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Lisa Buckle  
Head of Finance & Audit  
West Devon Borough Council  
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Our ref **SHDC/1516/FeeLetter**

9 April 2015

Dear Lisa

### **Annual audit fee 2015/16**

I am writing to confirm the audit work and fee that we propose for the 2015/16 financial year at West Devon Borough Council.

### ***Closure of the Audit Commission***

Although the Audit Commission formally closed at the end of March 2015, it was responsible for setting audit fees for the audit of the 2015/16 financial year. Our fee proposals are therefore based on the Audit Commission's *Work Programme & Scales of Fees 2015/16*.

Following the closure of the Audit Commission, responsibility for determining audit fees in the future has transferred to Public Sector Audit Appointments Limited (PSAA), an independent company established by the Local Government Association. PSAA will oversee the management of the Audit Commission's audit contracts until they end in 2017, or 2020 if they are extended. The Secretary of State for Communities and Local Government has delegated certain functions formerly exercised by the Audit Commission to PSAA to enable it to deliver these functions.

Also following the Audit Commission's closure, the National Audit Office (NAO) is now responsible for producing and maintaining the Code of Audit Practice (the Code) and providing supporting guidance to auditors. We will follow the requirements of the Code and supporting guidance when delivering our audit work.

### ***Planned audit fee***

The planned audit and certification fees for 2015/16 are shown below, along with a comparison to the prior year's fee. All fees are exclusive of VAT.

| <b>Audit area</b>                       | <b>Planned fee 2015/16</b> | <b>Planned fee 2014/15*</b> |
|---|----------------------------|-----------------------------|
| Code of Audit Practice audit fee        | <b>39,396</b>              | 52,528                      |
| Certification of grant claims & returns | <b>5,630</b>               | 7,120                       |

\* Fees for 2014/15 are those to be charged by Grant Thornton as per the published scale rates

In general, the Audit Commission set 2015/16 scale fees based on a reduction of 25 per cent to the fees applicable for 2014/15. This reduction is in addition to the savings of up to 40 per cent in scale audit fees and certification fees in 2012. The planned fee is in line with the scale fee.

As 2015/16 is our first year of audit following our appointment as your external auditor, we will liaise with the out-going auditor, Grant Thornton, as their 2014/15 audit progresses to inform our risk assessment, and fees will be reviewed and updated as necessary. We will naturally keep you informed.

#### ***Factors affecting audit work for 2015/16***

We tailor our work to reflect local circumstances and our assessment of audit risk. We do this by assessing the significant financial and operational risks facing an audited body, and the arrangements it has put in place to manage those risks, as well as considering changes affecting our audit responsibilities or financial reporting standards.

The Chartered Institute for Public Finance and Accountancy (CIPFA) has confirmed that a change in accounting policy will be introduced for the accounts from 2016/17, in relation to the measurement of transport infrastructure assets for authorities with highways responsibilities. Fees for any additional audit work required in 2015/16, the preparatory year, in relation to disclosures in the financial statements, will be subject to approval under the normal fee variations process. The Audit Commission decided that it was not appropriate to increase scale fees because the amount of work required at individual authorities will vary based on local circumstances, and may not be required for more than one year.

Under the Code, we have a responsibility to consider an audited body's arrangements to secure economy, efficiency and effectiveness in its use of resources. The 2015/16 fees have been set on the basis that the NAO's Code maintains the scope of work required by auditors under the Audit Commission's previous Code and supporting guidance. The NAO has not yet published guidance for auditors on the required approach to work on value for money arrangements for 2015/16.

#### ***Certification work***

As well as our work under the Code, we will certify the 2015/16 claim for housing benefit subsidy to the Department for Work & Pensions.

There are no longer any other claims or returns that we are required to certify under the PSAA audit contract. Assurance arrangements for other schemes are a matter for the relevant grant-paying body, and may be the subject of separate fees and tri-partite arrangements between the grant-paying body, the audited body, and the auditor. We would be happy to discuss any such certification needs with you.

### ***Assumptions***

The indicative fees are based on a number of assumptions, including that you will provide us with complete and materially accurate financial statements with good quality supporting working papers, within agreed timeframes. It is imperative that you achieve this. If this is not the case and we have to complete more work than was envisaged, we will need to charge additional fees for this work. Our assumptions are set out in more detail in Appendix 1 to this letter.

In setting the fee at this level, we have assumed that the general level of risk in relation to the audit of the financial statements and certification work is not significantly different from that identified for the current year's audit. A more detailed audit plan will be issued in early 2016. This will detail the risks identified, planned audit procedures and (if required) any changes in fee. If we need to make any significant amendments to the audit fee during the course of the audit, I will first discuss this with you and then prepare a report for the Audit Committee, outlining the reasons why the fee needs to change.

We expect to issue a number of reports relating to our work over the course of the audit. These are listed at Appendix 2.

The proposed fee excludes any additional work we may agree to undertake at the request of West Devon Borough Council. Any such piece of work will be separately discussed and a detailed project specification agreed with you.

### ***Our team***

The key members of our audit team for the 2015/16 audit are:

| <b>Name</b>    | <b>Role</b>     | <b>Contact details</b>                            |
|----------------|-----------------|---|
| Darren Gilbert | Engagement Lead | darren.gilbert@kpmg.co.uk<br>+44 (0) 292 046 8205 |
| Adam Bunting   | Manager         | adam.bunting@kpmg.co.uk<br>+44 (0) 117 905 4470   |



***Quality of service***

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact me and I will try to resolve your complaint. If you are dissatisfied with your response please contact the national contact partner for all of KPMG's work under our contract with PSAA, Trevor Rees (on 0161 246 4063, or by email to [trevor.rees@kpmg.co.uk](mailto:trevor.rees@kpmg.co.uk)). After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing [generalenquiries@psaa.co.uk](mailto:generalenquiries@psaa.co.uk), by telephoning 020 7072 7445 or by writing to:

Public Sector Audit Appointments Limited  
3rd Floor  
Local Government House  
Smith Square  
London  
SW1P 3H

Yours sincerely

Darren Gilbert  
Director

cc: Steve Jordan – Executive Director (Strategy & Commissioning) and Head of Paid Service

## **Appendix 1 – Audit fee assumptions**

In setting the fee, we have assumed that:

- the level of risk in relation to the audit of the financial statements is not significantly different from that identified for 2014/15;
- you will inform us of significant developments impacting on our audit work;
- internal audit meets the appropriate professional standards;
- internal audit undertakes appropriate work on all systems that provide material figures in the financial statements sufficient that we can place reliance for the purposes of our audit;
- you will identify and implement any changes required under the CIPFA IFRS-based Code of Practice on local Authority Accounting within your 2015/16 financial statements;
- your financial statements will be made available for audit in line with the timetable we agree with you;
- good quality working papers and records will be provided to support the financial statements in line with our *prepared by client* request and by the date we agree with you;
- requested information will be provided within agreed timescales;
- prompt responses will be provided to draft reports;
- complete and accurate claims and returns are provided for certification, with supporting working papers, within agreed timeframes; and
- additional work will not be required to address questions or objections raised by local government electors or for special investigations such as those arising from disclosures under the Public Interest Disclosure Act 1998.

Improvements to the above factors may allow reductions to the audit fee in future years. Where these assumptions are not met, we will be required to undertake additional work and charge an increased audit fee. The fee for the audit of the financial statements will be re-visited when we issue the detailed audit plan.

Any changes to our audit plan and fee will be agreed with you. Changes may be required if:

- new residual audit risks emerge;
- additional work is required by KPMG, PSAA, the NAO or other regulators; or
- additional work is required as a result of changes in legislation, professional standards or as a result of changes in financial reporting.

## **Appendix 2: Planned outputs**

Our reports will be discussed and agreed with the appropriate officers before being issued to the Audit Committee.

| <b>Planned output</b>   | <b>Indicative date*</b> |
|---|-------------------------|
| External audit plan   | January 2016            |
| Interim audit letter  | June 2016               |
| Report to those charged with governance (ISA260 report)   | July 2016               |
| Auditor's report giving the opinion on the financial statements, value for money conclusion and audit certificate | July 2016               |
| Opinion on Whole of Government Accounts return  | TBC 2016                |
| Annual audit letter   | TBC 2016                |
| Certification of grant claims and returns   | January 2017            |

\* The 2015/16 financial statements will be the first to be prepared under the new Accounts & Audit Regulations 2015 (the 2015 Regulations). The 2015 Regulations bring forward the deadline for the publication of audited financial statements from 30 September to 31 July. This will therefore compress the audit timetable. The impact this will have on certain audit deadlines is not yet clear.