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Ref: Fee Letter/1920

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Dear John

Annual Audit fees 2019/20

We are writing to confirm the audit that we propose to undertake for the 2019/20 financial year at Staffordshire County Council (SCC) and the Staffordshire Pension Fund (SPF).

From 2018/19, local government and police bodies have been responsible for making their own arrangements for the audit of the accounts and reporting on the housing benefit subsidy claim.

The Secretary of State for Housing, Communities and Local Government has specified Public Sector Audit Appointments (PSAA) as an appointing person under provisions of the Local Audit and Accountability Act 2014. PSAA has appointed auditors for bodies that opted into the national scheme. Appointments were made for the duration of the five-year appointing period, covering the audits of the accounts for 2018/19 to 2022/23.

Indicative audit fee

For the 2019/20 financial year, PSAA has set the scale fee for each opted in body. Following consultation on its Work Programme and Scale of Fees, PSAA has maintained scale audit fees at the same level as for 2018/19, unless there are specific circumstances which require otherwise.

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 fees for covers the following:

- Audit of the financial statements (SCC and SPF);
- Value for money conclusion (SCC only); and
- Whole of Government accounts (SCC only).

Our final fee will include the impact of additional risks and/or circumstances that are out of the scope of the scale fee, for example:

- The preparation of group accounts;
- Additional work performed on asset valuations, including the involvement of our valuation specialists;
- Additional work performed on the valuation of the net pension liability, including the involvement of our pension specialists; and
- Additional work arising from the implementation of IFRS 16 Leases.

For both the County Council and Pension Fund we have set the indicative fees based on certain assumptions, including:

- The overall level of risk in relation to the audit of the financial statements is not significantly different to that of the prior year;
- Officers meet the agreed timetable of deliverables;
- The operating effectiveness of the internal controls for the key processes identified within our audit strategy;
- Our accounts opinion and value for money conclusion are unqualified;
- Appropriate quality of documentation is provided by Officers;
- There is an effective control environment; and
- Prompt responses are provided to our draft reports.

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

As we have not yet completed our audit for 2018/19, our audit planning process for 2019/20 will continue as the year progresses. Fees will be reviewed and updated as necessary, within the parameters of our contract.

Summary of fees

	Indicative fee 2019/20 £	Planned fee 2018/19 £	Actual fee 2017/18 £
Total Code audit fee for Staffordshire County Council	84,511	84,511	144,310 *
Total Code audit fee for Staffordshire Pension Fund	22,050	22,050	28,637
IAS 19 assurances fee (SPF only)	TBC	5,500 **	5,500
Non-Audit work	N/A	N/A	N/A

* The 2017/18 audit fee included scale fee variations totalling £34,555 which was approved by PSAA for additional audit work including that undertaken by EY property valuer and IT specialists.

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

** All variations to the scale fee will be subject to PSAA approval.

Billing

The scale fee will be billed quarterly as follows;

Staffordshire County Council; 1 instalment of £21,127 followed by 3 instalments of £21,128

Staffordshire Pension Fund: 1 instalment of £5,511 followed by 3 instalments of £5,513.

Audit plan

We expect both audit plans to be issued in March 2020. This will communicate any significant financial statement and value for money risks identified, planned audit procedures to respond to those risks and the estimated fee implications of these additional procedures. Should we need to make any significant amendments to the audit fee during the course of the audit, we will discuss this in the first instance with the Director of Finance and Resources and communicate the revised fee and the matters giving rise to any adjustments to the scale fee in our Audit Results Report which we will present to the Chair of Audit & Standards Committee and the Pension Committee.

For a high level overview of our approach and further information on how we intend to work with you under the PSAA contract, please refer to our leaflet 'EY working with you' which is enclosed.

We remain committed to providing you with a high quality service. 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, please contact me, or Janet Dawson as our Government and Public Sector Assurance Leader at jdawson1@uk.ey.com. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, by writing to him at 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.

Yours sincerely

Handwritten signature of Stephen Clark in black ink.

Stephen Clark
Partner
For and on behalf of Ernst & Young LLP

cc. Suresh Patel, Associate Partner (for Staffordshire Pension Fund)
Rob Salmon, Deputy Director of Finance
Councilor Martyn Tittley, Chair of Audit & Standards Committee.
Melanie Stokes (Head of Treasury and Pension Fund)
Colin Greatorex (Chair of Pension Committee)