

London Borough of Havering

Annual Audit Letter for the year ended 31 March 2017

October 2017

Ernst & Young LLP



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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, 1More 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.

A hand with white nail polish is writing on a document with a blue pen. In the background, there is a calculator, a white cup, and a laptop. A yellow rectangular box is overlaid on the left side of the image.

Executive Summary

Executive Summary

We are required to issue an Annual Audit Letter to the London Borough Of Havering (the Council) following completion of our audit procedures for the year ended 31 March 2017.

Below are the results and conclusions on the significant areas of the audit process.

Area of Work	Conclusion
Opinion on the Council and Pension Fund's:	
▶ Financial statements	Unqualified - the financial statements gave a true and fair view of the financial position of the Council and Group as at 31 March 2017 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 financial statements.
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 Annual Governance Statement	The Annual 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 on our review of the Council's Whole of Government Accounts return.	<p>Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The Council is above the specified audit threshold of £350 million.</p> <p>We identified a number of inconsistencies between the Council's return and its audited financial statements. Therefore we were unable to complete our review of the Council's return before the deadline of 29 September. The Council is currently working to resolve these inconsistencies, following which we will conclude our review.</p>

As a result of the above we have also:

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 20 September 2017. We issued an updated version of this report on 29 September 2017, reflecting how we had resolved the matters noted as being outstanding in the initial report.
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.	We issued our certificate on 27 October 2017 closing the audit following the completion of our work on the Council's Whole of Government Accounts return. Our Pension Fund work was completed on 30 September.

Our review of the Council's housing benefit subsidy claim is currently in progress. We expect to complete this work in November 2017, in advance of the certification deadline of 30 November 2017. Once we have completed this work, we will issue a report to those charged with governance of the Council summarising the results of the work we have undertaken.

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

Debbie Hanson
Associate Partner
For and on behalf of Ernst & Young LLP

Purpose



Purpose

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 2016/17 Audit Results Report to the 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

Responsibilities

Responsibilities of the Appointed Auditor

Our 2016/17 audit work has been undertaken in accordance with the Audit Plan that we issued on 15 February 2017 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 2016/17 financial statements including the pension fund; 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 on your Whole of Government Accounts (WGA) return. The Council is above the specified audit threshold of £350 million. We identified a number of inconsistencies between the Council's return and its 2016/17 audited financial statements. We worked with the Council to resolve these differences and the WGA return was amended to be consistent with the audited financial statements. We submitted the audited return on 27 October 2017.

Responsibilities of the Council

The Council is responsible for preparing and publishing its statement of accounts accompanied by an Annual Governance Statement (AGS). 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.

The background is a blurred office scene. In the foreground, there are several clear glass tumblers filled with water on a wooden desk. Behind them, a laptop screen displays a financial chart. To the left, a pen and some papers are visible. The overall lighting is bright and natural, suggesting a window in the background.

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 and Group Statement of Accounts and Pension Fund 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 29 September 2017. We issued an unqualified audit report on the Council and Pension Fund Statements on 30 September 2017.

Our detailed findings on the audit of the Council and Group accounts and Pension Fund accounts were reported to the 28 September 2017 meeting of the Audit Committee.

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

Significant Risk	Conclusion
<p>Management override of controls</p> <p>A risk present on all audits is that 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.</p> <p>Auditing standards require us to respond to this risk by testing the appropriateness of journals, testing accounting estimates for possible management bias and obtaining an understanding of the business rationale for any significant unusual transactions.</p> <p>For local authorities the potential for the incorrect classification of revenue spend as capital is a particular</p>	<p>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 journals that met our criteria and agreed these to supporting documentation.</p> <p>The most significant accounting estimates in the financial statements relate to the net pension liability and property valuations. We challenged the significant movement in the actuarial pension valuation and found no indication of management bias in this estimate. Our work on the property valuations focused on verifying and critically challenging the basis of valuation adopted by the valuer in relation to the Council's property, in particular for specialist assets which are valued on a depreciated replacement costs basis. We engaged our Internal specialists to review a sample of assets and gained sufficient assurance that the values reported in the financial statements were not materially misstated.</p>

area where there is a risk of management override. We therefore review capital expenditure on property, plant and equipment to ensure it meets the relevant accounting requirements to be capitalised.

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.

We did not identify any other transactions during our audit which appeared unusual or outside the Council's normal course of business.

Risk of fraud in revenue recognition

Under ISA240 there is a presumed risk that revenue may be misstated due to improper recognition of revenue. In this 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 manipulating expenditure recognition.

For the Council, the potential for the incorrect classification of revenue spend as capital is a particular area where there is a risk of management override. We therefore review capital expenditure on property, plant and equipment to ensure it meets the relevant accounting requirements to be capitalised.

To address this risk we completed the following procedures:

- Tested material revenue and expenditure streams, including accounting estimates.
- Tested income and expenditure transactions around the period end to assess whether the recognition or deferral of this income and expenditure was appropriate.
- Tested capital expenditure on property, plant and equipment confirmed it met the relevant requirements to be capitalised.

As a result of the procedures we completed we were satisfied that the Council has recognised income and expenditure appropriately, and that the values disclosed in the Authority's financial statements are not materially misstated.

Other Key Findings

Valuations - reliance on experts

We identified two areas in our Audit Plan where we place reliance on experts; pensions and property valuations. These areas are both highly material balances in the Council's accounts which are based on estimates and professional judgement.

In accordance with Auditing Standards, we have evaluated each specialist's professional competence and objectivity, considering their

Conclusion

Pensions: We have assessed and are satisfied with the competency and objectivity of the Council actuaries: Hymans Robertson LLP. Our own pension team and PwC (Consulting Actuary to the National Audit Office) have reviewed the work of the actuaries and conclude we can place reliance on them. We also challenged the significant movement in the actuarial valuation and found no indication of management bias in this estimate.

Property valuations: We are satisfied that the Council's valuers, Wilks Head & Eve, have the necessary qualifications and experience. We engaged our internal valuation specialist to review and critically challenge the basis and method of valuation adopted for a sample of assets, including particularly specialised assets which are valued on a depreciated

qualifications, experience and available resources, together with the independence of the individuals performing the work.

We have also considered the work performed by the specialist in light of our knowledge of the Council's environment and processes and our assessment of audit risk in the particular area.

replacement costs basis which is a more judgemental valuation basis. We have concluded that there are elements of the Specialist's approach to valuation which are formulaic and are not consistent with UK valuation practice, given the characteristics of the properties being valued and considering the facts and circumstances at the valuation date. For the sample of properties we reviewed, we have however concluded that

- The valuation of the three assets fell within an acceptable range, albeit at the upper end of that range.
- The valuation of a Leisure Centre fell outside our acceptable range of £4.2million to £7.8 million. Taking the upper end of our valuation, we consider the Council's valuation of £8.9 million overstates the value of this asset by £1.1 million. We recorded this as an unadjusted judgemental error which was not material.

We considered the potential impact of these issues on the remainder of the Council's property, plant and equipment balance and have concluded that the overall valuation estimate is not unreasonable.

Group Accounts

The Council set up a wholly owned subsidiary company, Mercury Land Holdings, in October 2015. The Council prepared group accounts for the first time in 2016/17 in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (Code of Practice). We considered there to be an increased risk that the financial statements did not meet the group accounting requirements defined by the Code as a result of these changes.

We reviewed and tested:

- The Council's assessment of all potential group entities against accounting standards IFRS10 and 11.
- The accounting policies adopted by the Council to ensure they were correctly applied and complied with the requirements of the Code.
- The consolidations of the companies' accounts have been undertaken correctly into the group accounts.
- All appropriate disclosures.

As a result of the procedures we performed we were satisfied that the Council's group accounts were compiled in accordance with the Code requirements and were materially accurate.

Presentation of expenditure and funding analysis statement and restatement of the Comprehensive Income and Expenditure Statement (CIES) and Movement in Reserves

As a result of these changes, the service analysis in the accounts is now based on the organisational structure under which the Authority operates and shows the Authority's segmental analysis.

As part of our audit we:

Statement (MiRS)

Amendments have been made to the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the Code) changing the way the financial statements are presented. These changes impact the CIES and MiRS, and include the introduction of the new 'Expenditure and Funding Analysis' note as a result of the 'Telling the Story' review of the presentation of local authority financial statements.

- Reviewed the Expenditure and Funding Analysis, CIES, MiRS and new notes to ensure disclosures are in line with the Code.
- Reviewed the analysis of how these figures are derived, how the ledger system has been re-mapped to reflect the Authority's organisational structure and how overheads are apportioned across the service areas reported.
- Agreed the restated comparative figures back to the Authority's segmental analysis and supporting working papers.

We were satisfied that the accounts have been complied in line with the new Code requirements and the figures are materially accurate.

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	<p>We determined materiality to be £11.2 million (2016: £11 million), which is 2% of gross expenditure reported in the financial statements.</p> <p>We consider gross expenditure to be one of the principal considerations for stakeholders in assessing the financial performance of the Council.</p>
Reporting threshold	<p>We agreed with the Audit Committee that we would report to the Committee all uncorrected audit differences in excess of £0.563 million (2016: £0.552 million).</p>

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 were:

- Remuneration disclosures including any severance payments, exit packages and termination benefits;
- Related party transactions; and

➤ **Members' allowances.**

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

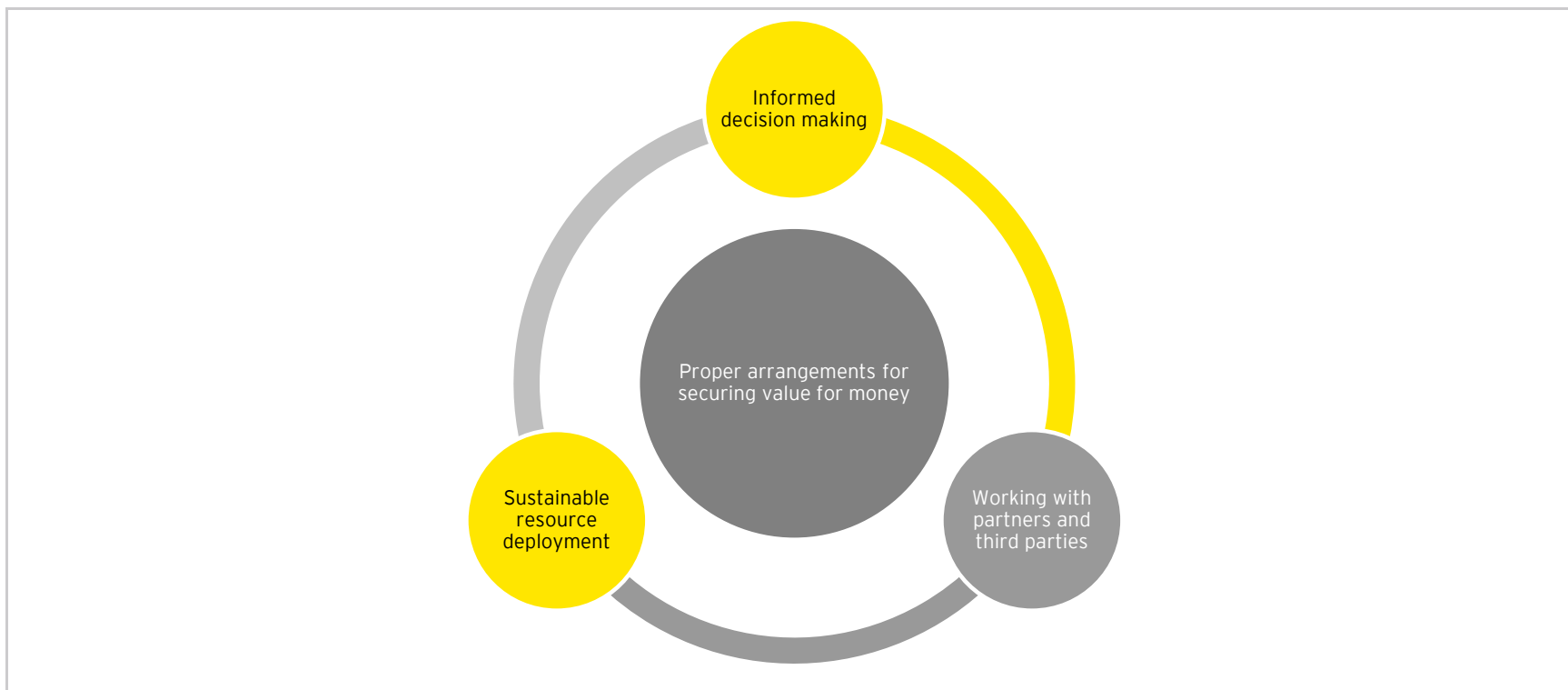
Value for Money

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, in relation to the deployment of resources in a sustainable manner and working with partners and other third parties. The table below presents the findings of our work in response to the risk identified.

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.

We therefore issued an unqualified value for money conclusion on 30 September 2017.

Significant Risk	Conclusion
<p>The impact of continuing reductions in funding from central government, together with significant cost pressures in areas such as Adult and Children's services, is particularly challenging for the Council. With restrictions on annual council tax increases, the Council's medium-term financial strategy identifies the need to identify and deliver significant savings from 2017/18 and future years.</p> <p>Sustainability and Transformation Plans (STPs) give councils and local NHS organisations the opportunity to work together to improve the way health and social care is designed and delivered. The North East London STP brings together the challenges and opportunities that face NHS and care services in North East London as they work together to improve health and wellbeing within the funds available.</p> <p>While the Council has a history of being well managed and aware of issues impacting the Borough area as a whole, we considered there was a significant risk in relation to the Council's ability to deal with the challenging health and social care environment and deliver the savings required.</p>	<p>We have performed the procedures outlined in our Audit Plan. We considered the following areas and made the following observations.</p> <p>Financial management: We reviewed the Council's Medium Term Financial Plan and the assumptions within it, as well as outturn against the 2016/17 budget. The Council's general fund expenditure was delivered in line with overall approved budget for 2016/17. Within this overall position however, the Council reported an overspend of £4.47 million on services which was offset by an underspend on corporate and contingency budgets. The Council has set a balanced budget for 2017/18, but identifies a cumulative budget gap of £9.2 million in the period 2018/19 to 2019/20 (before allowing for the effect of any increases in council tax). The 2017/18 budget includes the planned use of £1.8 million of the corporate risk budget, which is part of the base budget, to support directorates in delivering their transitional plans to mitigate against demand led expenditure pressures. The Council will need to ensure delivery of its agreed savings plans during 2017/18 in order to keep its Medium Term Financial Plan on track.</p> <p>Level of reserves: We assessed the level of reserves that the Council has at 31 March 2017. The level of general fund reserves held by the Council at 31 March 2017 is £11.8 million. This is above the minimum level of £10 million recommended by the Council's Section 151 officer. We have therefore concluded that the Council has an adequate level of reserves.</p> <p>Partnership working: We considered the Council's decision making processes and partnership working. The Council has appropriate governance performance and risk management processes in place in relation to its main partnerships. There is evidence of the Council working effectively with partners in key areas, for example OneSource in the provision of back office services, and STP partners in relation to health and social care. The Council's Corporate Plan includes a clear vision for the future.</p>



Other Reporting Issues

Other Reporting Issues

Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The Council is above the specified audit threshold of £350 million.

We identified a number of inconsistencies between the Council's return and its audited financial statements. Therefore we were unable to complete our review of the Council's return before the deadline of 29 September. We worked with the Council to resolve these inconsistencies and concluded our review and submitted the audited return on 27 October 2017.

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 significant matters.

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 2016/17 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 28 September 2017. 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.

We have adopted a fully substantive approach and have therefore not tested the operation of controls.

Although our audit was not designed to express an opinion on the effectiveness of your internal control we are required to communicate to you significant deficiencies in internal control. We brought the following matters to the attention of the Audit Committee

- There were a number of areas where the Council found it difficult to provide us with transaction listings for certain classes of debtor and creditor balances and income and expenditure transaction streams. This caused delays in the completion of our testing.
- While the Council had issued a letter to its valuer setting out the relevant guidance to be followed in valuing assets, it had not formally recorded details of those assets subject to valuation, or how those assets were categorised: For example, by setting out how the asset was used, and whether or not it was to be treated as an investment property, held for sale, or surplus. This information was instead provided to the valuer through a series of meetings between the Council's property team and its valuer. Where formal instructions aren't issues to the valuer on an annual basis, there is a lack of a clear audit trail supporting valuation work and the risk of misunderstandings between the valuer and authority is increased.
- The Council engaged a third party to calculate its provision for future losses of non-domestic rates income arising as a result of successful appeals against non-domestic rate values. We found that the Council had not sufficiently challenged its expert on assumptions made in calculating this estimate, although our subsequent testing of this provision did not identified any further matters to bring to the attention of the Committee.

We have discussed the above issues with Council management and the finance team and will continue to work with them to ensure these issues are addressed for 2017/18.

Focused on your
future



Focused on your future

Area	Issue	Impact
<i>Earlier deadline for production and audit of the financial statements from 2017/18</i>	The Accounts and Audit Regulations 2015 introduced a significant change in statutory deadlines from the 2017/18 financial year. From next year the timetable for the preparation and approval of accounts will be brought forward with draft accounts needing to be prepared by 31 May and the publication of the audited accounts by 31 July.	<p>These changes provide challenges for both the preparers and the auditors of the financial statements.</p> <p>To prepare for this change the Council has taken some steps in 2016/17. For example it has started to critically review and amend the closedown process to achieve earlier draft accounts production.</p> <p>As auditors, nationally we have:</p> <ul style="list-style-type: none"> ▶ Issued a thought piece on early closedown ▶ As part of our strategic Alliance with CIPFA, jointly presented accounts closedown workshops across England, Scotland and Wales ▶ Presented at CIPFA early closedown events and on the subject at the Local Government Accounting Conferences in July 2017. <p>We have agreed with the Council to engage early, following the completion of the 2016/17 audit, to facilitate early substantive testing for 2017/18 and also to consider steps the Council can take, for example:</p> <ul style="list-style-type: none"> ▶ Early discussion with the Council as to how we obtain transaction listings for key balances and transaction streams ▶ Bringing forward the commissioning and production of key externally provided information such as IAS 19 pension information, asset valuations ▶ Streamlining processes for responding to questions arising from the testing we undertake.
IFRS 9 Financial Instruments	<p>Applicable for local authority accounts from the 2018/19 financial year and will change:</p> <ul style="list-style-type: none"> ▶ How financial assets are classified and measured 	Although some initial thoughts on the approach to adopting IFRS 9 have been issued by CIPFA, until the Code is issued and any statutory overrides are confirmed there remains some uncertainty. However, what is clear is that the Authority and Group will have to:

Area	Issue	Impact
	<ul style="list-style-type: none"> ▸ How the impairment of financial assets are calculated ▸ The disclosure requirements for financial assets. <p>Transitional arrangements are included within the accounting standard, however as the 2018/19 Accounting Code of Practice for Local Authorities has yet to be issued it is unclear what the impact on local authority accounting will be and whether any accounting statutory overrides will be introduced to mitigate any impact.</p>	<ul style="list-style-type: none"> ▸ Reclassify existing financial instrument assets ▸ Re-measure and recalculate potential impairments of those assets; and ▸ Prepare additional disclosure notes for material items <p>The Authority and Group is awaiting clarification of the exact requirements before investing time in the above work.</p>
IFRS 16 Leases	<p>IFRS 16 will be applicable for local authority accounts from the 2019/20 financial year.</p> <p>Whilst the definition of a lease remains similar to the current leasing standard, the new standard will have a significant impact for local authorities who lease in a large number of assets, with nearly all current leases being included on the balance sheet.</p> <p>There are transitional arrangements within the standard, although as the 2019/20 Accounting Code of Practice for Local Authorities has yet to be issued it is unclear what the impact on local authority accounting will be or whether any statutory overrides will be introduced.</p>	<p>Until 2019/20 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 Authority and Group will need to undertake a detailed exercise to classify all of its leases and therefore must ensure that all lease arrangements are fully documented.</p> <p>The Authority and Group is has yet to commence work in this area due to the timing of implementation.</p>

Appendix A

Audit Fees



Appendix A Audit Fees

We set out below a summary of our fees for the year ended 31 March 2017.

Description	Final Fee 2016/17	Planned Fee 2016/17	Scale Fee 2016/17	Final Fee 2015/16
Total Audit Fee - Code work	To be confirmed	£151,844	£151,844	£151,844
Total Audit Fee - Certification of claims and returns	To be confirmed	£16,178	£16,178	£15,080
Total Audit Fee - Pension Fund	£21,000	£21,000	£21,000	£21,000

We are proposing an additional fee for the 2017/18 audit in relation to the following areas where additional audit time was required in relation to the audit of the Council's financial statements:

- procedures required to gain assurance over the material accuracy of property, plant and equipment valuations.
- work required to gain assurance on the balances and transactions relating to Mercury Land Holdings, the Council's wholly owned subsidiary company, which were consolidated into Group accounts for the first time in 2016/17.
- resolving issues identified on the Council's whole of government accounts return and agreeing changes to the return to reflect the Council's financial statements.
- Impact of delays in receiving responses to some audit queries.

We are currently confirming the value of the additional fee and will discuss and agree this with management before reporting to the Audit Committee. The scale fee variations are subject to Public Sector Audit Appointments Ltd (PSAA) approval.

We are currently completing our certification of the Council's housing subsidy claim and will confirm our final fee for this work in our certification report, which we expect to issue in January 2018.

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

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ED None

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