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Dear Bob

Annual Audit and Certification Fees 2017/18

We are writing to confirm the audit and certification work that we propose to undertake for the 2017/18 financial year at Chiltern District Council.

From 1 April 2015, the duty to make arrangements for the audit of the accounts and the certification of relevant claims and returns and to prescribe scales of fees for this work was delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government. In October 2015, the Secretary of State confirmed that the transitional arrangements would be extended for one year for audits of principal local government bodies only, to cover the audit of the accounts for 2017/18. The audit contracts previously let by the Audit Commission and novated to PSAA have therefore also been extended for one year to give effect to this decision.

From 2018/19, new arrangements for local auditor appointment set out in the Local Audit and Accountability Act 2014 will apply for principal local government and police bodies. These audited bodies will be responsible for making their own arrangements for the audit of the accounts and certification of the housing benefit subsidy claim. PSAA will play a new and different role in these arrangements.

Indicative audit fee

For the 2017/18 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. There are no planned changes to the overall work programme for 2017/18. It is therefore proposed by PSAA that scale fees are set at the same level as those for 2016/17: these fees reflect the significant reductions made to scale fees since 2012/13.

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

- the Value for Money conclusion
- the Whole of Government accounts.

For Chiltern District 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 the previous year;
- officers meet the agreed timetable of deliverables;
- internal controls for the key processes identified in our audit strategy operate effectively;
- we can rely on the work of internal audit as planned;
- our accounts opinion and value for money conclusion are unqualified;
- the council provides good quality documentation;
- there is an effective control environment; and
- we get prompt responses to our draft reports.

Meeting these assumptions will help to ensure the delivery of our audit at the indicative audit fee which is set out below.

As we have not yet completed our audit for 2016/17, our audit planning process for 2017/18 will continue as the year progresses. We will review and update fees as necessary and within the parameters of our contract.

Certification fee

PSAA sets an indicative certification fee for our work on certifying the housing benefit subsidy claim. The indicative fee for 2017/18 will be based on actual benefit certification fees in 2015/16. However as PSAA has not yet finalised the actual 2015/16 benefit certification fee, they have not yet set the 2017/18 scale fees.

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

The indicative certification fee for 2017/18 relates to work on the housing benefit subsidy claim for the year ended 31 March 2018. We will set the fee at this level and update our risk assessment after we have completed 2016/17 benefit certification work, and to reflect any further changes in the certification arrangements.

Summary of fees

	Indicative fee 2017/18 £	Planned fee 2016/17 £	Actual fee 2015/16 £
Total Code audit fee	41,288	41,288	41,288
Certification of housing benefit subsidy claim	TBC	12,678	9,240

Any extra work that we may agree to undertake (outside the Code of Audit Practice) will be separately negotiated and agreed with you in advance.

Billing

The indicative code audit fee will be billed in 4 quarterly instalments of £10,322. We will also bill 25% of the indicative certification fee each quarter once it has been determined.

Audit plan

We expect to issue our plan in January 2018. This will include any significant financial statement risks identified, planned audit procedures to respond to them, and any changes in fee. It will also set out the significant risks identified to the Value for Money conclusion. Should we need to make any significant amendments to the fee during the audit, we will discuss them first with the Head of Finance and if necessary prepare a report for discussion with the Audit and Standards Committee.

Audit team

The key members of the audit team for the 2017/18 financial year are:

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We are committed to providing you with a high quality service. If at any time you would like to discuss 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 will look into any complaint carefully and

promptly and 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 sincerely



Andrew Brittain
Executive Director
For and on behalf of Ernst & Young LLP

cc. John Gladwin Chairman of the Audit and Standards Committee
 Jim Burness Director of Resources
 Rodney Fincham Head of Finance