



Agenda Item

**FOR PUBLICATION**

**DERBYSHIRE COUNTY COUNCIL**

**AUDIT COMMITTEE**

**22 March 2022**

**Report of the Interim Director of Finance & ICT**

**Additional External Audit Fees for 2020-21**

**1. Divisions Affected**

1.1 County-wide.

**2. Key Decision**

2.1 This is not a Key Decision.

**3. Purpose**

3.1 To provide Audit Committee with details of a letter from the Council's external auditor setting out and requesting agreement of additional fees in respect of its audit work on the Council's 2020-21 Statement of Accounts.

3.2 For Audit Committee to note the agreement of the Council's Interim Executive Director of Corporate Services & Transformation, as Section 151 Officer, to the request for additional fees in respect of the external auditor's audit work on the Council's and Pension Fund's 2020-21 Statement of Accounts.

## **4. Information and Analysis**

### **Background**

- 4.1 Full Council opted-in to a sector-led approach to appointing an external auditor on 7 December 2016, approving the use of Public Sector Audit Appointments (PSAA) to undertake the procurement on behalf of the Council. Following this approval, the Council's external auditor, Mazars, was appointed on 14 December 2017.
- 4.2 PSAA is responsible for appointing auditors and setting scales of fees for relevant authorities that have chosen to opt-in to its national scheme, overseeing issues of auditor independence and monitoring compliance by the auditor with the contracts PSAA enters into with audit firms.
- 4.3 PSAA consulted on scale fees for the audit of opted-in bodies, up to and including 2022-23. The Council's external audit fee for 2020-21, agreed by PSAA, is £0.097m, with a fee of £0.028m for the Pension Fund.
- 4.4 Fee variations are determined in accordance with Section 17(2) of the Local Audit (Appointing Person) Regulations. This provides for additional fees to be charged where in PSAA's view, on the basis of information provided by the local auditor it has appointed, the work involved in a particular audit was substantially more than that envisaged by the scale fee set.
- 4.5 Total audit fees, including additional audit fees, have reduced over a number of years, as a result of the Council opting into national procurement.
- 4.6 Additional fees for the 2019-20 audit, billed by an agreed fee variation, were £0.018m for the Council and £0.009m for the Pension Fund.

### **2020-21 Additional Audit Fees**

#### **Council's Statement of Accounts**

- 4.7 The Council's external auditor has written to the Council setting out, and requesting agreement of, additional fees in respect of its audit work on the Council's 2020-21 Statement of Accounts, following completion of the audit.

- 4.8 The external auditor's 2020-21 Audit Strategy Memorandum, Audit Completion Report and Annual Auditor's Report proposed additional fees in several areas. The letter attached at Appendix Two to this report confirms the final external audit fees for 2020-21, also setting out those that are of a recurring nature that will again be necessary for the 2021-22 audit.
- 4.9 Additional fees for the 2020-21 audit of the Council's Statement of Accounts are £0.032m for the Council. This comprises additional work in the following areas:
- Value for money commentary- £0.014m
  - Property, plant and equipment valuation - £0.005m
  - Accounting estimates - £0.005m
  - Increased regulatory challenge - £0.004m
  - Pension valuation - £0.003m
  - Covid-19 additional work – £0.001m
- 4.10 In calculating the additional fees, the external auditor has considered the impact of the good work by the Council's team in working closely with them to complete the audit and the good standard of working papers provided.
- 4.11 The 2020-21 additional fee detailed is subject to PSAA approval in the usual way. As part of this process, PSAA requires the Council's agreement to the additional fees and also requires that they are brought to the attention of Audit Committee and noted. The Council's Interim Executive Director of Corporate Services & Transformation, as Section 151 Officer, confirmed agreement to the external auditor's request for additional external audit fees of £0.032m on 9 March 2022.

### **Pension Fund's Statement of Accounts**

- 4.12 Additional fees in respect of the external auditor's work on its audit of the 2020-21 Pension Fund Statement of Accounts were reported to Audit Committee at its meeting on 22 June 2021, within the Audit Strategy Memorandum for the Derbyshire Pension Fund. These additional fees of £0.006m relate to enhanced procedures on unquoted investments in response to increased regulatory expectations.

- 4.13 On 3 March 2022 the external auditor confirmed that there was no change to these additional fees in respect of its audit of the 2020-21 Pension Fund Statement of Accounts. The Council's Interim Executive Director of Corporate Services & Transformation, as Section 151 Officer, confirmed agreement to the external auditor's request for additional external audit fees of £0.006m in respect of the Pension Fund on 7 March 2022.

## **5. Consultation**

- 5.1 No consultation is required.

## **6. Alternative Options Considered**

- 6.1 Not Applicable – the additional fees detailed are acknowledged as being required in respect of the external auditor's completion of its audit work on the Council's and Pension Fund's 2020-21 Statement of Accounts. It is a PSAA requirement of the process for agreeing fee variations that the local authority confirms its acceptance to the external auditor and that any additional fee variations are reported for Audit Committee to note the details.

## **7. Implications**

- 7.1 Appendix One sets out the relevant implications considered in the preparation of the report.

## **8. Background Papers**

- 8.1 Papers held electronically by Financial Strategy Section, Financial Management & Strategy, Finance & ICT Services.

## **9. Appendices**

- 9.1 Appendix One – Implications.  
9.2 Appendix Two – Council Fee Variation Letter.

## **10. Recommendations**

- 10.1 That Audit Committee notes the details of a letter from the Council's external auditor setting out and requesting agreement of additional fees in respect of its audit work on the Council's 2020-21 Statement of Accounts.

10.2 That Audit Committee notes the agreement of the Council's Interim Executive Director of Corporate Services & Transformation, as Section 151 Officer, to the request for additional fees in respect of the external auditor's audit work on the Council's and Pension Fund's 2020-21 Statement of Accounts.

**11. Reasons for Recommendations**

11.1 The Council Plan values commit to spending money wisely, making the best use of the resources that the Council has.

11.2 The Council is committed to ensuring good financial management and compliance with applicable laws and regulations.

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**This report has been approved by the following officers:**

<p><b>On behalf of:</b></p> <p>Interim Director of Finance and ICT Director of Legal Services and Monitoring Officer</p>	
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**Implications**

**Financial**

1.1 Referred to in the body of the report.

**Legal**

2.1 None.

**Human Resources**

3.1 None.

**Information Technology**

4.1 None.

**Equalities Impact**

5.1 None.

**Corporate objectives and priorities for change**

6.1 The Council Plan values commit to spending money wisely, making the best use of the resources that the Council has.

6.2 The Council is committed to ensuring good financial management and compliance with applicable laws and regulations.

**Other (for example, Health and Safety, Environmental Sustainability, Property and Asset Management, Risk Management and Safeguarding)**

7.1 None.

Fee Variation Letter



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Mr Peter Handford  
Director of Finance & ICT  
Derbyshire County Council  
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Matlock  
DE4 3AG

9 March 2022

Dear Pete

**Derbyshire County Council, additional external audit fee for 2020/21**

Following completion of the audit, we have reviewed the fee for 2020/21. In calculating the additional fee in this letter, we have carefully considered the impact of:

- the good work by your team in working closely with us to complete the audit; and
- the good standard of the working papers provided.

**Additional work**

In our 2020/21 Audit Strategy Memorandum, Audit Completion Report and Annual Auditor's Report we highlighted proposed additional fees in a number of areas.

This letter confirms the final fees for 2020/21, also setting out those that are of a recurring nature that will again be necessary for our 2021/22 audit. We may also need to respond to further recommendations from our regulator in relation to future audits.

## Confirmed fees 2020/21 (Code of Practice audit work only)

Fee variation category	Definition	2019/20	2020/21	Recurrent to 2021/22?
Scale fee		96,524	96,524	Yes
Pension Valuation	Additional work in relation to responding to increased regulatory challenge in auditing the IAS19 pension figures contained within the financial statements.	2,998	2,998	Yes
Increased FRC challenge for a Major Local Audit	Additional work in relation to the increased regulatory challenge from the FRC. e.g. additional levels of review for major local audits (MLAs), further testing undertaken on specific areas (journals, cut-off, estimates), increased scrutiny of information provided by the entity.	3,735	3,735	Yes
PPE Valuation	Additional work in relation to responding to increased regulatory challenge in auditing the PPE figures contained within the financial statements.	5,232	5,232	Yes
VFM commentary	See separate report which sets out the ranges for this work. <a href="https://www.psa.co.uk/additional-information-for-2020-21-audit-fees/">https://www.psa.co.uk/additional-information-for-2020-21-audit-fees/</a>	-	14,063	Yes
COVID-19	Additional work in relation to responding to the impact of Covid-19, both on the financial statements and performing of the audit. e.g. risk assessments/arrangement checklists performed, PPE/pensions valuations work undertaken (Emphasis of Matters), audits taking longer due to impact of remote working.	4,899	1,188	No
ISA540	See separate report which sets out the ranges for this work. <a href="https://www.psa.co.uk/additional-information-for-2020-21-audit-fees/">https://www.psa.co.uk/additional-information-for-2020-21-audit-fees/</a>	-	4,644	Yes
McCloud/ Goodwin	Additional work in relation to responding to the McCloud legal ruling which had implications for pension schemes.	1,246	-	No
Sub-total		18,110	31,860	-
Total		114,634	128,384	-



The 2020/21 fee detailed is subject to PSAA approval in the usual way and should you wish to discuss our 2020/21 fees, please do not hesitate to contact me. With the PSAA approval process in mind, please would you send me a brief email agreeing the additional 2020/21 fees detailed to help with the PSAA fee agreement process and share this letter with the Audit Committee at its next meeting as confirmation?

Yours sincerely



**Mark Surridge**

Key Audit Partner For and on behalf of Mazars LLP

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