



LONDON BOROUGH OF BARNET

AUDIT PLAN TO THE AUDIT COMMITTEE

Audit for the year ended 31 March 2018

19 April 2018

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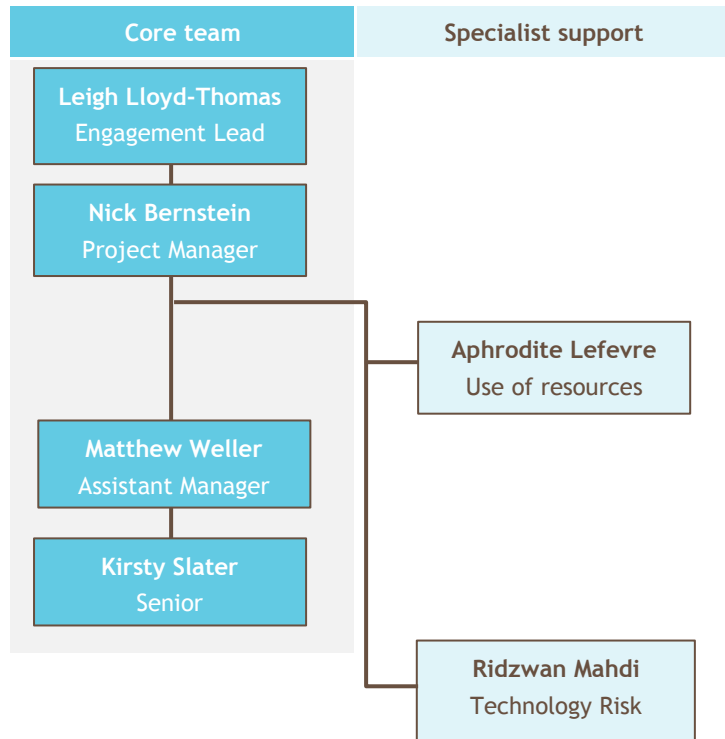
INTRODUCTION

PURPOSE AND USE OF OUR REPORT

We have pleasure in presenting our Audit Plan to the Audit Committee. The purpose of this report is to highlight and explain the key issues which we believe to be relevant to the audit of the financial statements of the London Borough of Barnet and consolidated entities (together the 'Group') and use of resources of the authority for the year ended 31 March 2018. It forms a key part of our communication strategy with you, a strategy which is designed to promote effective two-way communication throughout the audit process. Planning is an iterative process and our plans, reflected in this report, will be reviewed and updated as our audit progresses.

This report has been prepared solely for the use of the Audit Committee. In preparing this report, we do not accept or assume responsibility for any other purpose. If others choose to rely on the contents of this report, they do so entirely at their own risk.

YOUR BDO TEAM



Name	Contact details	Key responsibilities
Leigh Lloyd-Thomas Engagement Lead	Tel: 020 7983 2616 leigh.lloyd-thomas@bdo.co.uk	Oversee the audit and sign the audit report
Nick Bernstein Project Manager	Tel: 020 7034 5810 Nick.Bernstein@bdo.co.uk	Overall management of the audit
Aphrodite Lefevre Director	Tel: 01603 756909 Aphrodite.Lefevre@bdo.co.uk	Use of resources assessment
Matthew Weller Assistant Manager	Tel: 01473 320804 matthew.weller@bdo.co.uk	Management support for the audit
Kirsty Slater Senior	Tel: 020 7893 3794 kirsty.slater@bdo.co.uk	Day to day supervision of the audit team
Ridzwan Mahdi Technology Risk Manager	Tel: 020 7893 3126 ridzwan.x.mahdi@bdo.co.uk	Manage IT review for audit purposes

Leigh is the engagement lead and has the primary responsibility to ensure that the appropriate audit opinion is given on the financial statements and use of resources.

In meeting this responsibility, he will ensure that the audit has resulted in obtaining sufficient and appropriate evidence to provide reasonable, but not absolute, assurance that:

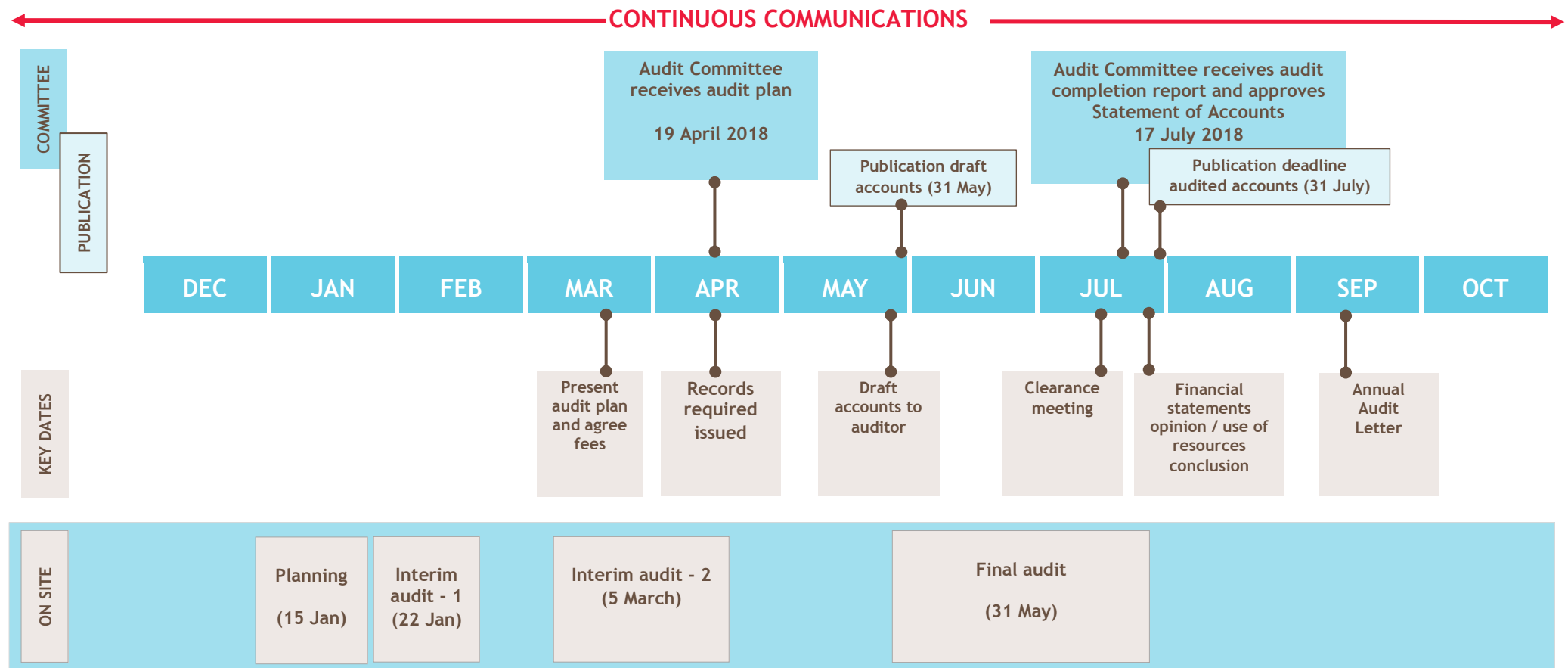
- the financial statements are free from material misstatement, whether due to fraud or error
- the authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

He is responsible for the overall quality of the engagement.

ENGAGEMENT TIMETABLE

TIMETABLE

The timeline below identifies the key dates and anticipated meetings for the production and approval of the audited financial statements and completion of the use of resources audit.



AUDIT SCOPE AND OBJECTIVES

SCOPE AND OBJECTIVES

Our audit scope covers the audit in accordance with the National Audit Office (NAO) Code of Audit Practice, International Standards on Auditing (UK) and other guidance issued by the NAO. Our objective is to form an opinion on whether:

FINANCIAL STATEMENTS		OTHER INFORMATION	WGA CONSOLIDATION	USE OF RESOURCES
1	The financial statements give a true and fair view of the financial position of the group and authority and its expenditure and income for the period in question.	3	4	5
2	The financial statements have been prepared properly in accordance with the relevant accounting and reporting framework as set out in legislation, applicable accounting standards or other directions.	Other information published together with the audited financial statements is consistent with the financial statements (including the governance statement).	The return required to facilitate the preparation of the Whole of Government Accounts (WGA) consolidated accounts is consistent with the audited financial statements.	The authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

ADDITIONAL POWERS AND DUTIES

6	Where necessary: Consider the issue of a report in the public interest. Make a written recommendation to the authority.	7	To allow electors to raise questions about the accounts and consider objections. Where necessary, apply to the court for a declaration that an item of account is contrary to law. Where necessary, consider whether to issue an advisory notice or to make an application for judicial review.
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MATERIALITY

GROUP AND COMPONENTS	MATERIALITY	CLEARLY TRIVIAL THRESHOLD
Group	£15,000,000	£300,000
Significant components:		
• Council	£15,000,000	£300,000
Non-significant components:		
• The Barnet Group Limited [100% subsidiary] and its subsidiaries	£5,000,000	£300,000
- Barnet Homes Limited		
- Your Choice Barnet Limited		
- TBG Flex Limited		
- Opendoor Homes		
<p><i>Although total income and expenditure in the subsidiary is approximately £68 million (2016/17), the majority of its transactions are with the Council. After elimination of intra-group transactions, the net impact on the Group financial statements is approximately £4m and below our group audit materiality. However, the net liabilities of the subsidiary are material as the subsidiary includes a pension liability of £31 million.</i></p>		
Immaterial components excluded from the Group financial statements:		
• Barnet Holdings Limited		
• BXS Ltd	-	-
• Hill Green Homes Ltd	-	-

MATERIALITY

Continued

GROUP AND COMPONENTS	MATERIALITY	CLEARLY TRIVIAL THRESHOLD
Joint ventures that are not adjusted for equity accounting in the Group financial statements:		
<ul style="list-style-type: none"> Regional Enterprise Limited [49% joint venture via Barnet Holdings Limited] 	-	-
<i>At 31 December 2016, the net assets of the entity totalled £6 million and the Group's share at 49% was not material.</i>		
<ul style="list-style-type: none"> The Inglis Consortium LLP [13.9% joint venture] 	-	-
<i>At 31 March 2017, members' interests in the entity totalled £37 million and the Group's share at 13.9% was not material.</i>		
Please see Appendix I for detailed definitions of materiality and triviality.		
Planning materiality for the group and the Council has been based on 1.5% of gross expenditure. At this stage, the figure is based on the prior year group financial statements. This will be revisited when the draft financial statements are received for audit.		
Component materiality is set for those entities where component auditors perform an audit or a review for purposes of the group audit. The local materiality applied for the statutory audit of the component financial statements, where required, cannot exceed the component materiality and is likely to be lower than the component materiality set as part of the group audit. We understand that the component auditor has agreed materiality at a level significantly below our component materiality level.		
The clearly trivial amount is based on 2% of the materiality level of the group. The Council, as parent entity, has a separate clearly trivial level also using the same 2%.		

OVERALL AUDIT STRATEGY

We will perform a risk based audit on the group and authority's financial statements and the authority's use of resources

This enables us to focus our work on key audit areas.

Our starting point is to document our understanding of the group, authority and other component entities' businesses and the specific risks they face. We discussed the changes to the businesses and management's own view of potential audit risk to gain an understanding of the activities and to determine which risks impact on our audit. We will continue to update this assessment throughout the audit.

For the financial statements audit, we also confirm our understanding of the accounting systems in order to ensure their adequacy as a basis for the preparation of the financial statements, group-wide controls and the consolidation process, and that proper accounting records have been maintained.

For the use of resources audit, we consider the significance of business and operational risks insofar as they relate to 'proper arrangements', including risks at both sector and authority-specific level, and draw on relevant cost and performance information as appropriate.

We then carry out our audit procedures in response to audit risks.

Approach to components of the group financial statements

Our approach is designed to ensure we obtain the requisite level of assurance across the whole group.

It is our understanding that local authority controlled companies are not able to take advantage of the size and threshold exemptions audit exemptions.

Total coverage is expected to be as shown opposite.

SCOPE	EXPENDITURE COVERAGE 2017/18	NET ASSETS 31/3/18	EXPENDITURE COVERAGE 2016/17	NET ASSETS 31/3/17
Full scope procedures - BDO	TBC	TBC	£980m	£751m
Full scope procedures - component auditors	TBC	TBC	£68m	(£29m)
Total	TBC	TBC	£1,048m	£722m

Coverage for 2017/18 will be updated once draft financial statements have been provided.

OVERALL AUDIT STRATEGY

Group matters

COMPONENT NAME	% GROUP EXPENDITURE	% GROUP NET ASSETS	COMPONENT AUDITOR	OVERVIEW OF WORK TO BE PERFORMED	OVERVIEW OF THE NATURE OF OUR PLANNED INVOLVEMENT IN THE WORK PERFORMED BY THE COMPONENT AUDITOR
Full scope procedures - BDO:					
Council	94%	104%	BDO UK	Audit of the financial statements prepared under CIPFA Code of Practice on Local Authority Accounting requirements	Undertaken by the group audit team
Full scope procedures - component auditors:					
The Barnet Group Limited	6%	(4)%	Grant Thornton	<p>Audit of the financial statements prepared under Companies Act requirements</p> <p>Analytical review of consolidation pack / financial statements prepared by the component entity assessed against expectations and prior year amounts</p> <p>Agree inter-group adjustments for management fee and debtor / creditor balances</p> <p>Review pension liability assumptions in Barnet Homes Limited</p>	Grant Thornton will undertake a statutory audit of the financial statements. We will request sight of the final audit memorandum and audit opinion, and to confirm that no significant adjustments are required to the consolidation pack amounts used in the Group financial statements.
Request for draft financial statements / management accounts:					
Regional Enterprise Limited	-	-	KPMG	Review of draft financial statements to confirm that the impact of equity accounting for the Group share of the net assets is not material	
The Inglis Consortium LLP	-	-	KPMG	Review of draft financial statements to confirm that the impact of equity accounting for the Group share of the net assets is not material. Reconciliation of distributions made to income recorded in the Council's financial statements	

OVERALL AUDIT STRATEGY

Audit risks and planned audit responses

For the financial statements audit, under International Standard on Auditing (ISA) 315 “Identifying and assessing the risks of material misstatement through understanding the entity and its environment”, we are required to consider significant risks that require special audit attention.

In assessing a risk as significant, we exclude the effects of identified controls related to the risk. The ISA requires us at least to consider:

- Whether the risk is a risk of fraud
- Whether the risk is related to recent significant economic, accounting or other developments and, therefore, requires specific attention
- The complexity of transactions
- Whether the risk involves significant transactions with related parties
- The degree of subjectivity in the measurement of financial information related to the risk, especially those measurements involving a wide range of measurement uncertainty
- Whether the risk involves significant transactions that are outside the normal course of business for the entity, or that otherwise appear to be unusual.

For the use of resources audit, the NAO has provided information on potential significant risks such as:

- Organisational change and transformation
- Significant funding gaps in financial planning
- Legislative or policy changes
- Repeated financial difficulties or persistently poor performance
- Information from other inspectorates and review agencies suggesting governance issues or poor service performance.

We consider the relevance of these risks to the authority and group in forming our risk assessment and audit strategy.

Internal audit

We will ensure that we maximise the benefit of the overall audit effort carried out by internal audit and ourselves, whilst retaining the necessary independence of view.

Internal audit reviews have been undertaken across a range of accounting systems and governance subjects. We will review relevant reports as part of our audit planning and consider whether to place any reliance on internal audit work as evidence of the soundness of the control environment.

Fraud risk assessment

We have discussed with management its assessment of the risk that the financial statements may be materially misstated due to fraud and the processes for identifying and responding to the risks of fraud.

Management believe that the risk of material misstatement due to fraud in the authority’s financial statements is low. Frauds identified in recent years include:

- Ineligible applications for right to buy discounts on Council properties
- Housing benefit and local council tax support claimants
- Misuse of direct payments
- Staff taking cash properly due to the Council for services provided
- Theft of monies from bank accounts
- Misuse of public assets but without financial impact, such as tenancy sub-letting and blue badges.

Management consider that controls in operation would prevent or detect material fraud.

The Audit Committee has oversight of management’s processes for identifying and responding to the risks of fraud in the entity and the internal control that management has established to mitigate these risks. This is discharged through the reviews undertaken by internal audit and the corporate anti-fraud team.

To corroborate the responses to our inquiries of management, please let us know if there are any other actual, suspected or alleged instances of fraud of which you are aware.

KEY AUDIT RISKS AND OTHER MATTERS

Key: ■ Significant risk ■ Normal risk

AUDIT RISK AREAS - FINANCIAL STATEMENTS			
RISK	DESCRIPTION	PLANNED AUDIT RESPONSE	EXTERNAL DATA TO BE USED TO CORROBORATE AUDIT EVIDENCE
Management override	<p>The primary responsibility for the detection of fraud rests with management. Their role in the detection of fraud is an extension of their role in preventing fraudulent activity. They are responsible for establishing a sound system of internal control designed to support the achievement of departmental policies, aims and objectives and to manage the risks facing the organisation; this includes the risk of fraud.</p> <p>Under auditing standards there is a presumed significant risk of management override of the system of internal controls.</p>	<p>We will:</p> <ul style="list-style-type: none"> • Test the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements • Review accounting estimates for bias and evaluate whether the circumstances producing the bias, if any, represent a risk of material misstatement due to fraud • Obtain an understanding of the business rationale for significant transactions that are outside the normal course of business for the entity or that otherwise appear to be unusual. 	Not applicable.
Revenue recognition	<p>Under auditing standards there is a presumption that income recognition presents a fraud risk. For local authorities, the risks can be identified as affecting the existence of income.</p> <p>In particular, we consider there to be a significant risk in respect of the existence (recognition) of revenue and capital grants that are subject to performance conditions before these may be recognised as revenue in the comprehensive income and expenditure statement (CIES).</p>	<p>We will:</p> <ul style="list-style-type: none"> • Test a sample of grants subject to performance conditions to confirm that conditions of the grant have been met before the income is recognised in the CIES. 	Government grant funding will be agreed to information published by the sponsoring Department.

KEY AUDIT RISKS AND OTHER MATTERS

Continued

AUDIT RISK AREAS - FINANCIAL STATEMENTS

RISK	DESCRIPTION	PLANNED AUDIT RESPONSE	EXTERNAL DATA TO BE USED TO CORROBORATE AUDIT EVIDENCE
Property, plant and equipment and investment property valuations	<p>Local authorities are required to ensure that the carrying value of land, buildings, dwellings and investment properties is not materially different to existing use value for operational assets, or fair value for surplus assets and investment properties at the balance sheet date.</p> <p>The Council applies an annual revaluation process which is determined through consultation between the finance team and Principal Valuation Manager. High value properties, and those which are expected to be subject to significant valuation movements, are revalued on an annual basis. This covers approximately 90% of properties by value. Other properties are revalued on a rolling 5-yearly basis.</p> <p>There is a risk over the valuation of land, buildings, dwellings and investment properties where valuations are based on assumptions or where updated valuations have not been provided for a class of assets at year-end.</p>	<p>We will:</p> <ul style="list-style-type: none"> Review the instructions provided to the valuer and review the valuer's skills and expertise in order to determine if we can rely on the management expert Confirm that the basis of valuation for assets valued in year is appropriate based on their usage Confirm that an instant build modern equivalent asset basis has been used for assets valued at depreciated replacement cost Review accuracy of asset information provided to the valuer Review assumptions used by the valuer and movements against relevant indices for similar classes of assets and follow up valuation movements that appear unusual. 	<p>We will review independent data of assumptions used by the valuer and compare valuations to relevant price / cost indices for classes of assets.</p>
Pension liability assumptions	<p>The net pension liability comprises the group and Council's share of the market value of assets held in the pension fund and the estimated future liability to pay pensions.</p> <p>An actuarial estimate of the liability is calculated by an independent firm of actuaries. The estimate is based on the roll forward of membership data from the 2016 triennial valuation exercise, updated at 31 March 2018 for factors such as mortality rates and expected pay rises along with other assumptions around inflation when calculating the liability. There is a risk the valuation is not based on accurate membership data or uses inappropriate assumptions to value the liability.</p>	<p>As the auditors of pension fund, we will review the controls for providing accurate membership data to the actuary.</p> <p>We will review the reasonableness of the assumptions used in the calculation against other local government actuaries and other observable data.</p>	<p>We will use the PwC consulting actuary report commissioned by the NAO on behalf of all local authority auditors for the review of the methodology of the actuary and reasonableness of the assumptions.</p>

KEY AUDIT RISKS AND OTHER MATTERS

Continued

AUDIT RISK AREAS - FINANCIAL STATEMENTS

RISK	DESCRIPTION	PLANNED AUDIT RESPONSE	EXTERNAL DATA TO BE USED TO CORROBORATE AUDIT EVIDENCE
Presentation of the Comprehensive Income and Expenditure Statement (CIES)	<p>In the prior year the draft of the accounts presented for audit included material 'grossing up' and 'netting off' errors in the CIES whereby both income and expenditure were materially overstated/understated. We also identified a number classification errors within the prior year draft accounts.</p> <p>Whilst these errors arose partly as a result of the changes to the format of the CIES last year, it was also reported by us that we believed that the Council's ledger structure and chart of accounts meant the level of manual intervention and off-ledger adjustments required presents a risk of error to the accuracy of the financial statements.</p> <p>The Council has taken steps to improve the automation of the ledger for financial reporting purposes. However, a risk of material misstatement remains due to the level of manual adjustments required to the CIES</p>	<p>We will:</p> <ul style="list-style-type: none"> • Build on the work we have performed on the CIES prepared at Month 9 by using a risk based approach to review off ledger adjustments and ensure they have been appropriately prepared • Review sampled income and expenditure items to assess if the classification and treatment in the accounts is correct. 	Not applicable.

KEY AUDIT RISKS AND OTHER MATTERS

Continued

AUDIT RISK AREAS - FINANCIAL STATEMENTS			
RISK	DESCRIPTION	PLANNED AUDIT RESPONSE	EXTERNAL DATA TO BE USED TO CORROBORATE AUDIT EVIDENCE
Allowances for non-collection of receivables	<p>The Council recognises a significant allowance for the non-collection of receivables, primarily in respect of council tax, NDR, housing benefit overpayments, housing rents and parking charges. The Council assesses each type of receivable separately in determining how much to allow.</p> <p>There is a risk over the valuation of this allowance if incorrect assumptions or source data are used, or an inappropriate methodology is applied.</p>	<p>We will:</p> <ul style="list-style-type: none"> Review the provision model for significant income streams and debtor balances to assess whether it appropriately reflects historical collection rates by age of debt or arrears. 	Not applicable.
Consideration of related party transactions	<p>We consider if the disclosures in the financial statements concerning related party transactions are complete and accurate, and in line with the requirements of the accounting standards.</p>	<p>We will:</p> <ul style="list-style-type: none"> Document the related party transactions identification procedures in place and review relevant information concerning any such identified transactions Discuss with management and review Councillor and Senior Management declarations to ensure there are no potential related party transactions which have not been disclosed. This is something we will require you to include in your management representation letter to us. 	Companies House searches for undisclosed interests.

KEY AUDIT RISKS AND OTHER MATTERS

Continued

AUDIT RISK AREAS - FINANCIAL STATEMENTS			
RISK	DESCRIPTION	PLANNED AUDIT RESPONSE	EXTERNAL DATA TO BE USED TO CORROBORATE AUDIT EVIDENCE
Disposal of Mill Hill Depot	<p>The Mill Hill Depot is currently included in Investment Properties and valued at 31 March 2017 at £21.4m. The Depot is part of an arrangement with the Inglis Consortium and is valued based on the projected Annual Values of Future Development Income earned from the site, discounted to its present value. The Inglis consortium has three members, of which the Council has a 13.9% share. The final part of the Council's land holding has been sold to the developers following preparation for development of the final phase. The Council receives capital receipts at 13.9% for each completed development and subsequent sale of housing.</p> <p>The Council is considering the most appropriate presentation of disposal of the land and the future expected capital receipts from the development through Inglis for the financial statements.</p>	<p>We will:</p> <ul style="list-style-type: none"> Review the proposed presentation of the land disposal and future expected capital receipts. 	Not applicable.

KEY AUDIT RISKS AND OTHER MATTERS

Continued

AUDIT RISK AREAS - USE OF RESOURCES

RISK	DESCRIPTION	PLANNED AUDIT RESPONSE	EXTERNAL DATA TO BE USED TO CORROBORATE AUDIT EVIDENCE
Sustainable finances	<p>The Council has planned an overspend of £7.9 million. This is made up of an overspend against resources of £6.7 million and a net use of reserves of £1.2 million.</p> <p>The Council has identified that the continued support from reserves would not be viable. The Medium Term Financial Strategy (MTFS) was updated in December 2017 and now forecasts a budget gap prior to identified savings of £39.5 million over the 2-year period from 2018/19 to 2019/20.</p> <p>The Council has identified savings plans in order to address this budget gap in 2018/19 however a £5.9 million gap is currently forecast for 2019/20. The savings targets are significant and achievement of these will be inherently challenging.</p> <p>Initial horizon planning suggests that there may be a further £32.5 million of cost pressures in 2020/21 and this will need to be covered from reserves and additional savings plans to be identified.</p>	<p>We will:</p> <ul style="list-style-type: none"> Review the assumptions used in the Medium Term Financial Strategy and assess the reasonableness of the cost pressures and the amount of Government grant reductions applied Monitor the delivery of the budgeted savings in 2017/18 and the plans to reduce services costs and increase income from 2018/19 Review the strategies to close the budget gap after 2018/19. 	Not applicable.

KEY AUDIT RISKS AND OTHER MATTERS

Continued

AUDIT RISK AREAS - USE OF RESOURCES

RISK	DESCRIPTION	PLANNED AUDIT RESPONSE	EXTERNAL DATA TO BE USED TO CORROBORATE AUDIT EVIDENCE
Family Services	<p>In April and May 2017, the Council was subject to an Ofsted inspection of its services for children in need of help and protection, children looked after and care leavers. The report found the following services to be inadequate:</p> <ul style="list-style-type: none"> Children who need help and protection Children looked after and achieving permanence Leadership, management and governance. <p>The inspection was critical of the Council and found widespread poor practice and failures in arrangements to ensure the safety of children and young people.</p> <p>The Council has developed an action plan to improve services.</p>	<p>We will:</p> <ul style="list-style-type: none"> Review the Ofsted Monitoring Reports issued through the year to determine the direction of travel of the services Monitor progress against the Family Services Improvement action plan through the work that Internal Audit is completing Review the minutes of the Children, Education, Libraries and Safeguarding (CELS) Committee Hold meetings with key individuals to discuss the direction of travel of the services. 	Ofsted Monitoring Reports
Contract management and monitoring	<p>The Council relies heavily on external contractors for the provision of a large number of its frontline and back office services. Some of these contractors are completely separate private sector organisations, whilst others are wholly or partly controlled by the Council.</p> <p>We noted a number of concerns raised around performance of the Customer & Support Group and arrangements for managing performance of other contractors.</p>	<p>We will:</p> <ul style="list-style-type: none"> Review the internal audit reports which inform on 2017/18 financial year Review Management's work around its key contracts to ascertain what assurance arrangements it has in place over contract performance Hold meetings with key individuals to discuss strategic contract management and performance assurance. 	Not applicable.

INDEPENDENCE

INDEPENDENCE

Under Auditing and Ethical Standards, we are required as auditors to confirm our independence to ‘those charged with governance’. In our opinion, and as confirmed by you, we consider that for these purposes it is appropriate to designate the Audit Committee as those charged with governance.

Our internal procedures are designed to ensure that all partners and professional staff are aware of relationships that may be considered to have a bearing on our objectivity and independence as auditors. The principal statements of policies are set out in our firm-wide guidance. In addition, we have embedded the requirements of the Standards in our methodologies, tools and internal training programmes. The procedures require that engagement leads are made aware of any matters which may reasonably be thought to bear on the firm’s independence and the objectivity of the engagement lead and the audit staff. This document considers such matters in the context of our audit for the period ended 31 March 2018.

We have not identified any potential threats to our independence as auditors.

Fees for audit related services are listed on the follow page. We have not provided any other non-audit services to the Council.

We confirm that the firm complies with the Financial Reporting Council’s Ethical Standard for Auditors and, in our professional judgement, is independent and objective within the meaning of those Standards.

In our professional judgement the policies and safeguards in place ensure that we are independent within the meaning of all regulatory and professional requirements and that the objectivity of the audit engagement lead and audit staff is not impaired.

INDEPENDENCE - ENGAGEMENT TEAM ROTATION

ROLE	NUMBER OF YEARS INVOLVED	Rotation to take place before
Leigh Lloyd-Thomas - Engagement lead	3	Audit year ending 31/03/2021
Nick Bernstein - Project manager	1	Audit year ending 31/03/2028

INDEPENDENCE - AUDIT QUALITY CONTROL

ROLE	NUMBER OF YEARS INVOLVED	Rotation to take place before
Engagement Quality Control Reviewer	3	Audit year ending 31/03/2023

Should you have any comments or queries regarding this confirmation we would welcome their discussion in more detail.

FEES

FEES SUMMARY

Our proposed fees, excluding VAT, for the year ended 31 March 2018 are:

	2017/18 Proposed fee £	2016/17 Actual fee £
Code audit fee	170,025	170,025*
Certification fee (Housing benefits subsidy)	21,000	20,310
Total code audit and certification fees:	191,025	190,335
Fees for audit related services (see below)	7,750	7,750*
Fees for non-audit services	-	-
TOTAL FEES	198,775	198,085

OTHER FEES ANALYSIS

Audit related services:

Teachers Pensions certification fee	5,000
Pooled capital receipts certification fee	2,750
Total	7,750

* The 2016/17 Code audit fee remains subject to amendment to reflect the additional resources required to resolve the issues identified during the audit.

Billing arrangements

We raised invoices for the Code audit fee in two equal instalments, in July 2017 and January 2018. Fee invoices for other services, including the certification of the housing benefits subsidy claim, will be raised as the work is completed. Following our firm's standard terms of business, full payment will be due within 14 days of receipt of invoice.

Amendments to the proposed fees

If we need to propose any amendments to the fees during the course of the audit, where our assessment of risk and complexity are significantly different from those reflected in the proposed fee or where we are required to carry out work in exercising our additional powers and duties, we will first discuss this with the Chief Executive. Where this requires a variation to the scale fee we will seek approval from PSAA. If necessary, we will also prepare a report outlining the reasons why the fee needs to change for discussion with the Audit Committee. At this stage, nothing has come to our attention that would require us to seek approval to amend the scale fee.

Our fee is based on the following assumptions

The complete draft financial statements and supporting working papers will be prepared to a standard suitable for audit. All balances will be reconciled to underlying accounting records.

Key dates will be met, including receipt of draft accounts and working papers prior to commencement of the final audit fieldwork.

We will receive only one draft of the Statement of Accounts prior to receiving the final versions for signing.

Within reason, personnel we require to hold discussions with will be available during the period of our on-site work (we will set up meetings with key staff in advance).

APPENDIX I: MATERIALITY

CONCEPT AND DEFINITION

- The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to monetary misstatements but also to disclosure requirements and adherence to appropriate accounting principles and statutory requirements.
- We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. For planning, we consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.
- Materiality therefore has qualitative as well as quantitative aspects and an item may be considered material, irrespective of its size, if it has an impact on (for example):
 - Narrative disclosure e.g. accounting policies, going concern
 - Instances when greater precision is required (e.g. senior management remuneration disclosures).
- International Standards on Auditing (UK) also allow the auditor to set a lower level of materiality for particular classes of transaction, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

CALCULATION AND DETERMINATION

- We have determined materiality based on professional judgement in the context of our knowledge of the authority, including consideration of factors such as sector developments, financial stability and reporting requirements for the financial statements.
- We determine materiality in order to:
 - Assist in establishing the scope of our audit engagement and audit tests
 - Calculate sample sizes
 - Assist in evaluating the effect of known and likely misstatements on the financial statements.

APPENDIX I: MATERIALITY


Continued

REASSESSMENT OF MATERIALITY

- We will reconsider materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality if we had been aware.
- Further, when we have performed all our tests and are ready to evaluate the results of those tests (including any misstatements we detected) we will reconsider whether materiality combined with the nature, timing and extent of our auditing procedures, provided a sufficient audit scope. If we conclude that our audit scope was sufficient, we will use materiality to evaluate whether uncorrected misstatements (individually or in aggregate) are material.
- You should be aware that any misstatements that we identify during our audit, both corrected and uncorrected errors, might result in additional audit procedures being necessary.

UNADJUSTED ERRORS

- In accordance with auditing standards, we will communicate to the Audit Committee all uncorrected misstatements identified during our audit, other than those which we believe are 'clearly trivial'.
- Clearly trivial is defined as matters which will be of a wholly different (smaller) order of magnitude than the materiality thresholds used in the audit, and will be matters that are clearly inconsequential, whether taken individually or in aggregate.
- We will obtain written representations from the Audit Committee confirming that in their opinion these uncorrected misstatements are immaterial, both individually and in aggregate and that, in the context of the financial statements taken as a whole, no adjustments are required.
- There are a number of areas where we would strongly recommend/request any misstatements identified during the audit process being adjusted. These include:
 - Clear cut errors whose correction would cause non-compliance with statutory requirements, management remuneration, other contractual obligations or governmental regulations that we consider are significant.
 - Other misstatements that we believe are material or clearly wrong.



The matters raised in our report prepared in connection with the audit are those we believe should be brought to the attention of the organisation. They do not purport to be a complete record of all matters arising. No responsibility to any third party is accepted.

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