclusion we also took into account the impact on the updated actuarial report in relation to the high court ruling (The McCloud Judgement) which created a constructive obligation as at the balance sheet date which would increase the liability of the Executive to the Pension Fund. Our preliminary assessment identified that there could be a material difference yielded by the outcome of this judgement and as such management requested updated information from the Pension Fund Actuary, which has been adjusted for in the financial statements.</p> <p>Furthermore, the impact of guaranteed minimum pension was disclosed as immaterial by the fund actuaries. We have assessed the range of the estimate and found the range between £270k and £374k. These amounts were also confirmed not to be material.</p>
<p><b>IFRS 9 – Financial Instruments</b></p>	<p>This was a new accounting standard applicable for Local Authority accounts from the 2018/19 financial year and resulted in following changes:</p> <ul style="list-style-type: none"><li>▪ How financial assets are classified and measured;</li><li>▪ How the impairment of financial assets are calculated; and</li><li>▪ The disclosure requirements for financial assets.</li></ul> <p>There are transitional arrangements within the standard; and the 2018/19 CIPFA Code of practice on Local Authority accounting provides guidance on the application of IFRS 9. However, until the Guidance Notes are issued and any statutory overrides are confirmed there remains some uncertainty on the accounting treatment.</p> <p>Our work has not identified any matters to bring to your attention.</p>
<p><b>IFRS 15 – Revenue contracts with customers</b></p>	<p>This was a new accounting standard applicable for Local Authority accounts from the 2018/19 financial year.</p> <p>The key requirements of the standard cover the identification of performance obligations under customer contracts and the linking of income to the meeting of those performance obligations.</p> <p>The Authority's assessment presented for audit contained details of the value of the streams of income to confirm if there were any streams of revenue that fell under the scope of IFRS 15. Using our data analytics tool, we evaluated each stream of income and concluded the Council does not have any material revenue streams that come under the scope of IFRS 15.</p>

## Financial Statement Audit (cont'd)

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### 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 to be £0.944mn (2017/18: £0.94mn), which is 2% of actual year-end 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-Sub Committee that we would report to the Committee all audit differences in excess of £0.047mn (2017/18: £0.047mn)

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. The areas identified and audit strategy applied include:

- Remuneration disclosures including any severance payments, exit packages and termination benefits ~ a threshold of £1k was applied.
- Related party transactions ~ a threshold of £1k was applied.
- External audit fees ~ a threshold of £1k was applied.
- Members allowances ~ a threshold of £1k was applied.
- Cash and bank balances ~ a threshold of £nil was applied.



# 04 Value for Money

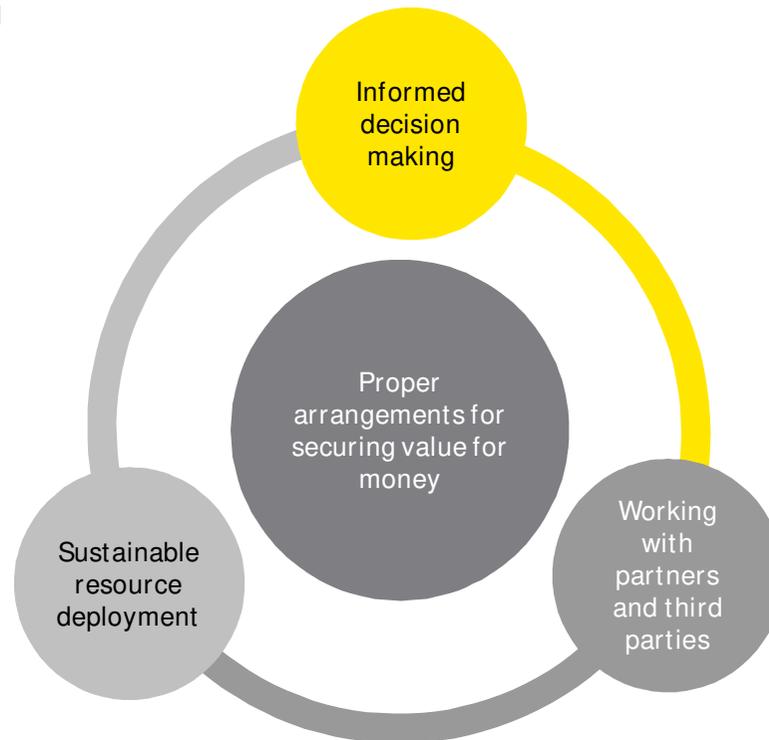
# Value for Money

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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 two significant risks around these arrangements. The tables below present our findings in response to the risks in our Audit Planning report and any other significant weaknesses or issues we want 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. Please see the following page.

## Value for Money (cont'd)

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We issued a qualified value for money conclusion in relation to Councils arrangements to secure economy, efficiency and effectiveness in your use of resources on 31 July 2018.

Significant Risk	Conclusion
<p><b>Securing financial resilience</b></p> <p>From the medium term financial plan, updated in February 2019, the Council has forecasted budget deficits from 2019/20 to 2023/24 with the general fund depleting from £9.1m to £2.1m but remaining above the £1m minimum level.</p>	<p>Based on results of our procedures we are satisfied that appropriate arrangements are in place to manage this significant risk. It was noted that from the latest update to the MTFS that the Council has forecasted deficit outturns, £0.59m in 2020/21 rising to £1.6m in 2023/24. During the same period the general fund reserve will decrease by £6.1m from £8.7m to £2.6m. The Council will need to continue scrutinising the financial plan and consider whether a savings plan will be required to address forecast budget deficits In order to minimise the risk of requiring unplanned reserves contributions.</p>
<p><b>Procurement and related contract issues in the Housing and Environment Services Directorate</b></p> <p>In our 2016/17 Audit Results Report, we reported that the value for money conclusion was qualified on the basis the Housing and Environment Services Directorate had control weaknesses in its procurement and contract management arrangements which included having significant service contracts unsigned. As the Council started to implement recommendations part way through 2017/18, we have determined that the risk in this area remains relevant for the financial year.</p>	<p>Our work has concluded that the Council has now implemented all of the outstanding recommendations and continues embed the arrangements to strengthen governance arrangements.</p>



**05**

## Other Reporting Issues



## Other Reporting Issues

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### 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. The Council is below the specified audit threshold of £500mn. Therefore, we did not perform any audit procedures on the consolidation pack.

### 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.

### 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.

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.

We did not identify any issues which required us to issue a written recommendation.

### Objections Received

We did not receive any objections to the 2018/19 financial statements from members of the public.

## Other Reporting Issues (cont'd)

### 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-Sub Committee on 5 December 2019. 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

It is the responsibility of the Council to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Council has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls.

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.

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.

During the course of the audit we have identified a number of audit issues which we require to bring to your attention:

#### 1 Authorisation of manual journal entries

Posting of manual journal entries in the general ledger are not authorised in the system. The Council's key control for authorisation is that all manual journals are recorded in a central journal log to be reviewed and updated by the Head of Finance to evidence the authorisation. Our review of the journal processes, using our data analytics tool to check the completeness of the log identified that during the financial year 285 journals had not been recorded and therefore were unauthorised. It should be noted that none of the excluded journals was material in value. We recommend that the jog log is regularly reviewed for completeness to ensure all manual journals for the financial year are recorded and authorised.

#### 2 Related parties and declarations of interest

We reviewed the Council's arrangements to capture and evaluate declarations of interest for senior managers and elected members. We identified that seven members had not completed the required declaration in accordance with Council's procedures. We undertook further checks and were satisfied that the missing declarations did not have any undisclosed material related party transactions.

#### 3 Rounding differences

Our casting of the draft financial statements identified a high number rounding differences ranging between £1k and £3k. There are a high number of errors which need to be addressed in 2019/20



**06**

## Data Analytics



# Use of Data Analytics in the Audit

## Data analytics — Journal entry testing

### Analytics Driven Audit

#### Data analytics

We used our data analysers to enable us to capture entire populations of your financial data. These analysers:

- Help identify specific exceptions and anomalies which can then be the focus of our substantive audit tests; and
- Give greater likelihood of identifying errors than traditional, random sampling techniques.

In 2018/19, our use of these analysers in the Council's audit included testing journal entries and employee expenses, to identify and focus our testing on those entries we deem to have the highest inherent risk to the audit.

We capture the data through our formal data requests and the data transfer takes place on a secured EY website. These are in line with our EY data protection policies which are designed to protect the confidentiality, integrity and availability of business and personal information.

#### Journal Entry Analysis

We obtain downloads of all financial ledger transactions posted in the year. We perform completeness analysis over the data, reconciling the sum of transactions to the movement in the trial balances and financial statements to ensure we have captured all data. Our analysers then review and sort transactions, allowing us to more effectively identify and test journals that we consider to be higher risk, as identified in our audit planning report.



# Data Analytics

## Journal Entry Data Insights

The graphic outlined below summarises the journal population for 2018/19. We review journals by certain risk based criteria to focus on higher risk transactions, such as journals posted manually by management, those posted around the year-end, those with unusual debit and credit relationships, and those posted by individuals we would not expect to be entering transactions.

The purpose of this approach is to provide a more effective, risk focused approach to auditing journal entries, minimising the burden of compliance on management by minimising randomly selected samples.

### EY Helix - GLASS: Journal Entry Data Insights - 19 South Derbyshire DC - P1 to P12 - 31/03/2019

#### Facts and Figures

Number of Journals Posted:  
**17,809**

Average Number of Journals Posted per Day:  
**61**

Average Number of Lines per Journal:  
**13**

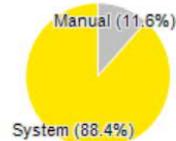
#### Operational Efficiencies

Manual Journals Posted at weekend:  
**0**

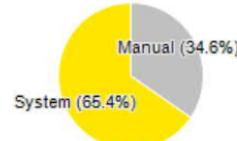
Manual journals where gross amount is < £5:  
**27**

Journal lines with zero value:  
**0**

#### Manual v System by Volume



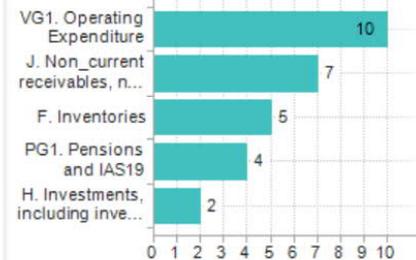
#### Manual v System by Value



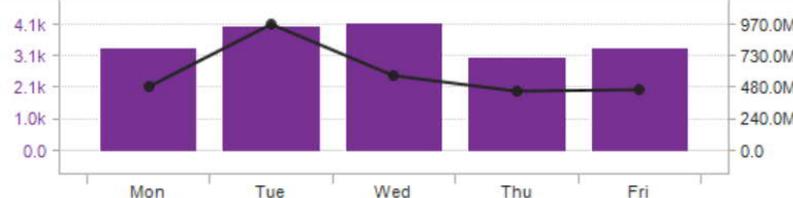
#### Top Five Activity Accounts



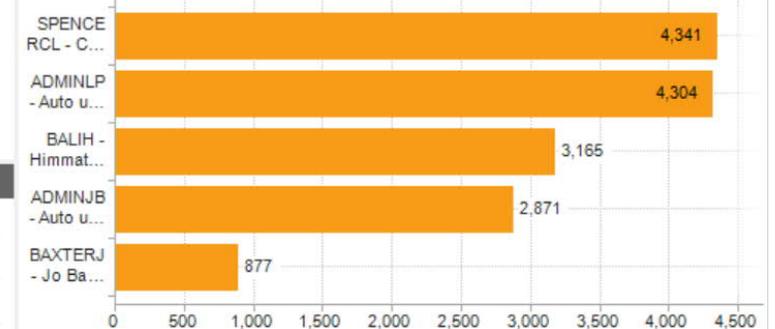
#### Bottom Five Activity Accounts



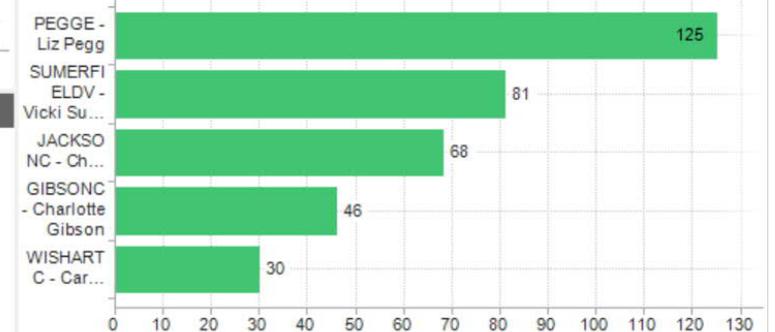
#### Days of the Week



#### Top Five Preparers



#### Bottom Five Preparers





## Journal Entry Testing

### What is the risk?

In line with ISA 240 we are required to test the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.

### What judgements are we focused on?

Using our analysers we are able to take a risk based approach to identify journals with a higher risk of management override, as outlined in our audit planning report.

### Journal entry data criteria —31 March 2019



### What did we do?

We obtained general ledger journal data for the period and have used our analysers to identify characteristics typically associated with inappropriate journal entries or adjustments, and journals entries that are subject to a higher risk of management override.

We then performed tests on the journals identified to determine if they were appropriate and reasonable.

### What are our conclusions?

We isolated a sub set of journals for further investigation and obtained supporting evidence to verify the posting of these transactions and concluded that they were appropriately stated.



**07**

**Focused on your future**



# Focused on your future

The Code of Practice on Local Authority Accounting in the United Kingdom introduces the application of new accounting standards in future years. The impact on the Council is summarised in the table below.

Standard	Issue	Impact
<b>IFRS 16 Leases</b>	<p>It is currently proposed that IFRS 16 will be applicable for local authority accounts from the 2020/21 financial year.</p> <p>Whilst the definition of a lease remains similar to the current leasing standard; IAS 17, for local authorities who lease a large number of assets the new standard will have a significant impact, with nearly all current leases being included on the balance sheet.</p> <p>There are transitional arrangements within the standard and although the 2020/21 Accounting Code of Practice for Local Authorities has yet to be issued, CIPFA have issued some limited provisional information which begins to clarify what the impact on local authority accounting will be. Whether any accounting statutory overrides will be introduced to mitigate any impact remains an outstanding issue.</p>	<p>Until the 2020/21 Accounting Code is issued and any statutory overrides are confirmed there remains some uncertainty in this area.</p> <p>However, what is clear is that the Council will need to undertake a detailed exercise to identify all of its leases and capture the relevant information for them. The Council must therefore ensure that all lease arrangements are fully documented.</p>
<b>IASB Conceptual Framework</b>	<p>The revised IASB Conceptual Framework for Financial Reporting (Conceptual Framework) will be applicable for local authority accounts from the 2019/20 financial year.</p> <p>This introduces;</p> <ul style="list-style-type: none"> <li>– new definitions of assets, liabilities, income and expenses</li> <li>– updates for the inclusion of the recognition process and criteria and new provisions on derecognition</li> <li>– enhanced guidance on accounting measurement bases</li> <li>- enhanced objectives for financial reporting and the qualitative aspects of financial information.</li> </ul> <p>The conceptual frameworks is not in itself an accounting standard and as such it cannot be used to override or disapply the requirements of any applicable accounting standards.</p> <p>However, an understanding of concepts and principles can be helpful to preparers of local authority financial statements when considering the treatment of transactions or events where standards do not provide specific guidance, or where a choice of accounting policies is available.</p>	<p>It is not anticipated that this change to the Code will have a material impact on Local Authority financial statements.</p> <p>However, Authorities will need to undertake a review to determine whether current classifications and accounting remains valid under the revised definitions.</p>



**08**

**Audit Fees**

# Independence



## Fee analysis

As part of our reporting on our independence, we set out below a summary of the fees for the year ended 31 March 2019 and a comparison to prior years. Our fee for 2018/19 is in line with the scale fee set by the PSAA and reported in our Audit Plan to Audit-Sub Committee on 20 March 2019.

	Final Fee 2018/19	Planned Fee 2018/19	Scale Fee 2018/19	Final Fee 2017/18
	£	£	£	£
Audit work under PSAA requirements (Code work)				
Financial statements	<b>*39,941</b>	<b>37,941</b>	<b>37,941</b>	<b>50,945</b>
Certification of Housing benefits	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>16,313</b>
Non-audit work (agreed upon procedures)				
1. pooling of housing capital receipts	** TBC	2,000	N/A	1,890
2. Housing benefits	** TBC	15,500	N/A	N/A
<b>Total Audit fee</b>	<b>TBC</b>	<b>55,441</b>	<b>37,941</b>	<b>69,148</b>

\* Scale fee variation of £2k relates to the additional pension procedures undertaken in relation to the impact of the McCloud judgement. This has been discussed and agreed with management but is still subject to approval by Public Sector Audit Appointments Limited.

\*\* The final fee cannot be confirmed as the work is still in progress.

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