Audit Committee
8 October 2018

EXTERNAL AUDIT – ANNUAL AUDIT LETTER

1 Purpose

1.1 The Council's external auditors have issued their Annual Audit Letter which provides an overall summary on completion of the Audit Commission's work at the Council. The report draws on audit work carried out at the Council relating to the 2017/18 financial year.

2 Recommendations/for decision

2.1 To Committee is asked to agree the contents of the external auditor's Annual Audit Letter.

3 Supporting information

3.1 The external auditor's Annual Audit Letter 2017/18 is attached at Appendix 1.

3.2 The Audit Committee's terms of reference include dealing with external and internal audit issues. This report allows formal recognition of our external auditor's report by a Committee of the Council.

3.3 The external auditor's Annual Audit Letter will be made available to the public on the Council's website after it has been discussed at this meeting.

4 Reasons for Recommendation

4.1 The Annual Audit Letter is an essential element of the independent external audit process. This report has to be presented to a Committee of the Council for their consideration.

5 Resource implications

5.1 None

Contact Officer	Nuala Donnelly (01296) 585164
Background Documents	None

Aylesbury Vale District Council

Annual Audit Letter for the year ended 31 March 2018

August 2018

EY
Building a better working world

Contents

01 Executive Summary

02 Purpose and Responsibilities

03 Financial Statement Audit

04 Value for Money

05 Other Reporting Issues

06 Data Analytics

07 Focused on your future

08 Audit Fees

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.psaa.co.uk)

The 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 23 February 2017)’ issued by PSAA sets 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. 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, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

01 Executive Summary

Executive Summary

We are required to issue an annual audit letter to Aylesbury Vale District Council (the Council) following completion of our audit procedures for the year ended 31 March 2018.
Below are the results and conclusions on the significant areas of the audit process.

Area of Work	Conclusion
Opinion on the Council's: ► Financial statements	Unqualified – the financial statements give a true and fair view of the financial position of the Council as at 31 March 2018 and of its expenditure and income for the year then ended.
► Consistency of other information published with the financial statements	Other information published with the financial statements was consistent with the Annual Accounts.
Concluding on the Council's arrangements for securing economy, efficiency and effectiveness	We concluded that you have put in place proper arrangements to secure value for money in your use of resources.

Area of Work	Conclusion
Reports by exception:	
► 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
Reporting to the National Audit Office (NAO) on our review of the Council's Whole of Government Accounts return (WGA).	We had no matters to report. The Council is below the specified audit threshold of £500m. Therefore, we did not perform any audit procedures on the consolidation pack

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 23 July 2018.
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 23 July 2018.

In November 2018 we will also issue a report to those charged with governance of the Council summarising the certification work we have undertaken.

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

Maria Grindley, Associate 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 2017/18 Audit Results Report to the 23 July 2018 Audit Committee, 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 2017/18 audit work has been undertaken in accordance with the Audit Plan that we issued on 14 March 2018 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 2017/18 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 thy 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 you Whole of Government Accounts return. The Council is below the specified audit threshold of £500m. 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.

03 Financial Statement Audit

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 23 July 2018.

Our detailed findings were reported to the 23 July 2018 Audit Committee.

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

Significant Risk	Work completed and conclusion
Misstatements due to fraud or error The financial statements as a whole are not free of material misstatements whether caused by fraud or error. As identified in ISA (UK and Ireland) 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. We have considered the risk of management override and the areas of the financial statements that may be most susceptible to this risk. We have concluded that the judgements we are focused on are items of non-routine income and expenditure, involving management estimation and judgement, rather than transactions created through routine invoicing processes. As this relates to how the Council recognises revenue and expenditure, we have addressed the risk through our procedures to address the risk of fraud in revenue and expenditure recognition. Our work on the risk of management override therefore focussed on reviewing manual journal entries, through the use of our data analytics tools, as this is the way in management would most easily be able manipulate accounting records.	We obtained a full list of journals posted to the general ledger during the year, and analysed these journals using criteria we set to identify any unusual journal types or amounts. We then tested a sample of journals that met our criteria and tested these to supporting documentation. We considered accounting estimates most susceptible to bias. These included accounting estimates in respect of property, plant and equipment as well as IAS 19 pension liability estimates. We evaluated the business rationale for any significant unusual transactions. We did not identify any material weaknesses in controls or evidence of material management override. We did not identify any instances of inappropriate judgements being applied. We did not identify any other transactions during our audit which appeared unusual or outside the Council's normal course of business

Financial Statement Audit (cont'd)

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

Significant Risk	Work completed and conclusion
Risk of fraud in revenue and expenditure recognition Auditing standards also required us to presume that there is a risk that revenue and expenditure may be misstated due to improper recognition or manipulation. We respond to this risk by reviewing and testing material revenue and expenditure streams and revenue cut-off at the year end. The risk is focused on significant transactions that are outside the normal course of business for the entity, or that otherwise appear to be unusual given our understanding of the entity and its environment and other information obtained during the audit. We have identified the following unusual transactions which we consider to present a risk of revenue and expenditure recognition: ▸ Minimum Revenue Provision (MRP); ▸ Capital Financing Requirement (CFR); ▸ Revenue and Expenditure Funded from Capital Under Statute (REFCUS); and ▸ Property, Plant and Equipment (PPE) additions.	Our testing did not identify any material mis-statements from revenue and expenditure recognition Overall our audit work did not identify any material issues or unusual transactions to indicate any mis-reporting of the Council's financial position

Financial Statement Audit (cont'd)

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

Significant Risk	Work completed and conclusion
Property, Plant and Equipment – Administration and Valuation In 2016/17 we identified a number of issues with PPE in respect of the administration of PPE within the Fixed Asset Register including the processes in place to ensure that PPE values were accurately reflected in the financial statements. This resulted in a number of material mis-statements and one non-material uncorrected mis-statement. We will therefore review this in detail in 2017/18 to ensure that PPE is correctly accounted for in the financial statements. We also identified issues with the instructions to the valuer for the revaluation of specific asset categories. Given the size of the PPE balances in relation to materiality an error in PPE could result in a material error.	We: ▸ Considered the work performed by the Council's valuer, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work; ▸ Sample tested key asset information used by the valuer in performing their valuation (e.g. floor plans to support valuations based on price per square metre); ▸ Considered the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE and annually for Investment Properties. We have also considered if there are any specific changes to assets that have occurred and that these have been communicated to the valuer; ▸ Reviewed assets not subject to valuation in 2017/18 to confirm that the remaining asset base is not materially misstated; ▸ Considered changes to useful economic lives as a result of the most recent valuation; ▸ Tested accounting entries have been correctly processed in the financial statements. We did not identify any material mis-statements from the work completed. There were some non-material mis-statements.
Other Risk: Pension Liability Valuation The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by Buckinghamshire County Council. The Council's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2017 this totalled £106 million. The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the County Council. 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.	We: ▸ Liaised with the auditors of Buckinghamshire County Pension Fund to obtain assurances over the information supplied to the actuary in relation to Aylesbury Vale District Council; ▸ Assessed the work of the Pension Fund actuary (Barnett Waddingham) including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by Public Sector Auditor Appointments for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team; and ▸ Reviewed and tested the accounting entries and disclosures made within the Council's financial statements in relation to IAS19. As a result of completing our work we identified one uncorrected mis-statement. This was in relation to a difference in the estimated value of the fund assets attributable to Aylesbury Vale and the actual outturn position. The value of this difference was £1.328 m.

Financial Statement Audit (cont'd)

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 £1.959 mn (2016/17: £1.952 mn), which is 2% of Gross Revenue Expenditure reported in the accounts of £114.542 million adjusted for other items of expenditure not accounted for in the Net Cost of Services. 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 Committee that we would report to the Committee all audit differences in excess of £0.114 mn (2016/17: £0.098 mn)

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.
- Related party transactions.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations.

04 Value for Money

Value for Money

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 one significant risk in relation to these arrangements. The table below present the findings of our work in response to the risks identified and any other significant weaknesses or issues to bring to your attention.

We have performed the procedures outlined in our audit plan. We did not identify any 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.

Value for Money (cont'd)

We therefore issued an unqualified value for money conclusion on 23 July 2018.

Significant Risk	Conclusion
Sale of and circumstances leading to sale of Aylesbury Vale Broadband (AVB)	We reviewed the initial Internal Audit review undertaken in March 2017 and reported in September 2017. In addition we also read the independent review undertaken by BDO LLP into the sale and disposal of AVB and which was presented at the Audit Committee meeting on 13 June 2018. We do not intend to re-iterate the findings from those reports here. The recommendations from the BDO report have now been fully accepted by Council and the Audit Committee and put in place a clear framework for further commercial ventures. In addition to the reports, EY as external auditors have attended all Audit Committee meetings throughout the year and at which AVB has been discussed. Also, as part of regular ongoing discussions with senior management we regularly raised AVB given its prominence on the Audit Committee Agenda. We would note that both the Internal Audit report and the BDO report highlight a number of common themes and recommendations. Our value for money conclusion considers the Council's arrangements across the board so we have to consider whether the issues in relation to AVB are representative of the Council as a whole. Of wider interest to us in reaching our conclusions was the history of the organisation in other spheres of commercialisation. Is it clear from our work that a number of the issues relating to the sale of AVB are not indicative of wider and more pervasive issues. This has been a key consideration for us in reaching this conclusion.

05 Other Reporting Issues

Other Reporting Issues

Whole of Government Accounts

The Council is below the specified audit threshold of £500 m. 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.

We completed this work and did not identify any areas of concern.

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.

Other Reporting Issues (cont'd)

Objections Received

We did not receive any objections to the 2017/18 financial statements from members of the public.

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 Committee on 23 July 2018. 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

As part of our work, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. 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 identified during our audit.

The matters reported are shown below and are limited to those deficiencies that we identified during the audit and that we concluded are of sufficient importance to merit being reported.

Description	Impact
Property, Plant and Equipment (PPE)	**As part of work on PPE we identified a number of assets which should have been fully depreciated but a number of these were carrying small values. In addition there were a number of assets which were fully depreciated. We would recommend that a review be undertaken into these assets.**

06 Data Analytics

Data analytics – revenue and expenditure recognition and management override

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 2017/18, our use of these analysers in the authority'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.

Payroll Analysis
We also use our analysers in our payroll testing. We obtain all payroll transactions posted in the year from the payroll system and perform completeness analysis over the data, including reconciling the total amount to the General Ledger trial balance. We then analyse the data against a number of specifically designed procedures. These include analysis of payroll costs by month to identify any variances from established expectations, as well as more detailed transactional interrogation.

Journal Entry Data Insights

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. We will share this information with management to provide additional insight and value from our audit procedures.

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.

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.

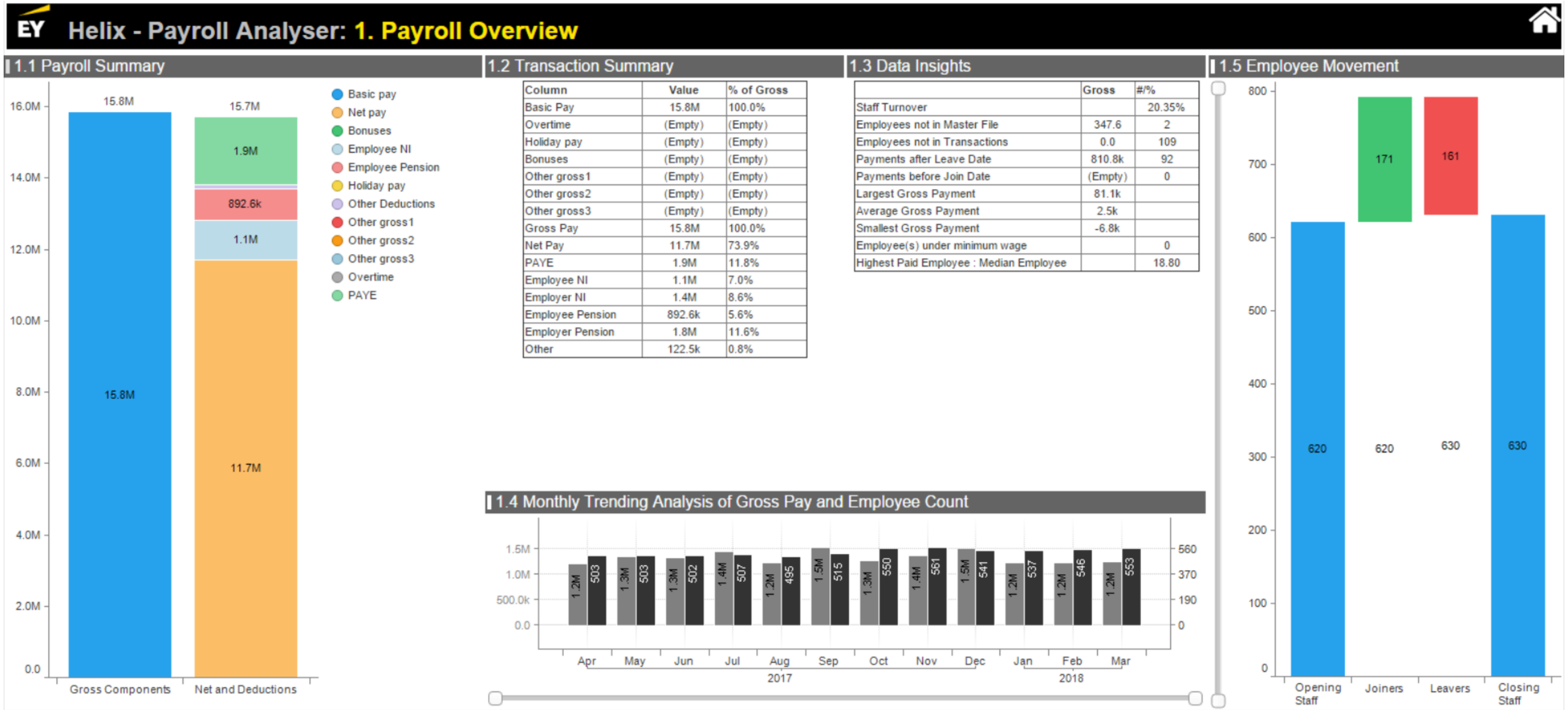
We then performed tests on the journals identified to determine if they were appropriate and reasonable.

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.

Payroll Analyser Insights

The graphic outlined below summarises the AVDC payroll data for 2017/18. We review transactions for payroll at a more granular level, which allows us to identify items with a higher likelihood of containing material misstatements or to identify unusual patterns within a population of data and to design tests of details. This allows us to provide a more effective and risk focused audit on payroll, improving efficiency for both audit and the management as we reduce the need for evidence support for larger random sample.



Column	Value	% of Gross
Basic Pay	15.8M	100.0%
Overtime	(Empty)	(Empty)
Holiday pay	(Empty)	(Empty)
Bonuses	(Empty)	(Empty)
Other gross1	(Empty)	(Empty)
Other gross2	(Empty)	(Empty)
Other gross3	(Empty)	(Empty)
Gross Pay	15.8M	100.0%
Net Pay	11.7M	73.9%
PAYE	1.9M	11.8%
Employee NI	1.1M	7.0%
Employer NI	1.4M	8.6%
Employee Pension	892.6k	5.6%
Employer Pension	1.8M	11.6%
Other	122.5k	0.8%

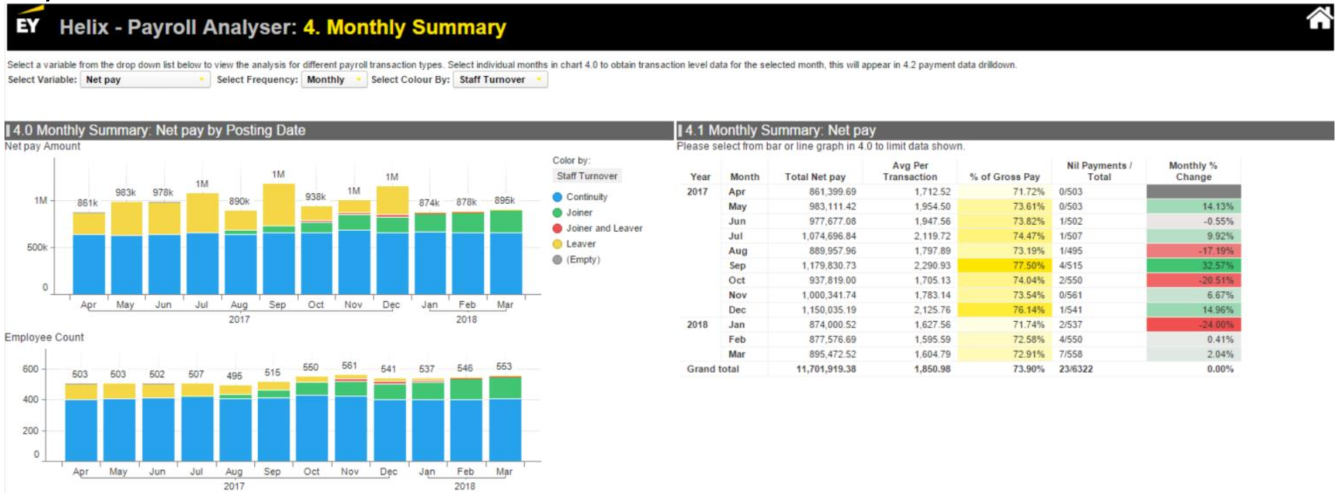
	Gross	#/%
Staff Turnover		20.35%
Employees not in Master File	347.6	2
Employees not in Transactions	0.0	109
Payments after Leave Date	810.8k	92
Payments before Join Date	(Empty)	0
Largest Gross Payment	81.1k	
Average Gross Payment	2.5k	
Smallest Gross Payment	-6.8k	
Employee(s) under minimum wage		0
Highest Paid Employee : Median Employee		18.80

Payroll Testing

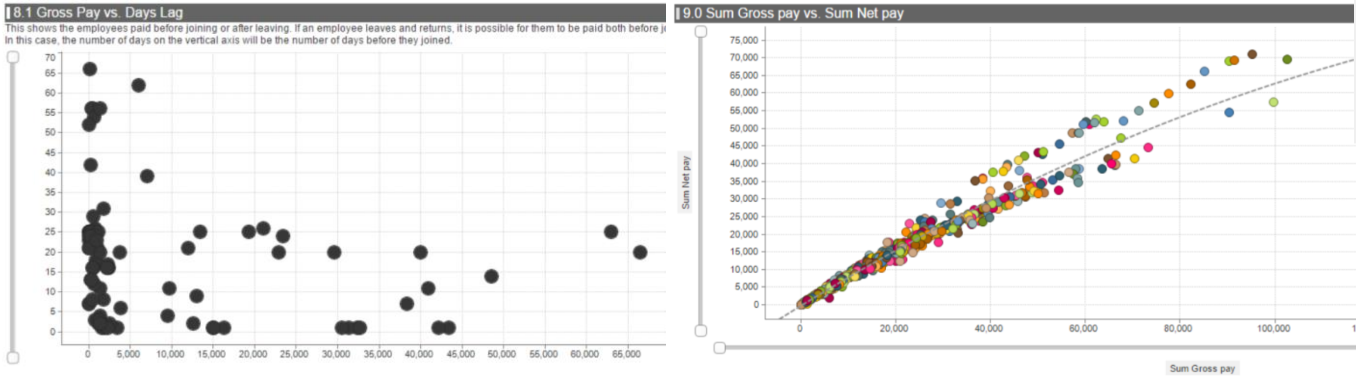
What judgements are we focused on?

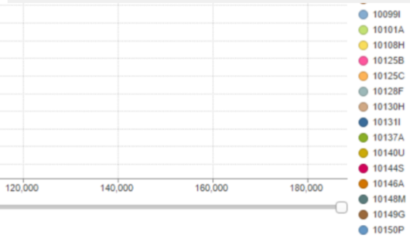
Using our analysers we are able to identify anomalies in the payroll data which allow us to focus our testing and enquires over unusual or unexpected transactions.

Payroll Data – AVDC – 31 March 2018



Year	Month	Total Net pay	Avg Per Transaction	% of Gross Pay	Nil Payments / Total	Monthly % Change
2017	Apr	861,399.69	1,712.52	71.72%	0/503	
	May	983,111.42	1,954.50	73.61%	0/503	14.13%
	Jun	977,677.08	1,947.56	73.82%	1/502	-0.55%
	Jul	1,074,696.84	2,119.72	74.47%	1/507	9.92%
	Aug	889,957.96	1,797.89	73.19%	1/495	-17.19%
	Sep	1,179,830.73	2,290.93	77.50%	4/515	32.57%
	Oct	937,819.00	1,705.13	74.04%	2/550	-20.51%
	Nov	1,000,341.74	1,783.14	73.54%	0/561	6.67%
	Dec	1,150,035.19	2,125.76	76.14%	1/541	14.96%
2018	Jan	874,000.52	1,627.56	71.74%	2/537	-24.00%
	Feb	877,576.69	1,595.59	72.58%	4/550	0.41%
	Mar	895,472.52	1,604.79	72.91%	7/558	2.04%
Grand total		11,701,919.38	1,850.98	73.90%	23/6322	0.00%





What did we do?

We obtained payroll data for the period and have used our analysers to identify unusual payments based on expectations of average pay per designation, date inconsistencies where payments made to individuals after they have left the organisation or before they have joined and payments made in the year that appears anomalous compare to average monthly payments.

We then tested the anomalies to determine if they were appropriate and reasonable.

What are our conclusions?

We isolated a sub set of anomalies 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
IFRS 9 Financial Instruments	Applicable for local authority accounts from the 2018/19 financial year and will change: ▸ How financial assets are classified and measured; ▸ How the impairment of financial assets are calculated; and ▸ The disclosure requirements for financial assets. There are transitional arrangements within the standard and the 2018/19 Accounting Code of Practice for Local Authorities has now been issued, providing guidance on the application of IFRS 9. In advance of the Guidance Notes being issued, CIPFA have issued some provisional information providing detail on the impact on local authority accounting of IFRS 9, however the key outstanding issue is whether any accounting statutory overrides will be introduced to mitigate any impact.	Although the Code has now been issued, providing guidance on the application of the standard, along with other provisional information issued by CIPFA on the approach to adopting IFRS 9, until the Guidance Notes are issued and any statutory overrides are confirmed there remains some uncertainty. However, what is clear is that the Council will have to: ▸ Reclassify existing financial instrument assets ▸ Re-measure and recalculate potential impairments of those assets; and ▸ Prepare additional disclosure notes for material items.
IFRS 15 Revenue from Contracts with Customers	Applicable for local authority accounts from the 2018/19 financial year. This new standard deals with accounting for all contracts with customers except: ▸ Leases; ▸ Financial instruments; ▸ Insurance contracts; and ▸ For local authorities; Council Tax and NDR income. 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. Now that the 2018/19 Accounting Code of Practice for Local Authorities has been issued it is becoming clear what the impact on local authority accounting will be. As the vast majority of revenue streams of Local Authorities fall outside the scope of IFRS 15, the impact of this standard is likely to be limited.	As with IFRS 9, some provisional information on the approach to adopting IFRS 15 has been issued by CIPFA in advance of the Guidance Notes. Now that the Code has been issued, initial views have been confirmed; that due to the revenue streams of Local Authorities the impact of this standard is likely to be limited. The standard is far more likely to impact on Local Authority Trading Companies who will have material revenue streams arising from contracts with customers. The Council will need to consider the impact of this on their own group accounts when that trading company is consolidated.

Focused on your future (cont'd)

Standard	Issue	Impact
IFRS 16 Leases	It is currently proposed that IFRS 16 will be applicable for local authority accounts from the 2019/20 financial year. 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. There are transitional arrangements within the standard and although the 2019/20 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.	Until the 2019/20 Accounting Code is issued and any statutory overrides are confirmed there remains some uncertainty in this area. 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.

08 Audit Fees

Audit Fees

Our fee for 2017/18 is in line with the scale fee set by the PSAA and reported in our 14 March 2018 Audit Plan.

Description	Final Fee 2017/18 £	Planned Fee 2017/18 £	Scale Fee 2017/18 £	Final Fee 2016/17 £
Total Audit Fee – Code work	59,352*	56,785	56,785	58,464
Total Audit Fee – Certification of claims and returns – Housing Benefits Subsidy Claim	TBC**	17,411	17,411	14,971
Total Audit Fee	TBC	74,196	74,196	73,435

We confirm we have not undertaken any non-audit work outside of the PSAA's requirements.

*TBC: We had 2 significant risks on the audit which were specific to Aylesbury Vale and beyond what the scale fee is based on. In line with PSAA requirements where we have additional significant risks these then incur additional fee. The significant risks were in relation to the administration and maintenance of the Fixed Asset Register and we also had 1 VFM significant risk. We have discussed the proposed additional fee with senior officers.

**TBC: The Scale Fee for the Housing Benefit subsidy claim is reflective of the work required to complete the return 2 years previous. We will therefore need to understand the extent of any extended testing of errors in the current year before we can confirm the final fee. The certification deadline is 30 November 2018. We will report the final fee in our certification report which we will bring to a subsequent Audit Committee.

EY | Assurance | Tax | Transactions | Advisory

About EY
EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit ey.com.

ED None

EY-000070901-01 (UK) 07/18. CSG London.

In line with EY's commitment to minimise its impact on the environment, this document has been printed on paper with a high recycled content.

ey.com