



REPORT of DIRECTOR OF RESOURCES

to
PERFORMANCE, GOVERNANCE AND AUDIT COMMITTEE
24 SEPTEMBER 2020

EXTERNAL AUDIT FEES 2019/20

1. PURPOSE OF THE REPORT

- 1.1 This report is to inform the Performance, Governance and Audit Committee of the audit fee for Deloitte LLP, the Council's External Auditor for the audit of the 2019/20 financial year.

2. RECOMMENDATION

- 2.1 That the content of this report be noted.

3. SUMMARY OF KEY ISSUES

- 3.1 The audit and certification work that Deloitte LLP will be undertaking for the 2019/20 financial year at Maldon District Council includes:
- Audit of the financial statements;
 - Value for money conclusion; and
 - Whole of Government accounts.
- 3.2 The external audit fee payable by the Council as per the letter received on the 24 August 2020 is expected to be £54,762. The fee letter is included at **APPENDIX 1**.

4. EXTERNAL AUDIT FEES 2019/20

- 4.1 In July 2020 the Council received an initial fee proposal of £78,581 from the external auditors for the 2019/20 audit. Since then the Council has worked to negotiate a reduction to this fee given the substantial increase from the original scale fee of £37,942 advised by Public Sector Audit Appointments Ltd (PSAA). Although PSAA did advise that those fees were likely to require amendment. The final increase in the scale fee relates to two areas; COVID-19 (£7,700) and asset valuations (£9,120).
- 4.2 The audit letter sets out the additional audit work that has been required due to COVID-19 including the potential increase in control risks and risk profiles. No

issues were identified because of COVID-19 in the audit. The following table details the additional time that was spent in relation to COVID-19.

Table 1 – COVID-19 Related Audit Time

| Staff Grade | Hours | Rate (£/hr) | Cost (£) |
|--------------------|--------------|--------------------|-----------------|
| Partner | 4 | 215 | 860 |
| Director | 8 | 185 | 1,480 |
| Manager | 32 | 105 | 3,360 |
| Assistant Manager | 16 | 80 | 1,280 |
| Associate | 16 | 45 | 720 |
| Total | 76 | | 7,700 |

- 4.3 External auditors are now required to use specialists to review asset valuations, which has led to increased costs and scrutiny around these areas. Due the auditors identifying a material manual error in both the 2018/19 and 2019/20 valuations, made by the Council’s external valuer, the risk level relating to valuations has been increased. This has led to the additional testing being required. The following table details the additional time that was spent in relation to asset valuations.

Table 2 – Asset Valuations Related Audit Time

| Staff Grade | Hours | Rate (£/hr) | Cost |
|--------------------|--------------|--------------------|--------------|
| Partner | 8 | 215 | 1,720 |
| Director | 24 | 185 | 4,440 |
| Manager | 16 | 105 | 1,680 |
| Assistant Manager | 16 | 80 | 1,280 |
| Total | 64 | | 9,120 |

- 4.4 Following a manual error by the valuers in two consecutive years the Council has discussed the issue and potential actions with the external auditors and the valuers’ relationship manager. No issues have been identified with the current valuer’s valuation methodologies, which can be a complex area. Therefore, controls to strengthen the checks are proposed to avoid a reoccurrence in future years. Mitigations include:

- Review of the resources deployed by the valuer;
- Improved reviewing of the valuations internally by the valuers before they are issued to the Council;
- Regular client meetings with the valuers to discuss progress;
- Earlier issue of the valuations to allow checks by the Council.

5. EXTERNAL AUDIT FEES 2020/21

- 5.1 An indication of the audit fees for the 2020/21 financial audit has been provided in the attached letter, which is a substantial increase on 2019/20. Fees are currently being

negotiated with the auditors as the Council has raised concerns with the proposed fee levels. Ultimately PSAA have the final say in setting the fees and will contact the Council to hear any concerns first hand so they can be considered as part of their determination.

6. CONCLUSION

6.1 The external audit fees for the 2019/20 audit are expected to be £54,762.

7. IMPACT ON STRATEGIC THEMES

7.1 Financial management underpin all strategic themes.

8. IMPLICATIONS

- (i) **Impact on Customers** – None.
- (ii) **Impact on Equalities** – None.
- (iii) **Impact on Risk** – None.
- (iv) **Impact on Resources (financial)** – The budget for the external audit fees are £51,100, creating an overspend of £3,662.
- (v) **Impact on Resources (human)** – None.
- (vi) **Impact on the Environment** – None.

Background Papers: None.

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