



2018/19 AUDIT FEES

London Borough of Barking & Dagenham

18 July 2023

EXECUTIVE SUMMARY



This report includes the final fee information for the 2018/19 audit.

The final results of the 2018/19 audit were reported to the Audit and Standards Committee (ASC) on 21 September 2020 in our Audit Completion Report. In this report, and in our 2019/20 Audit Plan presented to the ASC on 18 January 2021, we highlighted that the scale fee set by Public Sector Audit Appointments Limited (PSAA) was insufficient to cover the significant amount of additional audit procedures and reporting time required to deliver the audit, as a result of the number of significant risks and errors identified, including a number of prior period adjustments.

Since that time we have:

- ▶ Completed a detailed Root Cause Analysis process exploring the contributing factors to the number of issues identified during the audit and length of time to complete the audit
- ▶ Agreed an action plan with the finance team for securing improvements to accounts preparation and audit processes
- ▶ Reported the results of the RCA and the key actions to the ASC (18 January 2021)
- ▶ Discussed the audit fee implications at a granular level with the Strategic Director, Finance and Investment (S151 Officer) and agreed the appropriate level of additional scope audit work with him.

KEY ISSUES REPORTED FOR 2018/19

Adjusted and unadjusted errors:

There were 42 adjustments made to the draft 2018/19 Statement of Accounts as a result of the audit. These had a net impact on the reported results of the Council of £70.4 million. Of these, 8 were individually material (materiality was £11 million).

A further 23 unadjusted misstatements were reported to ASC.

Prior period adjustments:

In addition to in-year errors, 3 prior period adjustments were required as a result of matters identified during the audit:

- dedicated schools grant had been double counted in the year (£176.8 million) and £168.1 million had also been double counted in the 2017/18 financial statements
- correction of over receipting of purchase orders resulting in misstatement of creditors in the year (£877, 000) and £10.5 million relating to prior years
- correction of historical capital spend which had not been correctly reclassified when assets became operational to the value of £31.8 million.

Significant deficiencies in internal control:

We reported 7 significant deficiencies in internal control, a number of which resulted in the need for our audit strategy to be amended to include an increased level of substantives procedures and sample sizes to be necessary in order to gain the required level of assurance to support the audit opinion. We issued an ISA265 letter to the ASC (22 October 2019) highlighting significant weaknesses in the effectiveness of the arrangements for preparing a materially accurate Statement of Accounts.

Additional audit procedures:

A significant level of additional audit procedures were required in a significant number of areas, including:

- Opening balances in respect of non current asset valuations
- Valuation and classification of property, plant and equipment
- Consolidation of group accounts, which had been done by the Council for the first time and was the source of numerous errors and technical accounting issues.

FEES

	2018/19 Actual £	2018/19 Planned £	2017/18 Actual £
Audit fee			
Code audit fee: Consolidated Group and Council financial statements and use of resources ¹	390,114	127,801	165,975
Group consolidation audit fee ²	39,677	N/A	N/A
Audit fees	429,791	127,801	165,975
Non-audit assurance services			
Fees for reporting on government grants:			
Housing benefits subsidy claim	19,800	19,800	34,354
Pooling of housing capital receipts return	3,250	3,250	5,750
Teachers' pensions return	3,250	3,250	2,900
Fees for other non-audit services	26,300	26,300	43,004
Total fees	456,091	154,101	208,979

¹ Additional fees of £262,313 in respect of the substantial amount of additional scope audit procedures, and increase in associated Manager and Partner time, required to address the audit risk profile of the Council and the volume of errors, significant deficiencies in internal control and other issues identified as part of the audit. These are summarised on the previous page and the detail previously reported to the Audit and Standards Committee. These fees have been discussed and agreed with the Strategic Director, Finance and Investment (S151 Officer).

² In 2018/29 the Council consolidated the group accounts for the first time. The scale fee set by PSAA does not include an amount for the audit of the group consolidation and we have agreed £39,677 for this first year. Although this will be a recurrent addition to the scale fee, there were a significant number of errors identified as part of the audit of the group consolidation in 2018/19 and we do not anticipate the same level of misstatements to recur in future years. For this reason we proposed and agreed a recurrent fee of £23,581 for group consolidation work, on the assumption that the group accounts and working papers received in future years will be of good quality and free from material misstatement.

There is a requirement for all additional fees to be approved by PSAA before they can be invoiced. This will be the next step in the process.



PROGRESS SINCE 2018/19

Root cause analysis

- ▶ The RCA process and the action plan implemented subsequently has led to improvements in the accounts preparation processes.
- ▶ While the timing of the RCA and action planning was after the 2019/20 Statement of Accounts had been prepared, so not all actions could be implemented for 2019/20, a number of actions were implemented retrospectively.
- ▶ While there are still reportable matters arising from the 2019/20 audit, some of which are material, there have so far been fewer errors identified and no prior period adjustments (as reported in our reports to the ASC in March & October 2022).



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