



**WATFORD  
BOROUGH  
COUNCIL**

# **AUDIT COMMITTEE**

**Monday, 27th June, 2016**

**7.00 pm**

**Town Hall, Watford**

**Publication date: 17 June 2016**

**Contact**

If you require further information or you would like a copy of this agenda in another format, e.g. large print, please contact Sandra Hancock in Democracy and Governance on 01923 278377 or by email to [legalanddemocratic@watford.gov.uk](mailto:legalanddemocratic@watford.gov.uk) .

Welcome to this meeting. We hope you find these notes useful.

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# **Committee Membership**

Councillor D Scudder (Chair)

Councillor T Williams (Vice-Chair)

Councillors S Cavinder, Asif Khan and B Mauthoor

## **Agenda**

### **Part A - Open to the Public**

- 14. External Auditor's Annual Audit Fee Letter 2016/17 (Pages 5 - 10)**



**Report to:** Audit Committee

**Date of meeting:** 27 June 2016

**Report of:** Bob Watson – Head of Finance (shared services)

**Title:** External Audit Annual Fee letter (late item)

1.0 **SUMMARY**

1.1 To receive the External Audit annual fee letter for 2016/17.

2.0 **RECOMMENDATIONS**

2.1 That members note the annual external audit fee for FY 2016/17.

**Contact Officer:**

For further information on this report please contact: -

Bob Watson, Head of Finance (shared services)

telephone extension: 7188

email: bob.watson@threerivers.gov.uk

**Report approved by:** Bob Watson, Head of Finance

### 3.0 **DETAILS**

3.1 Attached at Appendix 1 is the External Audit Annual Fee letter for financial year 2016/17.  
The Audit fee covers:-

Audit of the financial statements  
Value for money conclusion  
Whole of Government accounts  
Certification of HB subsidy claims

3.2 A representative from EY will be at the meeting to report on the annual fee and answer questions.

3.3 Due to only receiving the letter on Fri 24 June 2016, this is a late item for the committee agenda.

### 4.0 **IMPLICATIONS**

#### 4.1 **Financial**

4.1.1 The fee proposal is included in the Council's agreed policy and budgets.

#### 4.2 **Legal Issues** (Monitoring Officer)

4.2.1 None Specific.

#### 4.3 **Equalities**

None Specific.

#### 4.4 **Potential Risks**

There are no risks associated with the decisions members are being asked to make.

### **APPENDICES**

Appendix 1      Watford Borough Council – EY External Audit annual fee letter.

Mr Manny Lewis  
Chief Executive  
Watford Borough Council  
Town Hall  
Hempstead Road  
Watford  
WD17 3EX

31 March 2016

Ref: WBC/16-17  
Your ref:

Direct line: 07976 515115

Email: [abrittain@uk.ey.com](mailto:abrittain@uk.ey.com)

Dear Manny,

## Watford Borough Council

### Annual Audit and Certification Fees 2016-17

We are writing to confirm the audit and certification work that we propose to undertake for the 2016/17 financial year at Watford Borough Council.

#### Indicative audit fee

For the 2016/17 financial year Public Sector Audit Appointments Ltd (PSAA) has set the scale fee for each audited body, following consultation on its Work Programme and Scale of Fees.

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 Watford Borough Council our indicative fee is set at the scale fee level. This indicative 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
- ▶ Officers meeting the agreed timetable of deliverables
- ▶ The operating effectiveness of the internal controls for the key processes identified within our audit strategy
- ▶ We are able to place reliance on the work of internal audit as planned
- ▶ Our accounts opinion and value for money conclusion being unqualified;
- ▶ 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
- ▶ There is an effective control environment; and
- ▶ Prompt responses are provided to 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 2015/16, our audit planning process for 2016/17 will continue as the year progresses. Fees will be reviewed and updated as necessary, within the parameters of our contract.

### **Certification fee**

The PSAA has set an indicative certification fee for housing benefit subsidy claim certification work for each audited benefits authority. The indicative fee is based on actual 2014/15 benefit certification fees, and incorporating a 25 per cent 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 2016-17 relates to work on the housing benefit subsidy claim for the year ended 31 March 2017. We have set the certification fee at the indicative fee level. We will update our risk assessment after we complete 2015-16 benefit certification work, and to reflect any further changes in the certification arrangements.

## Summary of fees

	Indicative fee 2016/17 £	Planned fee 2015/16 £
Total Code audit fee	51,975	51,975
Certification of housing benefit subsidy claim	23,837	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.

### Billing

The planned audit and certification fees will be billed in 4 quarterly instalments of £18,953 from July 2016.

### Audit plan

We aim to issue our 2016-17 audit plan early in 2017. 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

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

Andrew Brittain  
Director

[abrittain@uk.ey.com](mailto:abrittain@uk.ey.com)

Tel: 07976 515115

Hannah Ormston  
Manager

[hormston@uk.ey.com](mailto:hormston@uk.ey.com)

Tel: 07867 152518

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

Andrew Brittian  
Director  
For and on behalf of Ernst & Young LLP