



Grant Thornton

An instinct for growth™

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Dear Marc,

Fee variations in relation to the 2018-19 external audit

I am writing to seek your agreement to increase the external audit fee for additional work performed in connection with the 2018-19 statutory audit of the Council.

As you know, local government audit fees have significantly reduced in recent years. In the last year alone, your audit scale fees reduced by a total of £10,062, which equates to a saving of 23%.

As outlined in our audit plan, the 2018-19 scale fee published by PSAA of £33,684 excluding VAT assumes that the scope of the audits do not significantly change. There are a number of areas where the scope of the audit has changed, which has led to additional work. These are set out in the table below.

Area	Reason	£
Assessing the impact of the McCloud ruling	The Government's transitional arrangements for pensions were ruled discriminatory by the Court of Appeal last December. The Supreme Court refused the Government's application for permission to appeal this ruling. As part of our audit we have reviewed the revised actuarial assessment of the impact on the financial statements along with any audit reporting requirements.	£1,500
Pensions – IAS 19	The Financial Reporting Council has highlighted that the quality of work by audit firms in respect of IAS 19 needs to improve across local government audits. Accordingly, we have increased the level of scope and coverage in respect of IAS 19 this year to reflect this.	£1,500
PPE Valuation – work of experts	As above, the Financial Reporting Council has highlighted that auditors need to improve the quality of work on PPE valuations across the sector. We have increased the volume and scope of our audit work to reflect this.	£1,500
Total		£4,500

As a result of the above, we propose the revised fee for the audit will be £38,184 excluding VAT. This compares with an actual fee charged for the 2017/18 audit of £43,746 excluding

VAT. The revised fee still provides a saving of £5,562 (or 13%) on the prior year fee. In light of the additional work performed to provide the statutory audit opinion over and above that performed in the prior year, we believe the revised fee still provides value for money.

Process for approving variations to the scale fee

Whilst PSAA do not change the published scale fee, PSAA can approve any proposed variations to the scale fee by the appointed auditor. PSAA will consider the reasonableness of the explanations provided by auditors before agreeing to any variation to the scale fee.

As the fee variations relating to McCloud, pensions and PPE valuation are common to all local authorities, we have verbally agreed an approach with PSAA to billing for the additional work in these areas, which will ensure consistency in our firm's approach across the sector.

Prior to our submission of the proposed fee variations to PSAA, we are required to communicate the proposed fee variations to those charged with governance. We have included the proposed fee variations set out above in our Annual Audit Letter.

If you would like to discuss our proposed fee variations, please contact me in the first instance.

Yours sincerely

A handwritten signature in black ink, appearing to read 'A. Smith', is written over a horizontal line.

Andrew Smith, Director
Grant Thornton (UK) LLP