

25 April 2018

Ms N Muschamp
Lancaster City Council
Chief Officer (Resources)
Lancaster City Council
Town Hall
Dalton Square
Lancaster
LA1 1PJ

Dear Ms Muschamp

Fee for the audit of the accounts of Lancaster City Council for the year ending 31 March 2019

We are writing to set out our fee for the audit of the accounts of Lancaster City Council for the year ending 31 March 2019.

Proposed fee for the audit

The scale fee for the audit published by Public Sector Audit Appointments Limited (PSAA) in respect of the year ending 31 March 2019 is £44,959. This compares to the published fee scale for 2017/18 of £58,388.

We do not propose any variations to the scale fee.

Work programme

Our audit work will be undertaken under the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office (NAO) on behalf of the Comptroller and Auditor General, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

The Code sets the overall scope of the audit, requiring the auditor to give an opinion on the financial statements of a principal body subject to audit under the 2014 Act, and a conclusion on the arrangements for value for money.

The audited body is responsible for putting in place appropriate arrangements to support the proper conduct of public business, and for ensuring that public money is safeguarded, properly accounted for and used with due regard to value for money.

The Code requires that the auditor's work should be risk-based and proportionate. We tailor our work to reflect local circumstances and their assessment of audit risk. We do this by assessing the significant financial and operational risks facing an audited body, and evaluating the arrangements it has put in place to manage those risks.

This is the first year of our appointment and our predecessor has not yet completed their audit for 2017/18. Our risk assessment is therefore necessarily very limited at this stage. Based on our preliminary procedures, we have not identified planned pieces of risk-based value for money work.

Once we have completed our detailed planning and risk assessment procedures, we will present our initial audit plan to those charged with governance and provide an explanation for any variances to the published scale rate set out in this letter and following the approval process described below.

Assumptions on which the fee is based

The 2018/19 scale fee and our proposed fee is based on the following assumptions:

- there are no significant changes (compared to that applying to 2017/18 and reflected in the published fee scale for that year) in NAO guidance for auditors, professional standards, or CIPFA/LASAAC financial reporting requirements that would affect materially the amount of audit work to be undertaken for our 2018/19 audit;
- the authority is able to provide us with complete and materially accurate financial statements, with supporting working papers, within agreed timeframes; and
- audit risk and complexity are similar to the level identified and reflected in the scale fee for 2018/19, including that: the authority maintains a strong control environment; and our detailed risk assessment work does not identify the need to undertake pieces of risk-based value for money work.

The proposed fee does not include fees for considering objections or any special investigations, such as those arising from disclosures under the Public Interest Disclosure Act 1998. These will be charged as a variation to the scale fee using the procedure described below.

From 2018/19, certification work is no longer covered by PSAA's audit contract and is therefore not within the scope of this letter. Where such work is requested, a separate tripartite engagement between the relevant department, the audited body and a reporting accountant is needed.

The fees exclude value added tax (VAT), which will be charged at the prevailing rate of 20 per cent on all work done.

Variations to the proposed fee

Where it becomes clear that the amount of work required is significantly different to that which would be expected based on these assumptions (and reflected in the above fees), we will request a variation to the proposed fee.

We will first discuss the reasons for the additional fee with you and then submit a request to PSAA for a variation in the fee. PSAA has the power to determine the audit fee payable, which may vary from the prescribed scale fee, where it concludes that substantially more or less audit work was required than envisaged by the scale fee.

We look forward to working with the authority over the coming years.

Yours sincerely



Deloitte LLP