

# Royal Berkshire Fire and Rescue Authority

Annual Audit Letter for the year  
ended 31 March 2020

November 2021

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Public Sector Audit Appointments Ltd (PSAA) have issued a 'Statement of responsibilities of auditors and audited bodies'. It is available from the Chief Executive of each audited body and via the PSAA website ([www.psaa.co.uk](http://www.psaa.co.uk)).

This Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The 'Terms of Appointment (updated April 2018)' issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Annual Audit Letter is prepared in the context of the Statement of responsibilities and Terms of Appointment. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – 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, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Hywel Ball, our Managing Partner, 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. We can provide further information on how you may contact our professional institute.



A blurred background image showing a pair of hands holding a tablet computer. The hands are positioned as if presenting the device, with the screen facing towards the viewer. The background is out of focus, showing what appears to be an office or meeting environment with some furniture and light coming from a window.

Section 1

# Executive Summary



# Executive Summary

We are required to issue an annual audit letter to Royal Berkshire Fire and Rescue Authority (the Authority) following completion of our audit procedures for the year ended 31 March 2020.

Covid-19 had an impact on a number of aspects of our 2019/20 audit. We set out these key impacts below.

Area of impact	Commentary
Impact on the delivery of the audit	
► Changes to reporting timescales	As a result of Covid-19, new regulations, the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 No. 404, have been published and came into force on 30 April 2020. This announced a change to publication date for final, audited accounts from 31 July to 30 November 2020 for all relevant authorities.
Impact on our risk assessment	
► Valuation of Property Plant and Equipment	The Royal Institute of Chartered Surveyors (RICS), the body setting the standards for property valuations, issued guidance to valuers highlighting that the uncertain impact of Covid-19 on markets might cause a valuer to conclude that there is a material uncertainty. Caveats around this material uncertainty have been included in the year-end valuation reports produced by the Authority's external valuer. We consider that the material uncertainties disclosed by the valuer gave rise to an additional risk relating to disclosures on the valuation of property, plant and equipment.
► Disclosures on Going Concern	Financial plans for 2020/21 and medium term financial plans will need revision for Covid-19. We considered the unpredictability of the current environment gave rise to a risk that the Authority would not appropriately disclose the key factors relating to going concern, underpinned by managements assessment with particular reference to Covid-19 and the Authority's actual year end financial position and performance.
Impact on the scope of our audit	
► Information Produced by the Entity (IPE)	We identified an increased risk around the completeness, accuracy, and appropriateness of information produced by the entity due to the inability of the audit team to verify original documents or re-run reports on-site from the Authority's systems. We undertook the following to address this risk: <ul style="list-style-type: none"><li>• Used the screen sharing function of Microsoft Teams to evidence re-running of reports used to generate the IPE we audited; and</li><li>• Agree IPE to scanned documents or other system screenshots.</li></ul>
► Consultation requirements	Additional EY consultation requirements concerning the impact on auditor reports. The changes to audit risks and audit approach changed the level of work we needed to perform.

# Executive Summary (cont'd)

The tables below set out the results and conclusions on the significant areas of the audit process.

Area of Work	Conclusion
Opinion on the Authority and Pension Fund's:	
► Financial statements	Unqualified – the financial statements give a true and fair view of the financial position of the Authority and Pension Fund as at 31 March 2020 and of its expenditure and income for the year then ended.
► Consistency of other information published with the financial statements	Other information published with the financial statements was consistent with the Annual Accounts.
► Concluding on the Authority's arrangements for securing economy, efficiency and effectiveness	We concluded that you have put in place proper arrangements to secure value for money in your use of resources.

Area of Work	Conclusion
Reports by exception:	
► Consistency of other information	The other information was consistent with our understanding of the Authority.
► Public interest report	We had no matters to report in the public interest.
► Written recommendations to the Authority, which should be copied to the Secretary of State	We had no matters to report.
► Other actions taken in relation to our responsibilities under the Local Audit and Accountability Act 2014	We had no matters to report.

# Executive Summary (cont'd)

Area of Work	Conclusion
Reporting to the National Audit Office (NAO) on our review of the Authority's Whole of Government Accounts return (WGA).	The Authority is below the specified audit threshold of £500mn. Therefore, we did not perform any audit procedures on the consolidation pack.

As a result of the above we have also:

Area of Work	Conclusion
Issued a report to those charged with governance of the Authority communicating significant findings resulting from our audit.	Our Audit Results Report was issued on 20 October 2021
Issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office's 2015 Code of Audit Practice.	Our certificate was issued on 21 October 2021

We would like to take this opportunity to thank the Authority and Pension Fund's staff for their assistance during the course of our work.

Andrew Brittain  
Associate Partner  
For and on behalf of Ernst & Young LLP

Section 2

# Purpose and Responsibilities



# Purpose and responsibilities

## The Purpose of this Letter

The purpose of this annual audit letter is to communicate to Members and external stakeholders, including members of the public, the key issues arising from our work, which we consider should be brought to the attention of the Authority.

We have already reported the detailed findings from our audit work in our 2019/20 Audit Results Report to the Audit and Governance Committee, representing those charged with governance. We do not repeat those detailed findings in this letter. The matters reported here are the most significant for the Authority.

## Responsibilities of the Appointed Auditor

Our 2019/20 audit work has been undertaken in accordance with the Audit Plan that we issued on 30 July 2020 and is conducted in accordance with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK), and other guidance issued by the National Audit Office.

As auditors we are responsible for:

- ▶ Expressing an opinion:
  - ▶ On the 2019/20 financial statements, including the pension fund; and
  - ▶ On the consistency of other information published with the financial statements.
- ▶ Forming a conclusion on the arrangements the Authority has to secure economy, efficiency and effectiveness in its use of resources.
- ▶ Reporting by exception:
  - ▶ If the other information is misleading or not consistent with our understanding of the Authority;
  - ▶ Any significant matters that are in the public interest;
  - ▶ Any written recommendations to the Authority, which should be copied to the Secretary of State; and
  - ▶ If we have discharged our duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

Alongside our work on the financial statements, we also review and report to the National Audit Office (NAO) on your Whole of Government Accounts return. The Authority is below the specified audit threshold of £500mn. Therefore, we did not perform any audit procedures on the return.

## Responsibilities of the Authority

The Authority is responsible for preparing and publishing its statement of accounts accompanied by an Annual Governance Statement (AGS). In the AGS, the Authority reports publicly each year on how far it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in year, and any changes planned in the coming period.

The Authority is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.



Section 3

# Financial Statement Audit



# Financial Statement Audit

## Key Issues

The Authority's Statement of Accounts is an important tool for the Authority to show how it has used public money and how it can demonstrate its financial management and financial health.

We audited the Authority and Pension Fund's Statement of Accounts in line with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK), and other guidance issued by the National Audit Office and issued an unqualified audit report on 20 October 2021.

Our detailed findings were reported to the 20 October 2021 Audit and Governance Committee.

The key issues identified as part of our audit were as follows:

Significant Risk	Conclusion
<p>Misstatements due to fraud or error</p> <p>The financial statements as a whole are not free of material misstatements whether caused by fraud or error.</p> <p>As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.</p>	<p>We identified the key fraud risks at the planning stage of the audit and considered the effectiveness of management's controls that are designed to address the risk of fraud. We updated our understanding of the risks of fraud and the controls put in place to address them and made enquiries of Internal Audit, management and those charged with governance to support our understanding.</p> <p>We have:</p> <ul style="list-style-type: none"><li>• Reviewed key estimates made by management and the reasonableness of these;</li><li>• Reviewed the appropriateness of journal entries recorded in the general ledger, and other adjustments made in the preparation of the financial statements;</li><li>• Reviewed the transactions in the financial statements for evidence of any significant unusual transactions.</li></ul> <p>We have not identified any instances of inappropriate judgements being applied.</p> <p>We have not identified any material weaknesses in controls over journals or evidence of material management override.</p> <p>We did not identify any other transactions during our audit which appeared unusual or outside the Authority's normal course of business.</p>

# Financial Statement Audit (cont'd)

The key issues identified as part of our audit were as follows: (cont'd)

Significant Risk	Conclusion
<p>Misstatements due to fraud or error - Inappropriate capitalisation of revenue expenditure</p> <p>Under ISA 240, management is in a unique position to perpetrate fraud through the override of controls. We have considered the main areas where management may have the incentive and opportunity to do this.</p> <p>From our risk assessment, we have assessed that the risk could manifest itself through the inappropriate capitalisation of revenue expenditure to improve the financial position of the general fund.</p> <p>Capitalised revenue expenditure can be funded through borrowing with only minimal MRP charges recorded in the general fund, deferring the expenditure for 30+ years when the borrowing is repaid.</p>	<p>We have:</p> <ul style="list-style-type: none"><li>• Tested PPE additions to ensure that the expenditure incurred and capitalised is clearly capital in nature; and</li><li>• Sought to identify and understand the basis for any significant journals transferring expenditure from revenue to capital codes on the general ledger at the end of the year.</li></ul> <p>Our testing has not identified any material misstatements from inappropriate capitalisation of revenue expenditure.</p>

# Financial Statement Audit (cont'd)

The key issues identified as part of our audit were as follows: (cont'd)

Significant Risk	Conclusion
<p><b>Valuation of land and buildings</b></p> <p>The fair value of Property, Plant and Equipment (PPE) and Investment Properties (IP) represent significant balances in the Authority's accounts and are subject to valuation changes, impairment reviews and depreciation charges.</p> <p>Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.</p>	<p>We have:</p> <ul style="list-style-type: none"><li>• Considered the work performed by the Authority's valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;</li><li>• Sample tested key asset information used by the valuers in performing their valuation (e.g. floor plans to support valuations based on price per square metre);</li><li>• Considered changes to useful economic lives as a result of the most recent valuation; and</li><li>• Tested accounting entries to ensure they have been correctly processed in the financial statements.</li><li>• Reviewed the Authority's assessment of valuations carried out to assess the material accuracy of the values reported as at the 31/03/2020;</li><li>• Assessed the Authority's asset base by type of asset and valuation methodology, as the impact of Covid-19 on valuations is likely to be more significant for assets valued at fair value on the basis of data from market transactions; and</li><li>• Ensured the appropriate disclosure has been made in the accounts concerning any material uncertainty relating to year end valuations.</li></ul> <p>We have not identified any issues with the data sent to, and the report produced by, the Authority's valuer.</p> <p>Our sample testing of valuations back to key asset information used by the valuer showed that the valuations carried out were reasonable. No issues were identified with the economic lives of assets.</p> <p>Our testing of the journals for the valuation adjustments confirmed they have been accurately processed in the financial statements. Our work did not identify any material issues we need to report to you.</p>

# Financial Statement Audit (cont'd)

Other Key Findings	Conclusion
<p>Pension liability valuation</p> <p>The Local Authority Accounting Code of Practice and IAS19 require the Authority to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme, Royal County of Berkshire Pension Fund, administered by the Royal Borough of Windsor and Maidenhead Unitary Authority (RBWM).</p> <p>The Authority's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Authority's balance sheet. At 31 March 2020 this totalled £360 million.</p> <p>The information disclosed is based on the IAS 19 report issued to the Authority by the actuary to the Royal County of Berkshire Pension Fund and also the Firefighters Pension Fund.</p> <p>Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p> <p>The pension liability regarding the McCloud update and the Goodwin case accounting judgements in 19/20 was reviewed.</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>• Liaised with the auditors of the Royal County of Berkshire Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Royal Berkshire Fire and Rescue Authority;</li> <li>• Assessed the work of the LGPS pension fund actuary and the Firefighters pension fund actuary (Barnet Waddingham) including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by the National Audit Office for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team; and</li> <li>• Reviewed and tested the accounting entries and disclosures made within the Authority's financial statements in relation to IAS19.</li> </ul> <p>As part of our audit work it was identified that some deferred pensions on the fire fighters pension scheme had been omitted, which amounted to an understatement of the pension liability figure by £1,112,000. This has now been corrected in the financial statements.</p> <p>The accounting entries and disclosures made within the Authority's financial statements had been carried out correctly based on the information the Authority received from the actuary.</p> <p>Issues that have been identified by Deloitte in relation to their audit of the Royal County of Berkshire Pension Fund which we have reported to the 20 October 2021 Audit Committee;</p> <ul style="list-style-type: none"> <li>• Control deficiencies in relation to maintaining member records;</li> <li>• Control deficiencies in relation to formal challenge of key assumptions used in the valuation of a longevity swap; and</li> <li>• Control deficiencies in relation to an unauthorised overnight loan made to RBWM of £1.2m</li> </ul> <p>We have considered these deficiencies and concluded there was no material impact on the Council's financial statements for 19/20.</p>



# Financial Statement Audit (cont'd)

Other Key Findings	Conclusion
Pension liability valuation (continued)	<p data-bbox="808 371 2063 467">We have identified two judgement differences in the valuation of the IAS 19 pension liability which we have reported to the 20 October 2021 Audit Committee. These are below our materiality level and have not been amended by the Authority.</p> <ul data-bbox="808 480 2089 901" style="list-style-type: none"><li data-bbox="808 480 2089 799">• For Royal Berkshire Fire Authority there was a reconciliation of the total number of active, deferred, pensioner and dependents members submitted to the actuary to the IAS19 Report produced by the Actuary. Differences of 16 were noted in relation to active members, eight were noted in relation to deferred members (including “undecided” members), and four were noted in relation to pensioner and dependant members. The tests did not provide assurance on completeness and accuracy of individual employer membership data submitted to the actuary. Therefore we involved our EY Pension Consulting (EYPC) team to review this area in order to conclude if there was the potential for a material misstatement in the LGPS liabilities. EYPC concluded that the impact of including the missing membership is broadly c.0.25% - c.0.30% of total scheme liabilities. This equates to £126,000, which although below materiality, is above the threshold that we report to those charged with governance.</li><li data-bbox="808 807 2089 901">• No adjustments have been made to the reflect the outcome of the Goodwin legal ruling. Again, we have involved EYPC to assess the impact, and concluded an estimated potential impact of the pensions liability of £84,000. No audit differences are identified in relation to the McCloud legal ruling.</li></ul>

# Financial Statement Audit (cont'd)

Other Key Findings	Conclusion
<p>Going concern disclosures (higher inherent risk)</p> <p>Covid-19 has created a number of financial pressures throughout Local Government. It is creating financial stress through a combination of increasing service demand leading to increased expenditure in specific services, and reductions in income sources. There is currently not a clear statement of financial support from MHCLG that covers all financial consequences of Covid-19. This results in significant judgement to conclude whether events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Authority's ability to continue as a going concern. This judgement will determine the appropriate disclosures to be made in the financial statements, which will be reflected in the audit report.</p>	<p>In light of the unprecedented nature of Covid-19, its impact on the funding of public sector entities and uncertainty over the form and extent of future government support, we sought a documented and detailed consideration to support management's assertion regarding the going concern basis and particularly with a view whether there are any material uncertainties for disclosure.</p> <p>We reviewed the going concern disclosures within the financial statements under IAS1, and associated financial viability disclosures within the Narrative Statement. We considered whether the necessary disclosures had been included regarding any material uncertainties that do exist.</p> <p>We considered whether these disclosures also included details of the process that has been undertaken for revising financial plans and cashflow, liquidity forecasts, known outcomes, sensitivities, mitigating actions including but not restricted to the use of reserves, and key assumptions (e.g. assumed duration of Covid-19).</p> <p>Our audit procedures to review these included consideration of:</p> <ul style="list-style-type: none"><li>• Current and developing environment;</li><li>• Liquidity (operational and funding);</li><li>• Mitigating factors;</li><li>• Management information and forecasting;</li><li>• Sensitivities and stress testing; and</li><li>• Challenge of management's assessment, by thorough testing of the supporting evidence and consideration of the risk of management bias.</li></ul> <p>We have reviewed the disclosures and supporting assessment, and we have gone through our professional consultation process to confirm whether or not we intend to issue an EOM. We are satisfied that the accounts are produced correctly on a going concern process and there is no need for an emphasis of matter due to Covid-19.</p>

# Financial Statement Audit (cont'd)

## Our application of materiality

When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole.

Item	Thresholds applied
Planning materiality	<p>For the main accounts, we determined planning materiality to be £1,112k, which is 2% of gross expenditure reported in the accounts of £55,594k.</p> <p>For the pension fund, we determined planning materiality to be £216k, which is 2% of benefits payable reported in the accounts of £10,800k.</p> <p>We consider gross expenditure to be one of the principal considerations for stakeholders in assessing the financial performance of the Authority.</p>
Reporting threshold	<p>We agreed with the Audit and Governance Committee that we would report to the Committee all audit differences in excess of £55.6k for the main accounts and £10.8k for the pension fund.</p>

We also identified the following areas where misstatement at a level lower than our overall materiality level might influence the reader. For these areas we developed an audit strategy specific to these areas. The areas identified and audit strategy applied include:

- ▶ Remuneration disclosures including any severance payments, exit packages and termination benefits: Disclosure is numerically and politically sensitive. Therefore, the general materiality level is not felt to be appropriate. Errors in the note would be considered material. Where figures are in bandings, it is considered that a materiality of £1k as this is the rounding point in the accounts
- ▶ Related party transactions. Disclosure is numerically and politically sensitive. As the note is split between Organisations and Individuals and the accounting standard requires us to consider the disclosure from the point of materiality to either side of the transaction, we will set materiality for the Organisational element at the same level as the audit and the individuals element is to be considered on a case by case basis.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations.

Section 4

# Value for Money



# Value for Money

We are required to consider whether the Authority has put in place 'proper arrangements' to secure economy, efficiency and effectiveness in its use of resources. This is known as our value for money conclusion.

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

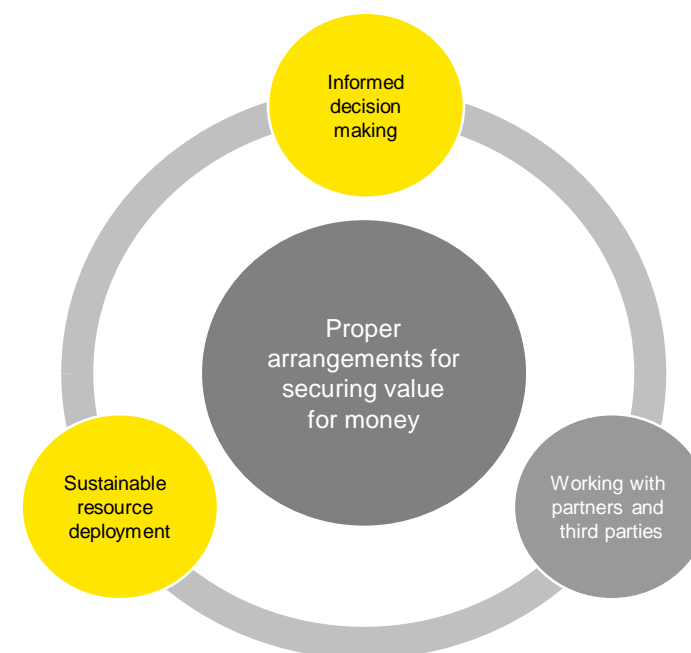
- ▶ Take informed decisions;
- ▶ Deploy resources in a sustainable manner; and
- ▶ Work with partners and other third parties.

On 16 April 2020 the National Audit Office published an update to auditor guidance in relation to the 2019/20 Value for Money assessment in the light of Covid-19. This clarified that in undertaking the 2019/20 Value for Money assessment auditors should consider NHS bodies' response to Covid-19 only as far as it relates to the 2019-20 financial year; only where clear evidence comes to the auditor's attention of a significant failure in arrangements as a result of Covid-19 during the financial year, would it be appropriate to recognise a significant risk in relation to the 2019-20 VFM arrangements conclusion.

We did not identify any significant risks in relation to these criteria

We have performed the procedures outlined in our audit plan. We did not identify any significant weaknesses in the Authority's arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

We therefore issued an unqualified value for money conclusion on 20 October 2021.





A blurred background image of a business meeting. Several people in professional attire are gathered around a wooden conference table. A woman with blonde hair is leaning forward, resting her chin on her hand, looking intently at documents on the table. Other people's hands and arms are visible, some pointing at the papers. The scene is brightly lit, suggesting a modern office environment.

Section 5

## Other Reporting Issues

# Other Reporting Issues

## Whole of Government Accounts

We are required to perform the procedures specified by the National Audit Office on the accuracy of the consolidation pack prepared by the Authority for Whole of Government Accounts purposes.

The Authority is below the specified audit threshold of £500mn. Therefore, we were not required to perform any audit procedures on the consolidation pack.

## Annual Governance Statement

We are required to consider the completeness of disclosures in the Authority's annual governance statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it is misleading.

We completed this work and did not identify any areas of concern.

## Report in the Public Interest

We have a duty under the Local Audit and Accountability Act 2014 to consider whether, in the public interest, to report on any matter that comes to our attention in the course of the audit in order for it to be considered by the Authority or brought to the attention of the public.

We did not identify any issues which required us to issue a report in the public interest.

## Written Recommendations

We have a duty under the Local Audit and Accountability Act 2014 to designate any audit recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response.

We did not identify any issues which required us to issue a written recommendation.

# Other Reporting Issues (cont'd)

## Objections Received

We did not receive any objections to the 2019/20 financial statements from members of the public.

## Other Powers and Duties

We identified no issues during our audit that required us to use our additional powers under the Local Audit and Accountability Act 2014.

## Independence

We communicated our assessment of independence in our Audit Results Report to the Audit and Governance Committee on 19 July 2021. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning regulatory and professional requirements.

## Control Themes and Observations

As part of our work, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you significant deficiencies in internal control identified during our audit.

We have adopted a fully substantive audit approach and have therefore not tested the operation of controls.



Section 6

## Focused on your future



# Focused on your future

The Code of Practice on Local Authority Accounting in the United Kingdom introduces the application of new accounting standards in future years. The impact on the Authority is summarised in the table below.

Standard	Issue	Impact
IFRS 16 Leases	<p>It is currently proposed that IFRS 16 will be applicable for local authority accounts from the 2022/23 financial year.</p> <p>Whilst the definition of a lease remains similar to the current leasing standard; IAS 17, for local authorities who lease a large number of assets the new standard will have a significant impact, with nearly all current leases being included on the balance sheet.</p> <p>There are transitional arrangements within the standard and although the 2022/23 Accounting Code of Practice for Local Authorities has yet to be updated, CIPFA have issued some limited provisional information which begins to clarify what the impact on local authority accounting will be. Whether any accounting statutory overrides will be introduced to mitigate any impact remains an outstanding issue.</p>	<p>Until the revised 2022/23 Accounting Code is issued and any statutory overrides are confirmed there remains some uncertainty in this area.</p> <p>However, what is clear is that the Authority will need to undertake a detailed exercise to identify all of its leases and capture the relevant information for them. The Authority must therefore ensure that all lease arrangements are fully documented.</p>



A close-up photograph of a person's hand placing a document into a hanging file folder. The folder is part of a system with several other folders, each marked with a colored tab (blue, white, yellow, white, blue). The folders are filled with various documents, some of which are visible and show forms or spreadsheets. A large, bright yellow rectangular overlay is positioned on the left side of the image, partially covering the folders and the hand.

Section 7

# Audit Fees

# Audit Fees

Our proposed fee for 2019/20 is explained below and is subject to approval by Public Sector Audit Appointments Ltd.

Description	Final Fee 2019/20 £	Planned Fee 2019/20 £	Scale Fee 2019/20 £	Final Fee 2018/19 £
Total Audit Fee –Code work	26,180	26,180	26,180	26,180
Changes in work required to address professional and regulatory requirements and scope associated with risk (see Note 1)	23,727	23,727	N/A	N/A
Revised Proposed Scale Fee	49,907	49,907	N/A	26,180
Additional work related to pensions	-	-	-	6,860
Additional pensions work required as a result of the IAS 19 reporting from the auditor of the Berkshire Pension Scheme (see Note 2)	7,000	-	-	N/A
Additional specific one-off technical issues required for Covid-19 considerations (see Note 3)	6,000	-	-	N/A
Additional specific one-off impact of Covid-19 and the elongated audit period (see Note 4)	5,500	-	-	N/A
Total Proposed Audit Fee	68,407	49,907	26,180	33,040

# Audit Fees (continued)

## Note 1

We have discussed with the management and the Audit Committee that we do not believe the existing scale fees provide a clear link with a public sector organisation's risk and complexity and laid out the impact of regulatory changes which have caused that. We have quantified the implications of these factors on our assessment of the baseline fee to deliver a sustainable high-quality external audit. For 2019/20 the scale fee has been re-assessed to take these into account and given the range of factors as outlined below:

- Change in risk profile - £8,404
- Changes in regulatory environment - £12,660
- Changes in expectations on delivery - £2,664

This additional fee has been discussed with management, who have explained they do not agree with it, and it is therefore subject to review by the PSAA.

## Note 2

We have quantified the additional work we have undertaken, including costs associated with the delays in receiving the Deloitte IAS 19 report; resolving material issues with the report; responding to findings in the report; and required input from EY Pensions specialists. We have discussed this fee variation with the s151 officer and will be seeking PSAA approval.

## Note 3

We have quantified the additional work we have undertaken, including costs associated with additional work on PPE valuation as a result of a the heightened risk assessment in light of Covid-19; understanding and reviewing management's going concern assessment and disclosures in relation to Covid-19; and the consultation process on our audit report. We have discussed this fee variation with the s151 officer and will be seeking PSAA approval.

## Note 4

These represent the general impact of Covid-19 on our audit process. This included the additional procedures expected in such unprecedented circumstances including the requirement to revisit our materiality levels, reconsider the impact of the pandemic on our Value for Money risks (both identified and more broadly), as well as the general delays experienced during lockdown. Additionally the elongated period of the audit has required considerably more post balance sheet event work and relates to the additional procedures required up to final sign off date – e.g. additional minute review, updating of risks, cashflow forecast extension. We have discussed this fee variation with the s151 officer and will be seeking PSAA approval.

#### About EY

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