

# Audit Fee – Further Analysis

Plymouth City Council

30 April 2020



# Audit fee variations – Further analysis

The table below shows the planned variations to the original scale fee for 2019/20 based on our best estimate at the audit planning stage. Further issues identified during the course of the audit may incur additional fees. In agreement with PSAA (where applicable) we will seek approval to secure these additional fees for the remainder of the contract via a formal rebasing of your scale fee. Should any further issues arise during the course of the audit that necessitate further audit work additional fees will be incurred, subject to PSAA approval.

Audit area	£	Rationale for fee variation
Scale fee	105,393	
Raising the bar	8,000	General - The Financial Reporting Council (FRC) has highlighted that the quality of work by all audit firms needs to improve across local audit. This will require additional supervision and leadership, as well as additional challenge and scepticism in areas such as journals, estimates, financial resilience and information provided by the entity. For major audits – as outlined earlier in the Plan, we have also reduced the materiality level, reflecting the higher profile of local audit. This will entail increased scoping and sampling.
Pensions – valuation of net pension liabilities under International Auditing Standard (IAS) 19	3,500	General – the FRC have highlighted that the quality of work by all audit firms needs to be improved across local audit. This requires additional challenge and scepticism and testing. The requirements result in increased supervision and senior level input. We have increased the granularity, depth and scope of coverage, with increased levels of sampling, additional levels of challenge and explanation sought, and heightened levels of documentation and reporting.
PPE Valuation – work of experts	9,500	General – The FRC have highlighted that the quality of work by all audit firms on PPE valuations requires further improvement. We have had to increase the level of challenge and scepticism of both management and valuers. We have also had to engage our own valuation experts - Wilks Head and Eve and increased the volume and scope of our audit work to ensure an adequate level of audit scrutiny and challenge over the assumptions that underpin PPE valuations. We estimate that the cost of the auditors expert will be in the region of £5000.
Groups	4,000 if required)	General - The Financial Reporting Council (FRC) have highlighted the need to increase quality by all audit firms in relation to the audit of group accounts and in particular, increase focus and scrutiny when relying upon assurances from other auditors. This requires additional supervision and leadership as well as additional challenge and scepticism in this area. As this is the first year of Group accounts additional audit procedures will be required.
New standards/developments	3,000	General - Covid-19 is an emerging issue and development across the entire public sector which will require further audit challenge and scrutiny across the financial statements. Our initial risk assessment has been updated to add a further significant risk for this event. We anticipate that this will increase as further detailed work is required.
Miel Ltd - Payment of the Pension Fund Liability	6,000	Local to Plymouth - The introduction of this as a financial statements level risk requires additional audit procedures and follow up of our recommendations from last year. As this is a highly complex and unusual transaction, we as auditors, are likely to also utilise the services of experts such as legal advisers.
Grants and Financial Instruments	3,000	Local to Plymouth - We have included these areas as significant risks as part of our audit risk assessment. These areas will require detailed auditor focus and increased testing.
Revised fee	142,393	